TPG TELECOM LIMITED (ASX: TPM)

FINANCIAL RESULTS COMMENTARY

YEAR ENDED 31 JULY 2010

"Group Profit up by 216%; Guidance exceeded"

The directors of TPG Telecom Limited today announced Group FY10 earnings before interest, tax, depreciation and amortisation (EBITDA) of $171.1m and net profit after tax (NPAT) of $55.7m, representing increases of 41% and 216% respectively compared to the prior year.

These results, which incorporate 4.5 months' post acquisition contribution from the operations of PIPE Networks (PIPE), include one-off charges for acquisition costs relating to PIPE and other due diligence fees incurred during the year totalling $5.7m. Excluding these fees and the contribution from PIPE, the Group's EBITDA would have been $161.2m, exceeding its guidance range of $152-158m.

Earnings per share (EPS) for the year of 7.6 cents represent a 192% increase on the 2.6 cents per share last year.

Operational highlights

The FY10 year has been an active year of both consolidation and growth with ongoing integration of the businesses and migration of customers to owned infrastructure.

TPG has continued to lead the broadband consumer marketplace in providing high speed services of excellent value with the result today that Australian internet users are increasingly expecting unlimited broadband access. The Group added more than 100,000 net new broadband subscribers in the year, with the 2nd half of the year representing a record 6 months of on-net subscriber growth for the Group of over 54,000 subscribers. This on-net growth was supported strongly by TPG's broadband and home phone bundle offering with over 19,000 active subscribers being added to-date since its launch in April 2010. The Group's total number of broadband subscribers is expected to exceed 500,000 in September 2010.

PIPE's domestic backhaul and metropolitan fibre when combined with TPG's data and voice services is presenting excellent corporate revenue and margin growth opportunities for the Group. Corporate and wholesale customers are benefitting from the increased speed and reliability of fibre-based services where TPG's 100Mbps services are now available to businesses in Sydney, Melbourne and Brisbane. In the period since its acquisition by the Group PIPE's domestic business has also continued to grow very strongly in its own right.

Cash Flow

The Group's excellent cash generation has continued with net cash inflow from operations before interest, tax and capex during the year of $189.1m, $18.0m in excess of its EBITDA result.

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TPG Telecom Limited

The capital expenditure incurred by the Group for the year of $68.2m includes the final instalment payments for the construction of the PPC-1 submarine cable to Guam.

The Group established a new $360m syndicated debt facility during the year. $354m was initially drawn down, the funds being used to finance, together with cash raised through a share placement, the acquisition of PIPE, and to pay back TPG's and PIPE's existing debt facilities totaling $98m. By 31 July $22m of the new facility had also been repaid such that the total debt balance at year end was $332m. $28m of the debt facility is available for re-draw, and the Group will commence making permanent repayments against the facility of $20m per quarter from October 2010.

Final Dividend

The directors have also today declared a fully franked final dividend of 2.0 cents per share, payable on 17 November 2010 to shareholders on the register at 20 October 2010, bringing total FY10 dividends to 4.0 cents. For the final dividend, the directors again invite shareholders to reinvest in the Company through its DRP (Dividend Reinvestment Plan) for which the discount will be 2.5%.

David Teoh
Executive Chairman
21 September 2010

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