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

Sydney, 19 August 2022

TPG Telecom Limited Results for Half-Year Ended 30 June 2022 - Appendix 4D and Half-Year Financial Report

TPG Telecom Limited (ASX: TPG) today releases its results for the half-year ended 30 June 2022.

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

TPG Telecom's recorded results presentation by Iñaki Berroeta, Chief Executive Officer and Managing Director, and Grant Dempsey, Group Chief Financial Officer, can be accessed using the below webcast link. A live question-and-answer session will commence at 10.30am (Sydney time) using the same webcast link.

Webcast link: https://webcast1.boardroom.media/watch_broadcast.php?id=62aa7c01c5fee

The recorded presentation will also be made available on the TPG Telecom website after the event.

Authorised for lodgement with ASX by:

Trent Czinner
Company Secretary
TPG Telecom Limited

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TPG Telecom Limited

Appendix 4D

ASX Appendix 4D

Half-year ended 30 June 2022

(Previous corresponding period: Half-year ended 30 June 2021)

Reported results

		30 June 2022	30 June 2021	Change
Revenue from ordinary activities	$m	2,626	2,625	0%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	$m	837	884	(5)%
Net profit for the half-year attributable to owners of the Company	$m	167	78	114%
Basic and diluted earnings per share attributable to owners of the Company	$	0.09	0.04	125%

Dividend information

	Amount per share	Franked amount per share
Interim dividend for FY21	8.0 cents	8.0 cents
Final dividend for FY21	8.5 cents	8.5 cents
Interim dividend for FY22	9.0 cents	9.0 cents

The interim dividend for FY22 has a record date of 14 September 2022 and will be paid on 12 October 2022.
For the previous corresponding period, the Group paid an interim dividend for FY21 of 8.0 cents per fully paid share on 13 October 2021.

Net Tangible Assets

		30 June 2022	30 June 2021
Net tangible assets per security	$	**(1.20)**	(1.45)

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

Name of entity	Country of incorporation	Date of control gained	Date of control lost	Equity holding 30 June 2022 %	Equity holding 30 June 2021 %
Towers Business Operations Pty Ltd[2]	Australia	5 May 2022		100	-
Blue Call Pty Limited[1]	Australia		1 May 2022	-	100
Cable Licence Holdings Pty Ltd[1]	Australia		1 May 2022	-	100
Connect Internet Solutions Pty Limited[1]	Australia		1 May 2022	-	100
Hosteddesktop.com Pty Ltd[1]	Australia		11 May 2022	-	100
iHug Pty Ltd[1]	Australia		1 May 2022	-	100
iiNet (OzEmail) Pty Ltd[1]	Australia		11 May 2022	-	100
Jiva Pty Ltd[1]	Australia		1 May 2022	-	100
Kooee Pty Ltd[1]	Australia		1 May 2022	-	100
Orchid Human Resources Pty Ltd[1]	Australia		1 May 2022	-	100
TransACT Broadcasting Pty Ltd[1]	Australia		1 May 2022	-	100
Transflicks Pty Ltd[1]	Australia		11 May 2022	-	100
Virtual Desktop Pty Ltd[1]	Australia		1 May 2022	-	100

1. Represent entities deregistered during the period due to being dormant/inactive.
2. Towers Business Operations Pty Ltd, the corporate trustee for Towers Business Operations Trust was incorporated on 5 May 2022. Towers Business Operations Pty Ltd is a wholly owned subsidiary of TPG Telecom Limited and both the trustee and trust have been established as a special purpose vehicle for the purposes of the Tower Sale transaction outlined in Note 7 and Note 18 of the financial report.

Details of investments in joint ventures

Name of entity	Country of incorporation	Equity holding 30 June 2022 %	Equity holding 30 June 2021 %
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

Half-Year Financial Report 2022

Contents

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

The ASX Appendix 4D and Half-Year Financial Results of TPG Telecom Limited (ABN 76 096 304 620) and its controlled entities for the half year ended 30 June 2022.

Directors' Report

The Directors present their report, together with the Half-Year Financial Report of TPG Telecom Limited (the 'Company') and its controlled entities (collectively referred to as 'TPG Telecom' or the 'Group') for the half-year ended 30 June 2022 ('HY22') 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
Dr Helen Nugent AC
Frank Sixt
Arlene Tansey
Jack Teoh

Review of operations

Introduction and business overview

TPG Telecom is a provider of telecommunications services to consumers, business, enterprise, government and wholesale customers in Australia. The Group markets its services through multiple well-known brands including Vodafone, TPG, iiNet, AAPT, Internode, Lebara and felix.

The Group owns significant network infrastructure throughout Australia that facilitates the provision of fixed and mobile telecommunications services. The Group has more than 5,000 employees across Australia and the Philippines and is also supported by outsourced service centres in India and South Africa.

Directors' Report continued

1.1 Consolidated Income Statement Overview

The following section provides an overview of the reported results for HY22 in comparison with the half-year ended 30 June 2021 ('HY21' or 'prior corresponding period'). Users of the accounts seeking to obtain a better understanding of the underlying performance of the Group should also refer to the results included in the HY22 Investor Presentation available via the ASX and on the Company's website at tpgtelecom.com.au/investor-relations.

	NOTES	HY22 $m	HY21 $m	Change $m
Revenue				
Service revenue	a	2,190	2,175	15
Handset and hardware revenue		436	450	(14)
Total revenue		**2,626**	**2,625**	**1**
Other income		13	15	(2)
Cost of telecommunication services	b	(806)	(797)	(9)
Cost of handsets and hardware sold		(428)	(422)	(6)
Other margin costs		(25)	(24)	(1)
Gross margin	c	**1,380**	**1,397**	**(17)**
Technology costs	d	(176)	(173)	(3)
Employee benefits expense	d	(194)	(188)	(6)
Other operating expenses	d	(173)	(152)	(21)
Earnings before interest, tax, depreciation and amortisation	e	**837**	**884**	**(47)**
Depreciation and amortisation expense	f	(686)	(692)	6
Results from operating activities		**151**	**192**	**(41)**
Net financing costs	g	(70)	(81)	11
Profit before income tax		**81**	**111**	**(30)**
Income tax benefit/(expense)	h	86	(33)	119
Profit for the half year		**167**	**78**	**89**
Earnings per share (cents)		**9**	**4**	

a) Service revenue

Service revenue for HY22 was $2,190 million, an increase of $15 million or 0.7% compared with HY21 ($2,175 million), reflecting a minor increase in both TPG Telecom's operating segments: Consumer and Enterprise, Government and Wholesale. Refer to section 1.4 for detailed commentary on segment performance.

At the Group level, the HY22 service revenue result reflected a strong improvement in growth momentum in the second quarter (April to June 2022) compared with both the prior corresponding period (April to June 2021) and the first quarter (January to March 2022). This improving momentum included a recovery in mobile subscriber numbers, in part due to easing of restrictions on business activity and international travel related to the COVID-19 pandemic. Total Mobile subscriber numbers, excluding data sim customers, increased by 142,000 in the period, comprising an increase of 22,000 in Postpaid and 120,000 in Prepaid customers.

Average Revenue Per User (ARPU) for Mobile was $31.8 per month in the period, an increase of $0.3 or 1.0%, primarily reflecting higher international roaming levels in Postpaid. Postpaid ARPU was $42.0 per month, an increase of $0.9 or 2.2%. ARPU for Mobile – Prepaid was $19.0 per month, a decrease of $0.2 per month or 1.0%, reflecting less favourable price mix on new customer acquisitions.

b) Cost of telecommunication services

Cost of telecommunication services was $806 million for HY22, an increase of $9 million or 1.1% compared with HY21 ($797 million). This increase was driven primarily by higher costs for providing NBN services, arising from prevailing NBN wholesale pricing structures, including the variability and uncertainty around the connectivity virtual circuit (CVC) component.

c) Gross margin

Gross margin was $1,380 million for HY22, a decrease of $17 million or 1.2% compared with HY21 ($1,397 million), despite the increase in service revenue. The decrease in gross margin reflected the service revenue trends noted above, as well as higher NBN costs and higher costs associated with the sale of handsets, accessories and hardware.

d) Operating expenses

Technology costs were $176 million for HY22, an increase of $3 million or 1.7% compared with HY21 ($173 million). This was primarily driven by higher electricity costs arising from overall higher electricity market prices as well as more energy intensive activities such as the ongoing upgrade of the 5G network.

Employee benefits expense was $194 million for HY22, an increase of $6 million or 3.2% compared with HY21 ($188 million).

Other operating expenses were $173 million for HY22, an increase of $21 million or 13.8% compared with HY21 ($152 million).

The increase in employee benefits and other operating expenses were driven by $35 million of restructuring costs including redundancy and consulting costs associated with steps taken to simplify the organisation.

e) Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA was $837 million for HY22, a decrease of $47 million or 5.3% compared with HY21 ($884 million). As noted above, this reflected lower gross margin and non-recurring simplification and transformation costs of $35 million. Excluding these non-recurring costs, EBITDA was $872 million, a decrease of $12 million or 1.4%.

From the second quarter (April to June 2022), the Group returned to positive quarterly EBITDA growth compared with the prior corresponding period, reflecting growing positive momentum in service revenue as mobile subscribers were incrementally added during the period, and stabilisation of impacts related to COVID restrictions on business activities and international travel in the first quarter.

Directors' Report continued

f) Depreciation and amortisation

Depreciation and amortisation expense was $686 million, a decrease of $6 million or 0.9% compared with HY21 ($692 million). This reflected lower depreciation expense on the Group's passive mobile tower infrastructure assets and associated right-of-use leases following the Group's agreement to sell these assets to OMERS Infrastructure Management, on 9 May 2022.

g) Net financing costs

Net financing costs for HY22 were $70 million, a decrease of $11 million or 13.6% compared with HY21 ($81 million). Notwithstanding sharp increases in market interest rates during HY22, the decrease was driven by lower average interest margins in the period following the refinancing of the Group's syndicated bank debt facilities in June 2021.

h) Income tax expense

An income tax benefit of $86 million was recorded in the period, compared with an expense of $33 million in HY21. This primarily represents a $110 million income tax credit to the income statement reflecting the Group's expectation that it will be able to utilise previously unrecognised capital gains tax losses following completion of the tower assets sale.

Income tax expense otherwise represents the Group's profit before tax for the period multiplied by the applicable corporate tax rate of 30%.

Directors' Report continued

1.2 Consolidated Balance Sheet Overview

Set out below is a condensed version of the Group's balance sheet as at 30 June 2022, summarised in a manner to highlight key movements.

	NOTES	30 Jun 2022 $m	31 Dec 2021 $m	Change $m
Cash and cash equivalents	a	116	202	(86)
Trade and other receivables	b	553	476	77
Assets classified as held for sale	c	376	-	376
Other current assets		208	155	53
Total current assets		**1,253**	**833**	**420**
Property, plant and equipment	d	3,300	3,401	(101)
Right-of-use assets	e	1,067	1,294	(227)
Spectrum licences	f	2,116	2,251	(135)
Other intangible assets	g	10,762	10,893	(131)
Deferred tax assets	h	311	261	50
Other non-current assets		275	231	44
Total non-current assets		**17,831**	**18,331**	**(500)**
Trade and other payables		904	1,118	(214)
Lease liabilities	e	49	61	(12)
Liabilities classified as held for sale	c	219	-	219
Other current liabilities		446	464	(18)
Total current liabilities		**1,618**	**1,643**	**(25)**
Borrowings	i	4,460	4,290	170
Lease liabilities	e	1,131	1,359	(228)
Other non-current liabilities		156	152	4
Total non-current liabilities		**5,747**	**5,801**	**(54)**
Net assets		**11,719**	**11,720**	**(1)**
Contributed equity		18,399	18,399	-
Reserves and accumulated losses	j	(6,680)	(6,679)	(1)
Total equity		**11,719**	**11,720**	**(1)**

a) Cash and cash equivalents

Cash and cash equivalents were $116 million at 30 June 2022, a decrease of $86 million compared with 31 December 2021 ($202 million). This reflects a decrease in operating cash flow (refer to commentary on 'Operating cash flow' below) as well as an increase in capital expenditure in the period due to the upgrade of the Group's mobile network infrastructure.

b) Trade and other receivables

Total current trade and other receivables were $553 million at 30 June 2022, an increase of $77 million compared with 31 December 2021 ($476 million). This was driven by an increase in handset receivables arising from a reduced volume of handset receivables sale activity.

c) Assets and liabilities classified as held for sale

Assets and liabilities classified as held for sale were $376 million and $219 million respectively at 30 June 2022, reflecting the tower assets sale, which closed after the 30 June balance date.

d) Property, plant and equipment

Property, plant and equipment (PP&E) was $3,300 million at 30 June 2022, a decrease of $101 million compared with 31 December 2021 ($3,401 million). This reflected $132 million of PP&E being transferred to 'Assets classified as held for sale' as a result of the tower assets sale.

e) Right-of-use assets and lease liabilities

Right-of-use assets were $1,067 million at 30 June 2022, a decrease of $227 million compared with 31 December 2021 ($1,294 million). Lease liabilities were $1,180 million, a decrease of $240 million compared with 31 December 2021 ($1,420 million). These decreases were largely due to $208 million of right-of-use assets and $219 million of lease liabilities being transferred to 'Assets and liabilities classified as held sale' as a result of the tower assets sale.

f) Spectrum licences

The net book value of spectrum licences was $2,116 million at 30 June 2022, a decrease of $135 million compared with 31 December 2021 ($2,251 million). This reflected amortisation on licences held. No new spectrum licences were acquired during the period.

g) Other intangible assets

Other intangible assets (excluding spectrum licenses) were $10,762 million at 30 June 2022, a decrease of $131 million compared with 31 December 2021 ($10,893 million). This reflected $207 million of amortisation and write-offs (including $80 million relating to customer base intangibles), offset by $48 million capitalisation of contract costs and $28 million of transfers in from PP&E.

h) Deferred tax assets

Deferred tax assets were $311 million at 30 June 2022, an increase of $50 million compared with 31 December 2021 ($261 million). This was primarily driven by accounting for previously unrecognised capital gain tax losses of $110 million, which the Group expects to utilise against the tax obligation arising from the tower assets sale. This was partially offset by a $24 million in tax losses utilised against the current period's taxable income and $36 million transferred to assets held for sale.

i) Borrowings

Borrowings were $4,460 million at 30 June 2022, an increase of $170 million compared with 31 December 2021 ($4,290 million). Net borrowings (less cash) were $4,344 million, an increase of $256 million compared with 31 December 2021 ($4,088 million).

Cash and committed undrawn facilities were $906 million at 30 June 2022, a decrease of $256 million compared with 31 December 2021 ($1,162 million).

Following the completion of the tower assets sale on 29 July 2022, net cash proceeds of approximately $890 million were used to pay down debt.

j) Reserves and accumulated losses

Reserves and accumulated losses were $6,680 million at 30 June 2022, a decrease of $1 million compared with 31 December 2021 ($6,679 million). This was a result of $167 million in net profit after tax for the period, and a $5 million increase in other reserves offset by $158 million in dividends paid and $14 million used for share purchases by the TPG Employee Incentive Plan Trust.

1.3 Consolidated Cash Flow Statement Overview

A condensed version of the cash flow statement is set out below, together with commentary highlighting key points.

	NOTES	30 Jun 2022 $m	30 Jun 2021 $m	Change $m
Operating cash flow	a	528	567	(39)
Income taxes paid	b	-	(4)	4
Capital expenditure	c	(485)	(413)	(72)
Spectrum payments	d	-	(22)	22
Net cash flow before financing activities		**43**	**128**	**(85)**
Lease principal repayments	e	(61)	(68)	7
Financing costs – leases	e	(31)	(31)	-
Financing costs – debt	f	(35)	(62)	27
Payments for shares acquired by the TPG Employee Incentive Plan Trust		(14)	-	(14)
Net drawdown of borrowings	g	170	130	40
Receipts of loan with non-controlling interest in investment		-	1	(1)
Net cash flow before dividends		**72**	**98**	**(26)**
Dividends paid	h	(158)	(139)	(19)
Net cash flow		**(86)**	**(41)**	**(45)**

Directors' Report continued

a) Operating cash flow

Operating cash flow for HY22 was $528 million, a decrease of $39 million compared with HY21 ($567 million). The $528 million of operating cash flow was $309 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) and timing of inventory payments.

b) Income taxes paid

Income taxes paid were zero for HY22. The Group generated taxable profits, however was able to utilise carried forward tax losses to offset against those taxable profits. The $4 million tax paid in HY21 was related to a final FY20 payment made by TPG Corporation relating to the period prior to the merger with Vodafone Hutchison Australia.

c) Capital expenditure ('Capex')

Capex for HY22 was $485 million, an increase of $72 million compared with HY21 ($413 million). This was primarily driven by payment for PP&E related to the ongoing upgrade of the Group's mobile network infrastructure to 5G.

d) Spectrum payments

No spectrum payments were made in HY22.

e) Lease payments

Lease payments (principal and interest) for HY22 were $92 million, a decrease of $7 million compared with HY21 ($99 million). The decrease in HY22 was due to non-recurring upfront fees paid in HY21 for mobile network infrastructure.

f) Financing costs – debt

Debt financing costs for HY22 were $35 million, a decrease of $27 million compared with HY21 ($62 million). This reflects lower average interest margin in HY22 following the Group refinancing its existing syndicated debt facilities in June 2021.

g) Net drawdown of borrowings

Net drawdown of borrowings for HY22 was $170 million, an increase of $40 million compared with HY21 ($130 million).

h) Dividends paid

Dividends paid in HY22 was $158 million, an increase of $19 million compared with HY21 ($139 million). This reflects the final dividend for FY21 of 8.5 cents per share paid in April 2022, up from 7.5 cents per share for the final dividend for FY20.

1.4 Segments

TPG Telecom reports results in two operating segments: Consumer, and Enterprise, Government and Wholesale.

Consumer comprises the provision of fixed and mobile services to consumer customers under the Vodafone, TPG, iiNet, Internode, Lebara and felix brands.

Enterprise, Government and Wholesale (previously known as the Corporate segment) comprises the provision of fixed and mobile services and other managed services to enterprise, government and wholesale, small business and small office/home office customers under the TPG Telecom and associated brands.

The segments remained consistent (other than the segment name change) during the half year ended 30 June 2022.

Results by operating segment are set out below:

	Consumer		Enterprise, Government and Wholesale		Unallocated		Total	
	HY22 $m	HY21 $m	HY22 $m	HY21 $m	HY22 $m	HY21 $m	HY22 $m	HY21 $m
Revenue from contracts with customers	2,142	2,138	484	487	-	-	2,626	2,625
Other income	-	–	3	9	10	6	13	15
Cost of provision of telecommunication services	(713)	(697)	(92)	(98)	(1)	(2)	(806)	(797)
Costs of handsets and hardware sold	(391)	(377)	(37)	(45)	-	-	(428)	(422)
Other margin costs	(23)	(22)	(2)	(2)	-	-	(25)	(24)
Gross Margin	**1,015**	**1,042**	**356**	**351**	**9**	**4**	**1,380**	**1,397**
Technology costs	(126)	(127)	(50)	(46)	-	-	(176)	(173)
Employee benefits expense	(123)	(134)	(53)	(54)	(18)	-	(194)	(188)
Other operating expenses	(143)	(136)	(13)	(20)	(17)	4	(173)	(152)
EBITDA	**623**	**645**	**240**	**231**	**(26)**	**8**	**837**	**884**

Consumer Segment

Consumer gross margin for HY22 was $1,015 million, a decrease of $27 million or 2.6% compared with HY21 ($1,042 million). The decrease was due to an increase in the cost of provision of telecommunications services due to higher NBN wholesale costs, and a higher cost of handsets and hardware.

Enterprise, Government and Wholesale Segment

Enterprise, Government and Wholesale gross margin for HY22 was $356 million, an increase of $5 million or 1.4% compared with HY21 ($351 million). The increase was driven by the higher revenue from the Group's Enterprise-grade fibre products and NBN Enterprise Ethernet and higher other revenue in Wholesale relating to mobile services offset by the decline in revenue of legacy products.

Directors' Report continued

Customer Numbers

Group mobile subscribers

At 30 June 2022, the Group had 5,156,000 mobile customers, up 135,000 from 5,021,000 at 31 December 2021. Postpaid and prepaid mobile customers increased by 15,000 and 120,000 respectively. Excluding data sim subscribers, postpaid and prepaid mobile customers increased by 22,000 and 120,000 respectively. This increase in the mobile subscriber base was driven by commercial activities, also benefitting from the easing of COVID restrictions compared to HY21 and the return of short-term international travel.

Group broadband subscribers

At 30 June 2022, the Group fixed broadband subscribers was maintained at 2.22 million (31 December 2021: 2.22 million subscribers). This reflected a 33,000 increase in fixed wireless subscribers to 113,000, a 3,000 decrease in NBN subscribers (net of migrations to fixed wireless) and a flat subscriber growth on TPG's proprietary wholesale fibre networks. These increases were partially offset by a 30,000 reduction in legacy ADSL customers.

Events occurring after the reporting period

Tower assets sale transaction

In July 2022, the Foreign Investment Review Board ('FIRB') approved the sale of tower assets to OMERS. Refer to Note 7 of the financial statements for further details. The transaction completed on 29 July through the sale of a special purpose vehicle, Towers Business Operations Pty Ltd and Towers Business Operations Trust.

The transaction has delivered net cash proceeds of approximately $890 million (being the enterprise value less total transaction costs), which the Group will use to repay existing bank debt. The transaction includes a master services agreement with a 20-year term and an option for Group to extend.

Update on the regional MOCN agreement with Telstra

On 21 February 2022, the Group announced a regional Multi-Operator Core Network ('MOCN') agreement with Telstra (ASX:TLS) which will provide TPG Telecom's subscribers with 4G and 5G coverage for data, calls and messaging from over 3,700 Telstra sites in regional and rural Australia.

The transaction is currently awaiting ACCC approval. As previously noted, subject to approval of the MOCN agreement and timing, the Group will recognise one-off, non-cash accounting impacts in its 2022 financial results arising from the recognition of onerous lease related charges of up to $150 million, and write-downs to the carrying value of network infrastructure assets of up to $75 million. As disclosed in Note 11, the Group will also recognise $29 million of decommissioning provisioning should the deal be approved.

Other than the matters described above, the Directors are not aware of any matter or circumstance that has arisen after the reporting date that, in their opinion, 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' Report continued

Dividends

TPG Telecom aims to pay in each year a dividend of at least 50% of the Group's net profit after tax, adding back restructuring costs and certain non-cash items, which are acquired intangibles amortisation, spectrum amortisation, and non-cash tax ('Adjusted NPAT').

Adjusted NPAT for HY22 was $331 million. Adjusted NPAT comprises net profit after tax $167 million, adding back restructuring costs ($35 million), acquired intangibles amortisation ($80 million) and spectrum amortisation ($135 million), less non-cash tax ($86 million).

Subsequent to the half-year end, on 18 August 2022, the Board of directors has declared a fully-franked FY22 interim dividend of 9.0 cents per share. This is an increase of 1.0 cent per share on the FY21 interim dividend. The interim FY22 dividend has a record date of 14 September 2022 and will be paid on 12 October 2022.

Further information regarding FY21 dividends is set out in Note 23 and Note 31 of the Annual Report.
TPG Telecom does not operate a Dividend Reinvestment Plan.

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 15.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports)* and, in accordance with that instrument, all financial information presented in the consolidated financial statements 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 19 August 2022.

Fok Kin Ning, Canning

Chairman

19 August 2022

Iñaki Berroeta

Chief Executive Officer and Managing Director

19 August 2022

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 2022, 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
19 August 2022

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Half-Year Financial Report

About this report

The Half-Year Financial Report covers the group consisting of TPG Telecom Limited and its controlled entities.

All amounts are presented in Australian dollars unless stated otherwise.

TPG Telecom Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 177 Pacific Highway North Sydney NSW 2060

A description of the nature of the Group's operations and its principal activities is included in the Directors' report on pages 3 to 14.

The financial report was authorised for issue by the Directors on 19 August 2022. The Directors have the power to amend and reissue the financial report.

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Consolidated Income Statement

for the half-year ended 30 June 2022

	NOTES	30 Jun 2022 $m	30 Jun 2021 $m
Revenue from contracts with customers	3	2,626	2,625
Other income		13	15
Cost of provision of telecommunication services		(806)	(797)
Cost of handsets and hardware sold		(428)	(422)
Other margin costs		(25)	(24)
Gross margin		**1,380**	**1,397**
Technology costs		(176)	(173)
Employee benefits expense	4	(194)	(188)
Other operating expenses	4	(173)	(152)
Earnings before interest, tax, depreciation and amortisation		**837**	**884**
Depreciation and amortisation expense	4	(686)	(692)
Results from operating activities		**151**	**192**
Finance income	4	1	1
Finance expenses	4	(71)	(82)
Net financing costs		(70)	(81)
Profit before income tax		**81**	**111**
Income tax benefit/(expense)	5	86	(33)
Profit for the half year		**167**	**78**
Attributable to:			
Owners of the Company		167	78
Non-controlling interests		-	-
		167	**78**

		cps	cps
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share	14	9	4
Diluted earnings per share	14	9	4

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 2022

	30 Jun 2022 $m	30 Jun 2021 $m
Profit for the half-year	**167**	**78**
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	2
Other comprehensive income for the year, net of tax	**2**	**2**
Total comprehensive income for the year	**169**	**80**
Attributable to:		
Owners of the Company	169	80
	169	80

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 2022

	NOTES	30 Jun 2022 $m	31 Dec 2021 $m
ASSETS			
Current assets			
Cash and cash equivalents		116	202
Trade and other receivables	6	553	476
Inventories		88	95
Derivative financial instruments		2	-
Prepayments and other assets		118	60
Assets classified as held for sale	7	376	-
Total current assets		**1,253**	**833**
Non-current assets			
Trade and other receivables	6	249	204
Property, plant and equipment	8	3,300	3,401
Right-of-use assets	9	1,067	1,294
Intangible assets	10	12,878	13,144
Deferred tax assets		311	261
Prepayments and other assets		26	27
Total non-current assets		**17,831**	**18,331**
Total assets		**19,084**	**19,164**
LIABILITIES			
Current liabilities			
Trade and other payables		904	1,118
Contract liabilities		278	281
Lease liabilities	9	49	61
Provisions		96	108
Other current liabilities		72	75
Liabilities classified as held for sale	7	219	-
Total current liabilities		**1,618**	**1,643**
Non-current liabilities			
Contract liabilities		18	17
Borrowings	12	4,460	4,290
Lease liabilities	9	1,131	1,359
Provisions		64	62
Other non-current liabilities		74	73
Total non-current liabilities		**5,747**	**5,801**
Total liabilities		**7,365**	**7,444**
Net assets		**11,719**	**11,720**
EQUITY			
Contributed equity	13, 16	18,399	18,399
Reserves		(5)	5
Accumulated losses		(6,675)	(6,684)
Total equity		**11,719**	**11,720**

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 2022

		ATTRIBUTABLE TO OWNERS OF THE COMPANY				
	NOTES	Contributed equity $m	Reserves $m	Accumulated losses $m	Equity attributable to owners of the Company $m	Total equity $m
Balance at 1 January 2022		18,399	5	(6,684)	11,720	11,720
Profit for the year		-	-	167	167	167
Other comprehensive income, net of tax		-	2	-	2	2
Employee share schemes – value of employee services	16	-	2	-	2	2
Acquisition of treasury shares		-	(14)	-	(14)	(14)
Dividends paid	15	-	-	(158)	(158)	(158)
Balance at 30 June 2022		**18,399**	**(5)**	**(6,675)**	**11,719**	**11,719**
Balance at 1 January 2021		**18,399**	**1**	**(6,508)**	**11,892**	**11,892**
Profit for the year		-	-	76	76	76
Other comprehensive income, net of tax		-	2	-	2	2
Change in accounting policy		-	-	2	2	2
Employee share schemes – value of employee services		-	1	-	1	1
Dividends paid		-	-	(139)	(139)	(139)
Balance at 30 June 2021		**18,399**	**4**	**(6,569)**	**11,834**	**11,834**

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 2022

	NOTES	30 Jun 2022 $m	30 Jun 2021 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,798	2,678
Payments to suppliers and employees (inclusive of GST)		(2,270)	(2,111)
		528	567
Income taxes paid		-	(4)
Net cash generated from operating activities		**528**	**563**
Cash flows from investing activities			
Payments for property, plant and equipment		(403)	(344)
Payments for spectrum licenses		-	(22)
Payments for other intangible assets		(82)	(69)
Net cash outflows from investing activities		**(485)**	**(435)**
Cash flows from financing activities			
Proceeds from borrowings		350	1,030
Repayment of borrowings		(180)	(900)
Repayment of principal element of leases		(61)	(68)
Payments for shares acquired by the TPG Employee Incentive Plan Trust		(14)	–
Finance costs paid		(66)	(93)
Receipts on settlement of loan with non-controlling interest in investment		-	1
Dividends paid		(158)	(139)
Net cash outflows from financing activities		**(129)**	**(169)**
Net (decrease) in cash and cash equivalents		**(86)**	**(41)**
Cash and cash equivalents at 1 January		202	120
Cash and cash equivalents at 30 June		**116**	**79**

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

Notes to the Consolidated Financial Statements

Note 1. Basis of preparation

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).

The half-year financial statements as at, and for the half-year ended, 30 June 2022 comprise the accounts of the Company and its controlled entities.

The Half-Year Financial Report was authorised for issue in accordance with a resolution of the Directors on 19 August 2022.

The Half-Year Financial Report is a consolidated interim financial report for the half-year reporting period ended 30 June 2022 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 2021 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 2021 Annual Report with the exception of 'Accounting for Government Grants' which has been outlined below in Note 1 (h) and treasury shares in note Note 1 (f).

Change in presentation of the Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income has been amended to provide further information on the breakdown of costs and introducing a gross margin measure. The amendment has resulted in balances not directly attributed to cost of sales to be reclassified to technology costs, employee benefits expense or other operating expenses.

These amendments have been made to enhance comparability for both the current period and prior period comparative balances and better reflects management's view on the business' operations.

a) Net current asset deficiency

At 30 June 2022, the Group had a deficiency of net current assets of $365 million (31 December 2021: a deficiency of $810 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, generation of profits by the Group, and current cash reserves and available debt facilities.

b) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest million dollars in accordance with the instrument, unless otherwise indicated.

Notes to the Consolidated Financial Statements continued

Note 1. Basis of preparation continued

c) Update on COVID-19

The COVID-19 impacts to operations and results were outlined in the 31 December 2021 Annual Report. Containment policies, restrictions and measures to limit movement both domestically and internationally materially affected inbound related connections, visitor revenue and international roaming revenue during 2021.

In November 2021, as a result of increased vaccinations across Australia, the government eased restrictions across Australia and opened international borders. The move was to return to normal, whilst acknowledging and accepting the existence of COVID-19. As a result of the easing of restrictions domestically and internationally, there were no new and/or emerging material impacts to the Group's results or operations arising from COVID-19 for the half-year ended 30 June 2022. Management remains cognisant however of the continued uncertainty the pandemic can bring, noting the rise in COVID-19 cases during the period due to the Omicron variant, and will continue to monitor the impacts of the pandemic on the Group's performance.

d) Assets and liabilities classified as held for sale

Non-current assets and liabilities classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale. To be considered classified as held for sale, the sale must be highly probable and the asset (or disposal group) must be available for immediate sale in its present condition.

e) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is used to account for business combinations by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between companies within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Balance Sheet respectively.

f) Contributed equity

Ordinary shares are classified as equity. Shares held by the TPG Employee Incentive Plan Trust are disclosed as treasury shares and deducted in the reserves.

Note 1. Basis of preparation continued

g) 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.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and these 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.

h) 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 2021 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 2022, other than those disclosed in the following notes:

- Note 5 Recognition of deferred tax assets
- Note 10 Impairment of intangible assets with indefinite lives

Notes to the Consolidated Financial Statements continued

Note 1. Basis of preparation continued

h) Key accounting estimates and judgements continued

Voluntary changes in accounting policy – Government Grants

Management has decided to voluntarily amend the accounting policy for government grants.

Historically, government grants have been recognised as deferred revenue in the Consolidated Statement of Financial Position, and subsequently recognised in Other Income in the Consolidated Income Statement over the period the related costs were expected to be incurred. The new accounting policy deducts the grant in arriving at the carrying amount of the asset, rather than being disclosed as Other Income in the Consolidated Income Statement.

The Group receives grants from the government which are considered, in substance, funding to develop and maintain assets. The assets are usually for assistance with emergency response, data collection or to provide stronger coverage in rural areas. Management's view is that the new accounting policy more clearly represents TPG's actual costs, and is therefore more relevant.

Note that both policies are acceptable under the Australian Accounting Standards.

The change in accounting policy results in the following changes to the prior period amounts:

	Other Income $m	Depreciation and amortisation expense $m	Property, Plant and Equipment $m	Deferred tax assets $m	Other liabilities (current) $m	Accumulated losses $m
Opening balance at 1 January 2021			3,258	264	81	(6,508)
Impact of change in accounting policy			(20)	(1)	(20)	2
Updated opening balance at 1 January 2021			**3,238**	**263**	**61**	**(6,506)**
Disclosed amount at 30 June 2021	17	696				
Impact of change in accounting policy	(2)	(4)				
Updated 30 June 2021	**15**	**692**				
Disclosed amount at 31 December 2021	45	1,423	3,422	262	99	(6,686)
Impact of change in accounting policy	(4)	(8)	(21)[1]	(1)	(24)	2
Updated 31 December 2021	**41**	**1,415**	**3,401**	**261**	**75**	**(6,684)**

[1] Property, plant and equipment impact of $21 million outlined in Note 8 comprises of $54 million reduction in the cost base, net with $33 million impact on accumulated depreciation in network equipment and infrastructure assets.

All prior period balances have been amended in the financial report to reflect the updated balances. Management has adopted the new accounting policy from 1 January 2022.

Notes to the Consolidated Financial Statements continued

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 maker:

Segment	Principal activities
Consumer	Provision of telecommunications services to residential and small business customers.
Enterprise, Government and Wholesale	Provision of telecommunications services to corporate, government and wholesale customers. Mobile small business customers have been categorised in this segment. In the current year, the 'Corporate' segment was formally renamed to the 'Enterprise, Government and Wholesale' segment.
Unallocated	Unallocated includes: • One-off restructuring costs • Certain head office costs • Other income items

	Consumer $m	Enterprise, Government and Wholesale $m	Unallocated $m	Total $m
For the half-year ended 30 June 2022				
Revenue from contracts with customers	2,142	484	-	2,626
Other income	-	3	10	13
Cost of provision of telecommunication services	(713)	(92)	(1)	(806)
Cost of handsets and hardware sold	(391)	(37)	-	(428)
Other margin costs	(23)	(2)	-	(25)
Gross margin	**1,015**	**356**	**9**	**1,380**
Technology costs	(126)	(50)	-	(176)
Employee benefits expense	(123)	(53)	(18)	(194)
Other operating expenses	(143)	(13)	(17)	(173)
EBITDA	**623**	**240**	**(26)**	**837**
For the half-year ended 30 June 2021				
Revenue from contracts with customers	2,138	487	-	2,625
Other income	-	9	6	15
Cost of provision of telecommunication services	(697)	(98)	(2)	(797)
Cost of handsets and hardware sold	(377)	(45)	-	(422)
Other margin costs	(22)	(2)	-	(24)
Gross margin	**1,042**	**351**	**4**	**1,397**
Technology costs	(127)	(46)	-	(173)
Employee benefits expense	(134)	(54)	-	(188)
Other operating expenses	(136)	(20)	4	(152)
EBITDA	**645**	**231**	**8**	**884**

Notes to the Consolidated Financial Statements continued

Note 2. Segment reporting continued

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

	30 Jun 2022 $m	30 Jun 2021 $m
Total segment results	837	884
Depreciation and amortisation expense	(686)	(692)
Results from operating activities	**151**	**192**
Net financing costs	(70)	(81)
Profit before income tax	**81**	**111**

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 2022 $m	31 Dec 2021 $m
Australia	17,578	18,063
Other	253	268
	17,831	**18,331**

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

Note 3. Revenue from contracts with customers

Major product categories

		Consumer		Enterprise, Government and Wholesale		Total	
	Timing of revenue recognition	**30 Jun 2022 $m**	**30 Jun 2021 $m**	**30 Jun 2022 $m**	**30 Jun 2021 $m**	**30 Jun 2022 $m**	**30 Jun 2021 $m**
Mobile – Postpaid	Over time	663	663	86	86	749	749
Mobile – Prepaid	Over time	219	223	-	-	219	223
Fixed (including data and internet)	Over time	859	846	317	319	1,176	1,165
Other service revenue	Over time	3	4	43	34	46	38
Handsets, accessories and hardware	Point in time	398	402	38	48	436	450
		2,142	**2,138**	**484**	**487**	**2,626**	**2,625**

Notes to the Consolidated Financial Statements continued

Note 4. Other profit and loss items

	30 Jun 2022 $m	30 Jun 2021 $m
Employee benefits expense		
Superannuation expense	16	17
Other employee benefits expense	178	171
	194	**188**
Other operating expenses		
Advertising and promotion expenses	52	44
Consulting and outsourced services costs	73	67
Facilities expenses	18	16
Transaction costs associated with the merger	-	(4)
Administration and other expenses	30	29
	173	**152**
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	283	293
Depreciation of right-of-use assets	62	71
Amortisation of intangible assets	341	328
	686	**692**
Net financing costs		
Finance income		
Interest income	(1)	(1)
Finance expenses		
Amortisation of borrowing costs	3	5
Interest and finance charges for borrowings and lease liabilities	68	77
	70	**81**

Notes to the Consolidated Financial Statements continued

Note 5. Income tax

Numerical reconciliation between tax benefit (expense) and pre-tax accounting profit

	30 Jun 2022 $m	30 Jun 2021 $m
Profit from operations before income tax	81	111
Income tax expense using the Australian tax rate of 30% (2021: 30%)	(24)	(33)
Tax effect of amounts which are (not deductible)/taxable in calculating taxable income:		
Initial recognition of deferred tax assets	110	-
Income tax benefit/ (expense)	**86**	**(33)**

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.

As a result of the tower assets sale that completed in July 2022, in June 2022 management booked a deferred tax asset for previously unbooked capital losses accrued to the Group. This has resulted in a one-off income tax benefit of $110 million. These losses are expected to be utilised against a capital gain on sale. 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 2022, the Group had a trade and other receivables balance of $802 million (31 December 2021: $680 million). This includes $510 million of handset and accessories receivables (31 December 2021: $413 million).

Notes to the Consolidated Financial Statements continued

Note 7. Assets and liabilities classified as held for sale

	30 Jun 2022 $m	31 Dec 2021 $m
Assets		
Network assets (towers and rooftops)	132	-
Right-of-use asset on ground leases	208	-
Deferred tax assets	36	-
Total assets classified as held for sale	**376**	-
Liabilities		
Lease liabilities on ground leases	219	-
Total liabilities classified as held for sale	**219**	-

Tower assets sale transaction

On 9 May 2022, the Group announced that it had entered into a binding agreement to sell 100% of passive mobile tower and rooftop infrastructure to OMERS Infrastructure Management Inc. ('OMERS') for net proceeds of $890 million (being the enterprise value less total transaction costs). At 30 June 2022, the transaction was pending regulatory approval and the related assets and liabilities have been disclosed as assets and liabilities classified as held for sale.

The tower assets sale involves selling approximately 1,237 existing sites which include related assets and ground leases and includes a committed build-to-suit development program of 252 new sites.

The sale was completed on 29 July 2022, through the sale of a special purpose vehicle that is a wholly owned subsidiary of TPG Telecom Limited, Towers Business Operations Pty Ltd and Towers Business Operations Trust. Refer to Note 18 for further details.

Notes to the Consolidated Financial Statements continued

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 2021					
Cost	43	116	6,413	674	7,246
Impact of change in accounting policy (refer to Note 1)	-	-	(54)	-	(54)
Adjusted cost	43	116	6,359	674	7,192
Accumulated depreciation	(4)	(99)	(3,688)	(33)	(3,824)
Impact of change in accounting policy (refer to Note 1)	-	-	33	-	33
Adjusted accumulated depreciation	(4)	(99)	(3,655)	(33)	(3,791)
Adjusted net book amount	39	17	2,704	641	3,401
Cost					
Balance at 1 January 2022	43	116	6,359	674	7,192
Additions	-	-	87[2]	352	439
Transfers	-	-	284	(325)	(41)[3]
Transfer of assets to assets classified as held for sale[1]	-	-	(343)	-	(343)
Write-off	-	-	(266)	-	(266)
Balance at 30 June 2022	43	116	6,121	701	6,981
Accumulated depreciation					
Balance at 1 January 2022	(4)	(99)	(3,655)	(33)	(3,791)
Depreciation	(1)	(6)	(263)	(13)	(283)
Transfer of assets to assets classified as held for sale[1]	-	-	211	-	211
Write-off	-	-	182	-	182
Balance at 30 June 2022	(5)	(105)	(3,525)	(46)	(3,681)
At 30 June 2022					
Cost	43	116	6,121	701	6,981
Accumulated depreciation	(5)	(105)	(3,525)	(46)	(3,681)
Net book amount	**38**	**11**	**2,596**	**655**	**3,300**

[1] On 1 April 2022, $132 million of assets (cost of $343 million and accumulated depreciation of $211 million) consisting of network-related towers and rooftops were transferred to 'Assets classified as held for sale' as part of the transaction with OMERS. Refer to Note 7 for further information.

[2] The additions of $87 million related to 3G and 4G Huawei equipment that were accounted for as asset swaps.

[3] The transfer balance of $41 million was transferred as additions to intangibles for $28 million and $13 million to right-of-use assets for leases.

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

At 30 June 2022, the Group had right-of-use assets of $1,067 million (31 December 2021: $1,294 million), and lease liabilities of $1,180 million (31 December 2021: $1,420 million).

On 1 April 2022, $208 million of right-of-use assets and $219 million of lease liabilities were transferred to 'Assets and liabilities classified as held sale' as a result of the transaction with OMERS. Refer to Note 7 for further information on the transaction.

Note 10. Intangible assets

	BRAND NAMES $m	SPECTRUM LICENCES $m	COMPUTER SOFTWARE $m	CONTRACT COSTS $m	CUSTOMER BASES $m	IRUS $m	GOODWILL $m	TOTAL $m
At 31 December 2021								
Cost	425	3,125	988	115	1,689	202	8,515	15,059
Accumulated amortisation	(1)	(874)	(703)	(65)	(242)	(30)	-	(1,915)
Net book amount	424	2,251	285	50	1,447	172	8,515	13,144
Cost								
Balance at 1 January 2022	425	3,125	988	115	1,689	202	8,515	15,059
Additions	-	-	-	48	-	-	-	48
Transfers	-	-	28	-	-	-	-	28
Write-off/Disposal	-	-	(9)	(23)	-	-	-	(32)
Balance at 30 June 2022	425	3,125	1,007	140	1,689	202	8,515	15,103
Accumulated amortisation								
Balance at 1 January 2022	(1)	(874)	(703)	(65)	(242)	(30)	-	(1,915)
Amortisation	-	(135)	(79)	(37)	(80)	(10)	-	(341)
Write-off/Disposal	-	-	8	23	-	-	-	31
Balance at 30 June 2022	(1)	(1,009)	(774)	(79)	(322)	(40)	-	(2,225)
At 30 June 2022								
Cost	425	3,125	1,007	140	1,689	202	8,515	15,103
Accumulated amortisation	(1)	(1,009)	(774)	(79)	(322)	(40)	-	(2,225)
Net book amount	**424**	**2,116**	**233**	**61**	**1,367**	**162**	**8,515**	**12,878**

Impairment testing for intangible assets with indefinite useful lives

Indefinite life intangible assets, such as goodwill and brand names, are not subject to amortisation. These 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 ('CGUs').

In the current year, the 'Corporate' CGU was formally renamed to the 'Enterprise, Government and Wholesale' CGU.

	30 Jun 2022			31 Dec 2021		
	BRAND NAMES $m	GOODWILL $m	TOTAL $m	BRAND NAMES $m	GOODWILL $m	TOTAL $m
Consumer	326	6,386	6,712	326	6,386	6,712
Enterprise, Government and Wholesale	98	2,129	2,227	98	2,129	2,227
	424	**8,515**	**8,939**	**424**	**8,515**	**8,939**

Notes to the Consolidated Financial Statements continued

Note 10. Intangible assets continued

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 financial year, management identified that the carrying value of net assets of the Group were larger than the Group's market capitalisation, which was concluded to be an indicator of potential impairment.

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.
- 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 Jun 2022		31 Dec 2021	
	Consumer	Enterprise, Government and Wholesale	Consumer	Enterprise, Government and Wholesale
Discount rate (pre-tax)	8.97%	9.25%	8.90%	9.21%
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 the post-tax discount rate, terminal growth rate or the compound annual growth rate (CAGR) of EBITDA could cause the carrying amount of the consumer CGU to exceed the recoverable amount.

Included in the table below is a sensitivity analysis of the recoverable amounts of the CGUs and, where applicable, the impairment charge considering reasonable possible change scenarios relating to key assumptions at 30 June 2022.

	Consumer			Enterprise, Government and Wholesale		
	Post-tax discount rate	Terminal growth rate	EBITDA CAGR	Post-tax discount rate	Terminal growth rate	EBITDA CAGR
	+0.5%	-0.5%	-1%	+0.5%	-0.5%	-1%
Change in recoverable amount ($m)	(1,309)	(1,184)	(222)	(519)	(462)	(127)
Headroom/(Impairment) ($m)	(455)	(329)	633	647	704	1,039

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 Consolidated Financial Statements continued

Note 11. Commitments and contingencies

Capital commitments

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

	30 Jun 2022 $m	31 Dec 2021 $m
Not later than 1 year	474	313
Later than 1 year and not later than 5 years	22	6
Later than 5 years	-	4
	496	**323**

Contingent liabilities

The Group had the following contingent liabilities at 30 June 2022:

1. Approximately $29 million of decommissioning costs related to the Regional Multi-Operator Core Network agreement with Telstra (refer to Note 18) which will be recognised on transaction approval by the ACCC.
2. Approximately $7 million of professional fees related to the tower assets sale (refer to Note 7 and Note 18) which will be recognised upon approval of the transaction by the Foreign Investment Review Board.

Note 12. Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are not incremental costs relating to the drawdown of the facilities, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down, otherwise recognised as prepayments and amortised on a straight-line basis over the term of the facility.

	30 Jun 2022 $m	31 Dec 2021 $m
Current		
Bank loans (unsecured)	-	-
	-	**-**
Non-current		
Bank loans (unsecured)	4,460	4,290
	4,460	**4,290**

Note 12. Borrowings continued

Available facilities

At 30 June 2022, the Group has total loan facilities of $5,250 million (31 December 2021: $5,250 million). The total amount of undrawn borrowing facilities at 30 June 2022 was $825 million (31 December 2021: $995 million) which includes a committed overdraft facility of $35 million (31 December 2021: $35 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 2022.

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 2022 Shares	31 Dec 2021 Shares	30 Jun 2022 $m	31 Dec 2021 $m
Ordinary shares (fully paid)	1,859,341,669	1,859,341,669	18,399	18,399
	1,859,341,669	**1,859,341,669**	**18,399**	**18,399**

Note 14. Earnings per share

	Units	30 Jun 2022	30 Jun 2021
Basic earnings per share	cents	**9**	4
Diluted earnings per share	cents	**9**	4
Profit attributable to the owners of the Company used in calculating basic and diluted earnings per share	$m	**167**	78
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	number	**1,858,725,760**	1,859,341,669
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	number	**1,860,638,210**	1,860,165,255

The Group presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares during the period.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Rights granted to employees under share-based payments arrangements are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

Notes to the Consolidated Financial Statements continued

Note 15. Dividends

During the half-year ended 30 June 2022, a fully franked final FY21 dividend of $158 million (8.5 cents per fully paid share) was paid on 11 April 2022. No other dividends were declared or paid during the half-year (30 June 2021: $139 million).

Subsequent to the half-year end, on 18 August 2022, the Board of directors has declared a fully franked interim FY22 dividend of 9.0 cents per share. As the interim dividend was not declared or resolved to be paid by the Board as at 30 June 2022, the dividend has not been provided for in the Consolidated Statement of Financial Position. The interim FY22 dividend has a record date of 14 September 2022 and will be paid on 12 October 2022.

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

Note 16. Equity securities issued

Treasury shares

Treasury shares are shares in TPG Telecom Limited that are held by the TPG Employee Incentive Plan Trust for the purpose of issuing shares under the short-term incentive (STI) and long-term incentive (LTI) schemes provided to executives and eligible employees. The TPG Employee Incentive Plan Trust was established on 17 March 2022 for the purposes of acquiring shares under the STI and LTI plans.

Shares issued to employees are recognised on a first-in-first-out basis.

The shares are administered by the TPG Employee Incentive Plan Trust. This trust is consolidated in accordance with note 1 (e). The shares are acquired on market at the grant date and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the terms of the trust deed, TPG Telecom Limited is required to provide the trust with the necessary funding for the acquisition of the shares at the time of the grant.

	30 Jun 2022 Shares	31 Dec 2021 Shares	30 Jun 2022 $m	31 Dec 2021 $m
Shares acquired by the TPG Employee Incentive Plan Trust (average price: $5.94 per share)	2,395,453	-	14	-
	2,395,453	**-**	**14**	**-**

Notes to the Consolidated Financial Statements continued

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 2022 and 31 December 2021 on a recurring basis:

	LEVEL 1 $m	LEVEL 2 $m	LEVEL 3 $m	TOTAL $m
At 30 June 2022				
Financial assets				
Forward foreign exchange contracts	-	2	-	2
Handset receivables	-	-	145	145
Total financial assets	**-**	**2**	**145**	**147**
At 31 December 2021				
Financial assets				
Handset receivables	-	-	130	130
Total financial assets	**-**	**-**	**130**	**130**

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 value

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 Consolidated Financial Statements continued

Note 18. Events occurring after the reporting period

Tower assets sale transaction

In July 2022, the Foreign Investment Review Board ('FIRB') approved the sale of tower assets to OMERS. Refer to Note 7 of the financial statements for further details. The transaction completed on 29 July through the sale of a special purpose vehicle, Towers Business Operations Pty Ltd and Towers Business Operations Trust.

The transaction has delivered net cash proceeds of approximately $890 million (being the enterprise value less total transaction costs), which the Group will use to repay existing bank debt. The Transaction includes a master services agreement with a 20-year term and an option for Group to extend.

Update on the regional MOCN agreement with Telstra

On 21 February 2022, the Group announced a regional Multi-Operator Core Network ('MOCN') agreement with Telstra (ASX:TLS) which will provide TPG Telecom's subscribers with 4G and 5G coverage for data, calls and messaging from over 3,700 Telstra sites in regional and rural Australia.

The transaction is currently awaiting ACCC approval. As previously noted, subject to approval of the MOCN agreement and timing, the Group will recognise one-off, non-cash accounting impacts in its 2022 financial results arising from the recognition of onerous lease related charges of up to $150 million, and write-downs to the carrying value of network infrastructure assets of up to $75 million. As disclosed in Note 11, the Group will also recognise $29 million of decommissioning provisioning should the deal be approved.

Dividends declared

On 18 August 2022, the Board of directors has declared a fully franked interim FY22 dividend of 9.0 cents per share. As the interim dividend was not declared or resolved to be paid by the Board as at 30 June 2022, the dividend has not been provided for in the Consolidated Statement of Financial Position. The interim FY22 dividend has a record date of 14 September 2022 and will be paid on 12 October 2022.

Other than the above, there have been no other matters or circumstances 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 16 to 39 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 Company and the Group's financial position as at 30 June 2022 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, and

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

Fok Kin Ning, Canning
Chairman

19 August 2022

Iñaki Berroeta
Chief Executive Officer and Managing Director

19 August 2022

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 2022, 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 2022 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.

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 2022 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*.

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Independent Auditor's Review Report continued

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
19 August 2022

A large font version of this report will be published on TPG Telecom's website and made available to shareholders on request