

TPG TELECOM LIMITED (ASX: TPM)

FINANCIAL RESULTS COMMENTARY

YEAR ENDED 31 JULY 2012

TPG Telecom reports 46% increase in normalised⁽¹⁾ NPAT

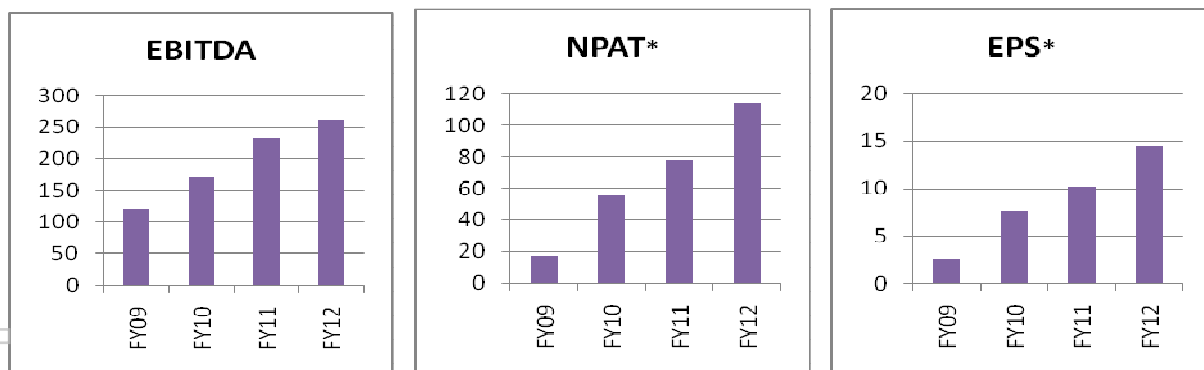
- **EBITDA up 12%**
- **Normalised⁽¹⁾ EPS up 43%**
- **4th consecutive year of earnings growth**

TPG Telecom Limited has today announced its financial results for the year ended 31 July 2012 ("FY12"), which include normalised⁽¹⁾ Net Profit After Tax ("NPAT") of \$114.2m, an increase over FY11 of 46%. Reported NPAT of \$91.0m increased by 16%.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year increased by 12% to \$261.4m, slightly above the top-end of its EBITDA guidance range for the year of \$250m-\$260m.

Normalised⁽¹⁾ earnings per share ("EPS") increased by 43% to 14.4 cents per share. Normalised⁽¹⁾ EPS, further adjusted to also exclude the impact of intangible amortisation expense, was 17.4 cents per share.

These strong results represent the Group's 4th consecutive year of growth in EBITDA, NPAT, and EPS.



(*in the above charts FY12 NPAT and EPS are normalised⁽¹⁾)

⁽¹⁾ Normalised FY12 NPAT of \$114.2m is arrived at by adjusting the Group's reported NPAT of \$91.0m to exclude a \$23.2m one-off tax expense incurred by the Group as a result of a retrospective change in tax legislation that was enacted in June 2012. The Company apprised the market of this anticipated expense through ASX announcements on 5 March and 27 June 2012.

Normalised EPS is arrived at by dividing normalised NPAT by the same weighted average number of shares used in calculating the Group's reported EPS.

The purpose of providing these normalised measures is to remove the distortion of the Group's NPAT and EPS results created by the one-off impact of the retrospective legislation change.

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Consumer business

The Group grew its consumer broadband subscriber base by 28,000 in the 2nd half of the year taking total net additions for FY12 to 47,000. The growth in the year was driven by a 114,000 increase in customers subscribing to TPG's ADSL2+ with Home Phone bundle plans, partially offset by a decline in standalone on-net (52,000) and off-net (15,000) subscribers.

TPG's mobile subscriber growth for the 2nd half was 33,000, taking the Group's total net mobile customer additions for FY12 to 54,000.

As at 31 July 2012 the Group had 595,000 broadband subscribers and 255,000 mobile subscribers.

Corporate business

The Group's Corporate division, operating under the PIPE Networks brand, has had an excellent year delivering strong EBITDA growth to \$110.8m, a 30% increase over FY11.

As at 31 July 2012 PIPE's domestic fibre network spanned 2,572 km, which represents a 725km (39%) expansion during FY12. This expansion has also added a further 350 new buildings to the network bringing PIPE's current total of on-net buildings to over 1,400.

Next month PIPE will also celebrate the 3rd anniversary of the go-live date of its Sydney to Guam submarine cable PPC-1. Due to growing internet traffic volumes, PIPE is in the process of upgrading PPC-1 which will significantly increase its active international capacity and enable the deployment of up to 100Gb/s wavelengths for both subsea and terrestrial application. Further incremental upgrades in the future will have the potential of increasing the cable's capacity to 6Tb/s and beyond. Customer services are now carried across PPC-1 and other cable systems to multiple destinations in the US plus locations in Tokyo, Singapore, Hong Kong, Manila, Papua New Guinea and Auckland.

Cashflow

The Group has had another excellent year in terms of cashflow generation; \$277.2m cash was generated from operations (pre-tax). After tax, interest and capital expenditure, the Group had free cashflow of \$150.0m.

This free cashflow enabled the Group to repay \$85m of debt in the year, fund the acquisition of an established cloud business, purchase shares in iiNet, and pay an increased dividend whilst suspending its dividend re-investment plan.

The Group's gross debt as at 31 July 2012 was down to \$149m, representing a debt to annual EBITDA leverage ratio of less than 0.6 times with \$185m of debt having been repaid in the past two financial years. This relatively low leverage ratio gives the Group significant borrowing capacity for future potential growth if required.

Dividend

The Company will pay a 2.75 cents per share (fully franked) final FY12 dividend on 20 November 2012 to shareholders on the register at 16 October 2012 bringing total FY12 dividends to 5.5 cents per share (fully franked), an increase of 22% over FY11.

David Teoh
Executive Chairman
18 September 2012