TPG Telecom Limited
ACN 093 058 069

SCHEME BOOKLET

VOTE IN FAVOUR

The TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting.

FINANCIAL ADVISER

MACQUARIE

Macquarie Capital

LEGAL ADVISER

HERBERT SMITH FREEHILLS

Herbert Smith Freehills

Important notices

General

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting.

Nature of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by sub-section 412(1) of the Corporations Act.

This Scheme Booklet does not constitute or contain an offer to TPG Shareholders, or a solicitation of an offer from TPG Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Sub-section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under sub-section 411(1) of the Corporations Act. Instead, TPG Shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

ASIC and ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of sub-section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with sub-section 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with sub-section 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Second Court Hearing to approve the Scheme.

VHA will apply to ASX for admission to the official list for official quotation of all Merged Co Shares on or about the date of lodgement of this Scheme Booklet with ASIC, conditional on approval of the Scheme and the Scheme becoming Effective. A copy of this Scheme Booklet has been provided to ASX. Neither ASX, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

Conversion of VHA from a proprietary company to a public company

As at the date of lodgement of this Scheme Booklet with ASIC, VHA is a proprietary company. VHA must be a public company at the time of implementation of the Scheme and admission to the official list and for official quotation of all Merged Co Shares on ASX.

VHA has made an application to ASIC to be converted to a public company. Upon conversion to a public company, VHA will be renamed "Vodafone Hutchison Australia Limited".

Important notice associated with Court order under sub-section 411(1) of the Corporations Act

The fact that, under sub-section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how TPG Shareholders should vote (on this matter, TPG Shareholders must reach their own conclusion); or
- has prepared, or is responsible for the content of, the explanatory statement.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure E.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any TPG Shareholder will be able to appear at the Second Court Hearing, expected to be held at 9.15am (Sydney time) on 26 June 2020 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney, NSW 2000.

Any TPG Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on TPG a notice of appearance in the prescribed form together with any affidavit that the TPG Shareholder proposes to rely on.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in Section 14.1. Section 14.2 also sets out some rules of interpretation which apply to this Scheme Booklet. Some of the documents reproduced in the annexures to this Scheme Booklet have their own defined terms, which are sometimes different to those set out in Section 14.1.

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and tax situation or particular needs of any TPG Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The TPG Directors encourage you to seek independent financial and tax advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the potential risks if the Scheme does not proceed, as set out in Section 12, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure A. If you are in doubt as to the course you should follow, you should consult your legal, financial, tax or other professional adviser.

Forward looking statements

Some of the statements appearing in this Scheme Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of TPG, VHA or the Merged Group are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to TPG or VHA and/or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. Neither TPG nor VHA, nor any of their respective affiliates, officers, directors, employees or advisers or any person named in this Scheme Booklet or involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, TPG and VHA, and their respective officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect (a) any change in expectations in relation to such statements; or (b) any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

TPG has prepared, and is responsible for, the TPG Information. Neither VHA nor any of its Subsidiaries, nor any of their respective, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

VHA has prepared, and is responsible for, the VHA Information. Neither TPG nor any of its Subsidiaries, nor any of their respective directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

Lonergan Edwards has prepared the Independent Expert's Report (as set out in Annexure A) and takes responsibility for that report. Neither TPG nor VHA, nor any of their respective Subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report.

KPMG Transaction Services has prepared the Investigating Accountant's Report (as set out in Annexure B) and takes responsibility for that report. Neither TPG nor VHA, nor any of their respective Subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in the Investigating Accountant's Report.

No consenting party has withdrawn their consent to be named before the date of this Scheme Booklet.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia. This Scheme Booklet and the Scheme do not constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

A Scheme Shareholder whose address shown in the Register is a place outside of Australia (including its external territories) and New Zealand as at the Scheme Record Date will be an Ineligible Foreign Shareholder unless VHA and TPG agree otherwise that it is lawful and not unduly onerous or impracticable to issue Merged Co Shares to that Scheme Shareholder under the Scheme.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date. Any discrepancies in any chart, graph or table between totals and sums of amounts presented or listed therein or to previously published financial figures are due to rounding.

Timetable and dates

All times and dates referred to in this Scheme Booklet are times and dates in Sydney, New South Wales, Australia, unless otherwise indicated. All times and dates relating to the Implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from Government Agencies.

External websites

Unless expressly stated otherwise, the content of the websites of TPG and VHA do not form part of this Scheme Booklet and TPG Shareholders should not rely on any such content.

Tax implications of the Scheme

If the Scheme becomes Effective, there will be tax consequences for the Scheme Shareholders which may include tax being payable. For further detail regarding general Australia tax consequences of the Scheme, refer to Section 11. The tax treatment may vary depending on the nature and characteristics of TPG Shareholders and their specific circumstances. Accordingly, TPG Shareholders should seek professional tax advice in relation to their particular circumstances.

Privacy

TPG may collect personal information in the process of Implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in TPG and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist TPG and VHA to conduct the Scheme Meeting and Implement the Scheme, including to issue the Scheme Consideration. Without this information, TPG may be hindered in its ability to issue this Scheme Booklet and Implement the Scheme, including to issue the Scheme Consideration. Personal information of the type described above may be disclosed to the TPG Share Registry, the VHA share registry (to enable it to issue the Scheme Consideration), third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of TPG, Government Agencies, and where disclosure is otherwise required or allowed by law. TPG Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them.

If you would like to obtain details of the information about you held by the TPG Share Registry in connection with TPG Shares, please contact the TPG Share Registry. TPG Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above. Further information about how TPG collects, uses and discloses personal information is contained in our Privacy Policy located at www.tpg.com.au/about/privacy-policy.

Date of Scheme Booklet

This Scheme Booklet is dated 19 May 2020.

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1 Letter from Chairman of TPG

19 May 2020

Dear Shareholder,

On behalf of the TPG Board, I am pleased to provide you with this Scheme Booklet, which outlines details you will need to consider in relation to the proposed merger of TPG Telecom Limited (**TPG**) and Vodafone Hutchison Australia Pty Limited (**VHA**). I encourage you to read this Scheme Booklet carefully and to participate in this transformational transaction for TPG by voting in favour of the Scheme.

On 30 August 2018, TPG and VHA announced that they had entered into a Scheme Implementation Deed under which the companies agreed a proposed merger of equals to establish Australia's leading challenger full-service telecommunications provider.

If the Scheme is approved and Implemented, the Scheme Shareholders will own 49.9% of the Merged Co, with VHA Shareholders owning the remaining 50.1%. Subject to the Scheme becoming Effective, the TPG Board also intends to pay a fully franked cash special dividend prior to Implementation of the Scheme for the benefit of the TPG Shareholders who hold shares on the TPG Special Dividend Record Date. The expected quantum of the TPG Special Dividend will be announced by TPG on ASX at least 10 days prior to the Scheme Meeting.

In addition, prior to Implementation of the Scheme and subject to the Scheme becoming Effective, TPG intends to undertake a separation of its Singapore business by way of an in-specie dividend distribution of Singapore Co Shares to existing TPG Shareholders. It is intended that Singapore Co will be listed on ASX and will trade under the ASX code "TUA".

The Scheme brings together two highly complementary businesses to create a leading integrated, full-service telecommunications company with a comprehensive portfolio of fixed and mobile products for consumers, SMEs and enterprises. Combining the network infrastructure of TPG and VHA will enable the Merged Group to deliver better services and more competitive value propositions to Australian customers and become a more formidable competitor against Telstra and Optus.

The Merged Group will be supported by pro forma historical revenue for the 12 months ending 31 January 2020 of $5,909 million and pro forma historical EBITDA of $1,977 million.[1] The Merged Group will have increased financial scale and a strengthened combined balance sheet supported by strong free cash flow generation which are expected to provide the Merged Group with an enhanced platform to pursue further growth opportunities. The financial performance of the Merged Group is expected to be further supported through the delivery of cost and capital expenditure synergies from infrastructure, network and transmission savings, consolidation of overlapping functions of the two businesses and economies of scale. The Merged Group may also benefit from potential revenue synergies through cross-selling opportunities in the consumer and enterprise markets.

The TPG Board believes that the value and strategic opportunities offered by the Scheme reflect a compelling proposition for TPG Shareholders. **The TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.** In assessing the Scheme, the TPG Board considered the reasons to vote in favour or to not vote in favour of the Scheme, other key considerations and undertook a comprehensive review of the potential alternatives available to TPG, including maintenance of the status quo. An overview of these reasons is available in Section 6.

Each TPG Director will vote, or procure the voting of, any TPG Shares owned or Controlled by them in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.

The TPG Board has also commissioned an independent expert, Lonergan Edwards, to prepare the Independent Expert's Report in relation to the Scheme. **The Independent Expert has concluded that the Scheme is in the best interests of TPG Shareholders, in the absence of a Superior Proposal.** A copy of the Independent Expert's Report is contained in Annexure A.

1. Pro forma historical EBITDA calculated on a post-AASB 16 *Leases* basis.

The Merger will be Implemented via a scheme of arrangement, pursuant to which VHA proposes to acquire 100% of outstanding TPG Shares and TPG Shareholders will receive one share in the Merged Co in consideration for each TPG Share owned by them. Shortly before Implementation of the Scheme, VHA (which will be Merged Co upon completion of the Merger on Implementation) will be listed on ASX, renamed as "TPG Telecom Limited" and will trade under the ASX code "TPG".

As permitted under the terms of the Merger, the Merged Group will have anticipated drawn net debt at Implementation of approximately $4,771 million (on a pro forma basis).[2] Of that, TPG is permitted to have net debt of $2,508 million (subject to certain adjustments described in Section 7.3). As TPG's actual net debt balance and working capital were below the permitted amounts at the Locked Box Date, TPG intends to pay the TPG Special Dividend as a fully franked cash special dividend prior to Implementation of the Scheme, and subject to the Scheme becoming Effective. The expected quantum of the TPG Special Dividend will be announced by TPG on ASX at least 10 days prior to the Scheme Meeting. The TPG Special Dividend will be paid to TPG Shareholders who hold TPG Shares as at 7.00pm (Sydney time) on Wednesday, 1 July 2020, the record date for the TPG Special Dividend.

The Scheme can only be Implemented if approved by TPG Shareholders at the Scheme Meeting to be held at 10.30am on Wednesday, 24 June 2020. As such, your vote is important, and I strongly encourage you to take careful consideration of all the information set out in this Scheme Booklet when deciding whether to vote in favour of the Scheme.

You are invited to cast your vote on the Scheme at the Scheme Meeting in person, online, by using the Lumi AGM application or by completing and returning the attached Scheme Meeting Proxy Form to the TPG Share Registry by 10.30am on Monday, 22 June 2020. Due to the potential health risks and the government's restrictions in response to the COVID-19 pandemic, TPG encourages TPG Shareholders to attend the Scheme Meeting and the EGM online or lodge a directed proxy in advance of the meetings rather than planning on attending the meetings in person.

You should take into consideration all of the information set out in this Scheme Booklet when deciding whether or not to vote in favour of the Scheme, including the risks associated with holding shares in the Merged Co.

If you have any questions or require further information in relation to this Scheme Booklet or the Scheme, you should call the Shareholder Information Line on 1300 855 080 (callers within Australia) or +61 3 9415 4000 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time). If you are in any doubt as to what you should do, you should consult an independent, appropriately licenced and authorised financial, legal and/or tax adviser without delay.

On behalf of the TPG Board, I would like to take this opportunity to thank you for your ongoing support of TPG and I look forward to your participation in the Scheme Meeting.

Yours sincerely,

David Teoh
Executive Chairman
TPG Telecom Limited

2. Pro forma net debt includes debt contribution to Merge Co as contemplated or agreed under the Scheme Implementation Deed, which includes $4.0 billion of debt contribution (as announced on 30 August 2018) plus subsequent payments made by TPG and VHA to fund the acquisition of 700MHz and 3.6 GHz spectrum payments. The anticipated pro forma drawn net debt at Implementation assumes a nil TPG Working Capital Adjustment and nil VHA Working Capital Adjustment, a nil Leakage amount and is presented before the impact of any net cashflows of VHA and TPG between the Locked Box Date and Implementation.

2 Letter from CEO of Vodafone Hutchison Australia

19 May 2020

Dear TPG Shareholder,

The VHA Board, together with the TPG Board, is very pleased to provide you with the opportunity to participate in the combination of VHA and TPG to create Australia's leading challenger full-service telecommunications provider.

The Merger brings together highly complementary network infrastructure and leading talent in Australia's mobile and fixed broadband sectors, and accelerates the benefits of the substantial network investments made by both companies. The Merged Co will be a more powerful challenger to the major incumbents in Australia, with an integrated offering that leverages a comprehensive portfolio of fixed and mobile products. It will also be better positioned to invest in next generation mobile and fixed networks to benefit Australian telecommunications customers.

The Merger is expected to generate cost and capital expenditure synergies from the combination of two complementary networks, rationalisation of duplicated costs, and economies of scale. The Merged Group may also benefit from revenue synergies through cross-selling of products across VHA and TPG's respective customer bases.

Increased scale, meaningful cost synergy potential as well as enhanced revenue cross-sell and up-sell opportunities are expected to deliver stronger returns to shareholders than either business could achieve on a standalone basis.

The Merged Group will be led by an experienced board and senior executive team that will draw on the breadth of both groups' skills and expertise.

The Scheme has been unanimously recommended by the TPG Directors, who have indicated that they will vote all TPG Shares owned or Controlled by them in favour of the Scheme, consistent with their recommendation, in the absence of a Superior Proposal. **The Independent Expert appointed by TPG to review the transaction has also concluded that it is in the best interests of TPG Shareholders, in the absence of a Superior Proposal.**

This Scheme Booklet provides you with important information in relation to the Scheme.

On behalf of the VHA Board, I encourage you to read this Scheme Booklet carefully and vote in favour of the Scheme at the Scheme Meeting to be held at 10.30am (Sydney time) on Wednesday 24 June 2020. Due to the potential health risks and the government's restrictions in response to the COVID-19 pandemic, I encourage you to attend the Scheme Meeting and the EGM online or lodge a directed proxy in advance of the meetings rather than planning on attending the meetings in person.

I am excited by the prospects for the combined entity and we look forward to welcoming you as a shareholder of the Merged Group following successful Implementation of the Scheme.

Yours sincerely,

Iñaki Berroeta
Chief Executive Officer
Vodafone Hutchison Australia Pty Limited

3 Timetable and key dates

Event	Time and date
Date of this Scheme Booklet	Tuesday 19 May 2020
First Court Date	9.15am on Tuesday 19 May 2020
Latest time and date for receipt of Proxy Forms (including proxies lodged online) or power of attorney by the TPG Share Registry for the Scheme Meeting	10.30am on Monday 22 June 2020
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm on Monday 22 June 2020
Scheme Meeting	10.30am on Wednesday 24 June 2020
Extraordinary General Meeting (to consider change of name of TPG)	10.30am on Wednesday 24 June 2020 (or as soon after that time as the Scheme Meeting has concluded)
If the Scheme is approved by the Requisite Majority of TPG Shareholders at the Scheme Meeting	
Second Court Date	9.15am on Friday 26 June 2020
Effective Date *This will also be the last day for trading in TPG Shares (TPG Shares will be suspended from trading on ASX from close of trading on this date)*	Monday 29 June 2020
Merged Co admitted to ASX's official list and trading commences on a deferred settlement basis	Tuesday 30 June 2020
TPG Special Dividend Record Date	Wednesday 1 July 2020
Singapore Dividend Record Date	Wednesday 1 July 2020
Scheme Record Date (for determining entitlements to Scheme Consideration)	Tuesday 7 July 2020
Payment of TPG Special Dividend	Monday 13 July 2020
Distribution of Singapore Dividend	Monday 13 July 2020
Implementation Date	Monday 13 July 2020
Merged Co trading commences on an ordinary settlement basis	Tuesday 14 July 2020

All times and dates in the above timetable are references to the time and date in Sydney, New South Wales, Australia and all such times and dates are subject to change. TPG may vary any or all of these dates and times and will provide notice of any such variation on ASX. Certain times and dates are conditional on the approval of the Scheme by TPG Shareholders and by the Court. Any changes will be announced by TPG to ASX.

SECTION 4

ACTIONS FOR TPG SHAREHOLDERS

4.1 Carefully read this Scheme Booklet

This Scheme Booklet contains information that is material to your decision whether or not to approve the Scheme by voting in favour of the Scheme Resolution. Accordingly, you should read this Scheme Booklet in its entirety before making a decision on how to vote on the Scheme Resolution.

If you are in any doubt as to what you should do, you should also consult your legal, financial, tax or other professional adviser. Answers to some common questions are contained in Section 5 titled 'Frequently asked questions'.

If you have any additional questions about the Merger or the Scheme Booklet, please contact the Shareholder Information Line on 1300 855 080 (callers within Australia) or +61 3 9415 4000 (callers outside Australia). The Shareholder Information Line is open Monday to Friday between 8.30am and 5.30pm (Sydney time).

A copy of the full Scheme Booklet and the Singapore Co Information Memorandum can be obtained by anyone entitled to attend the Scheme Meeting from the ASX website at www.asx.com.au and on TPG's website at www.tpg.com.au or by calling the Shareholder Information Line.

4.2 Scheme Meeting and Extraordinary General Meeting Details

4.2.1 Scheme Meeting

The Court has ordered TPG to convene the Scheme Meeting at which TPG Shareholders will be asked to consider the Scheme. The Scheme Meeting is to be held at Level 22, 207 Kent Street, Sydney, NSW 2000 on 24 June 2020 at 10.30am.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure E.

If you are a TPG Shareholder on 22 June 2020 at 7.00pm (Sydney time), you are entitled to vote on the Scheme Resolution at the Scheme Meeting. As a result of the potential health risks and the government's restrictions in response to the COVID-19 pandemic, TPG encourages TPG Shareholders to attend the Scheme Meeting online or lodge a directed proxy in advance of the meeting rather than planning on attending the meeting in person.

TPG Shareholders who are unable to attend the Scheme Meeting in person will have the opportunity to participate in the meeting online at https://web.lumiagm.com or using the Lumi AGM application. TPG Shareholders will be able to view the Scheme Meeting live, vote on resolutions, and ask questions online. Further information about attending the Scheme Meeting online or using the Lumi AGM application can be found in the Notice of Scheme Meeting.

The fact that the Court has ordered the Scheme Meeting to be convened and has approved this Scheme Booklet required to accompany the Notice of Scheme Meeting does not mean that the Court has prepared, or is responsible for the content of, this Scheme Booklet, or has any view as to the merits of the Scheme or as to how TPG Shareholders should vote. On these matters, TPG Shareholders must reach their own decision.

In order to proceed, the Scheme Resolution must be passed by the Requisite Majority of TPG Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or, in the case of corporate TPG Shareholders, corporate representative) being:

- a majority in number (more than 50%) of TPG Shareholders; and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by TPG Shareholders.

The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.

Voting is not compulsory. However, **the TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme in the absence of a Superior Proposal**.

If the Scheme Resolution is passed at the Scheme Meeting, TPG will apply to the Court to approve the Scheme.

4.2.2 Extraordinary General Meeting

If the Scheme becomes Effective, TPG will need to change its name in order to free the name 'TPG Telecom Limited' so that VHA can adopt this name on listing as the Merged Co.

Accordingly, TPG Shareholders are also being asked to approve, as a special resolution, a change of name of TPG from TPG Telecom Limited to TPG Corporation Limited, at an Extraordinary General Meeting (**EGM**), to be held at Level 22, 207 Kent Street, Sydney, NSW 2000 on Wednesday 24 June 2020 at 10.30am, or as soon after that time as the Scheme Meeting has concluded.

The terms of the EGM Resolution to be considered at the EGM are contained in the Notice of EGM in Annexure F. The change of name set out in the EGM Resolution is subject to and conditional on the Scheme becoming Effective.

The EGM Resolution must be approved by at least 75% of the total number of votes cast on the EGM Resolution at the EGM by TPG Shareholders. The entitlement of TPG Shareholders to attend and vote at the EGM is set out in the Notice of EGM in Annexure F.

As a result of the potential health risks and the government's restrictions in response to the COVID-19 pandemic, TPG encourages TPG Shareholders to attend the EGM online or lodge a directed proxy in advance of the meeting rather than planning on attending the meeting in person.

TPG Shareholders who are unable to attend the EGM in person will have the opportunity to participate in the meeting online at https://web.lumiagm.com or using the Lumi AGM application. TPG Shareholders will be able to view the EGM live, vote on resolutions, and ask questions online. Further information about attending the EGM online or using the Lumi AGM application can be found in the Notice of EGM.

Voting is not compulsory. However, **the TPG Directors unanimously recommend that TPG Shareholders vote in favour of the EGM Resolution**.

The Scheme Resolution is not conditional on the EGM Resolution.

4.3 Voting

4.3.1 Voting by poll

Voting at both the Scheme Meeting and the EGM will be conducted by way of a poll. TPG Shareholders will have one vote for each TPG Share owned (subject to the restrictions on voting rights set out in the Notice of Scheme Meeting and Notice of EGM).

4.3.2 Entitlement to vote

Each TPG Shareholder who is registered on the Register as the holder of a TPG Share at 7.00pm (Sydney time) on Monday 22 June 2020 may vote at both the Scheme Meeting and the EGM, in person, by proxy, by attorney or, in the case of a corporation, by corporate representative (subject to restrictions on voting rights set out in the Notice of Scheme Meeting and Notice of EGM).

4.3.3 How to vote

Each TPG Shareholder who is entitled to vote can vote at either or both the Scheme Meeting and the EGM:

- in person, by attending the Scheme Meeting and the EGM in person, online or using the Lumi AGM application. Further information about attending the Scheme Meeting and the EGM online or using the Lumi AGM application can be found in the Notices of Meeting;
- by appointing a proxy to attend and vote on your behalf; or
- by attorney or corporate representative. You are entitled to appoint an attorney or, in the case of a corporate shareholder, a corporate representative to attend and vote at the Scheme Meeting and the EGM on your behalf.

As a result of the potential health risks and the government's restrictions in response to the COVID-19 pandemic, TPG encourages TPG Shareholders to attend the Scheme Meeting and the EGM online or lodge a directed proxy in advance of the meetings rather than planning on attending the meetings in person.

Any shareholder who may still wish to physically attend the Scheme Meeting and EGM should be mindful of government warnings and recommendations and monitor TPG's website and ASX announcements for any updates about the meetings.

4.3.3.1 Appointing a proxy

Enclosed with this Scheme Booklet is:

- a Scheme Meeting Proxy Form; and
- an EGM Proxy Form.

If you are unable to attend the Scheme Meeting and the EGM, you can appoint a proxy to attend and vote on your behalf.

To appoint a proxy, complete the Scheme Meeting Proxy Form and the EGM Proxy Form. You can appoint a proxy by:

- lodging your appointment online at www.investorvote.com.au and following the instructions on the website. You will need to enter the secure access information set out on the Scheme Meeting Proxy Form and EGM Proxy Form;
- mailing the Scheme Meeting Proxy Form and the EGM Proxy Form to the TPG Share Registry at Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia;
- faxing the accompanying Scheme Meeting Proxy Form and the EGM Proxy Form to the TPG Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- hand delivering the Scheme Meeting Proxy Form and the EGM Proxy Form to the TPG Share Registry at Level 3, 60 Carrington Street, Sydney, NSW 2000.

Proxy Forms and powers of attorney must be lodged by 10.30am (Sydney time) on Monday 22 June 2020. For further information on proxy voting, refer to the detailed instructions contained on the Scheme Meeting Proxy Form and the EGM Proxy Form.

4.3.3.2 Appointing an attorney

If voting by attorney, the power of attorney appointing the attorney must be duly signed and specify the name of each of the TPG Shareholder and the attorney, and also specify the meetings at which the appointment may be used. The power of attorney must be returned in the same manner, and by the same time, as outlined for the Proxy Forms.

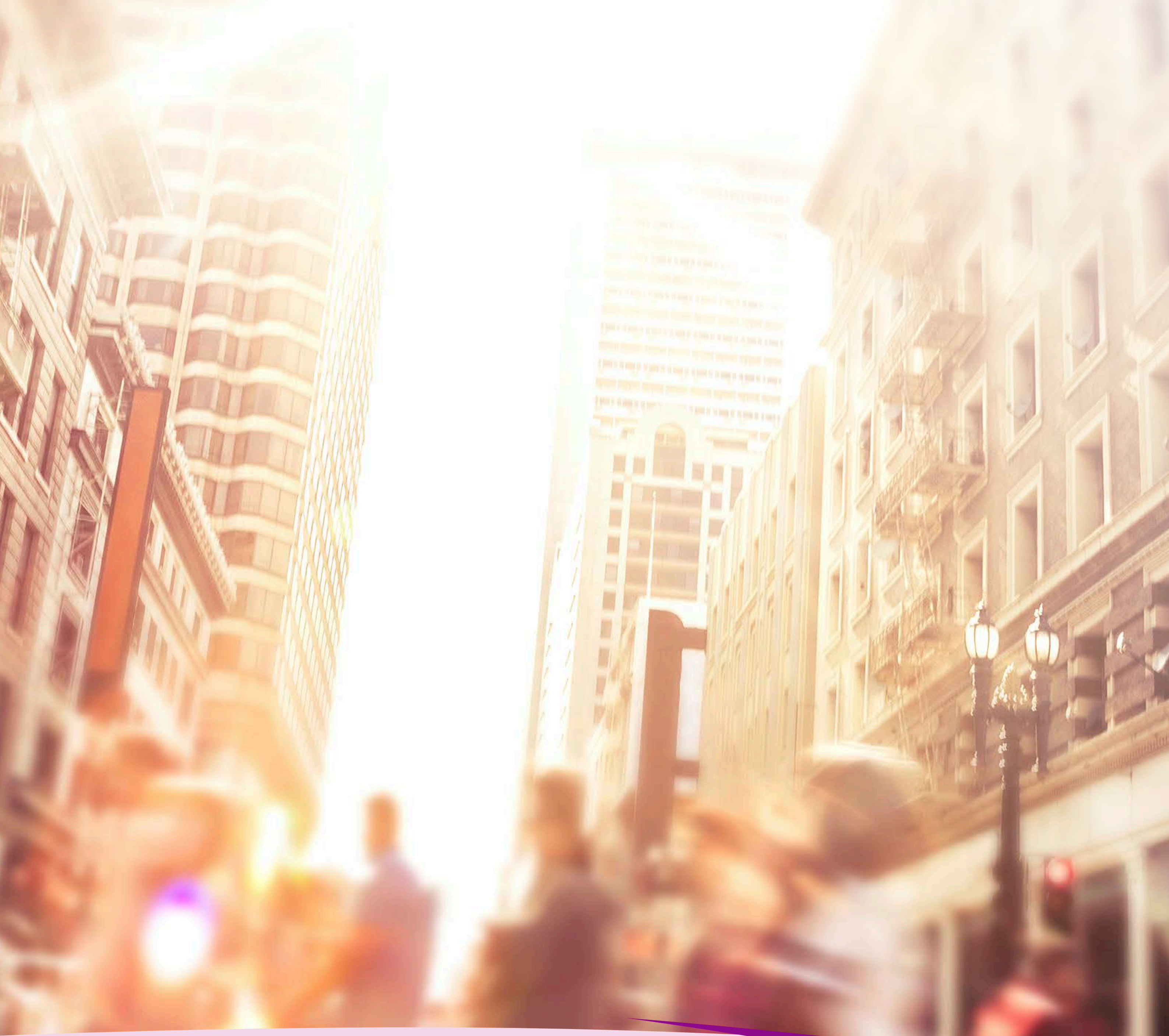
4.3.3.3 Appointing a corporate representative

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the Scheme Meeting and the EGM and vote on its behalf. Corporate shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the meetings for the purpose of registration.

A form of corporate representative appointment may be obtained from the TPG Share Registry at www.investorcentre.com/au (click on 'printable forms') or from Level 3, 60 Carrington Street, Sydney, NSW 2000.

SECTION 5

FREQUENTLY ASKED QUESTIONS



Question	Response	Section Reference
What is a scheme of arrangement?	A scheme of arrangement is a statutory arrangement facilitated by Part 5.1 of the Corporations Act between a company and its shareholders. Schemes are commonly used to effect the acquisition of shares in a target company. Schemes must be approved by a Requisite Majority of shareholders and the Court in order to become binding on the target company's shareholders.	N/A
What is the Scheme I am being asked to consider?	TPG Shareholders are being asked to consider the proposed scheme of arrangement under which it is proposed that VHA will acquire 100% of the outstanding shares in TPG, in return for which each Scheme Shareholder will receive the Scheme Consideration of one Merged Co Share (or, in respect of Ineligible Foreign Shareholders, the Sale Proceeds) for each TPG Share held on the Scheme Record Date. Scheme Shareholders will together hold equivalent to 49.9% of the Merged Co upon Implementation of the Scheme. The Scheme requires approval by the Requisite Majority of TPG Shareholders at the Scheme Meeting, approval by the Court at the Second Court Hearing and lodgement of a copy of the Court orders with ASIC in order to become Effective. A copy of the Scheme is contained in Annexure C.	Section 7
What is the Scheme Implementation Deed and is it binding on me?	The Scheme Implementation Deed contains various undertakings by TPG and VHA to pursue and progress the Scheme. The key terms of the Scheme Implementation Deed are summarised in Section 13.1. The Scheme Implementation Deed is binding on TPG only and not on TPG Shareholders. The Scheme will only become binding on TPG Shareholders if and when the Scheme becomes Effective which will only occur if the Scheme is approved by the Requisite Majority of TPG Shareholders at the Scheme Meeting, approved by the Court at the Second Court Hearing and a copy of the Court orders are lodged with ASIC.	Section 13.1
What should I do?	**The TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.** TPG Shareholders should read this Scheme Booklet carefully and in its entirety. TPG Shareholders may also choose to consult independent legal, investment, tax or other professional advisers in relation to any of the information contained in this Scheme Booklet. Based on this Scheme Booklet and any independent advice you may receive, you should determine how you wish to vote on the Scheme. You are able to vote by attending the Scheme Meeting in person, or by appointing a proxy, attorney or, in the case of corporate TPG Shareholders, a corporate representative, to vote on your behalf. Please refer to Section 4.3 and Annexure E for further information on how to vote on the Scheme.	Section 4.3 and Annexure E
Who is VHA?	VHA is the third largest mobile telecommunications provider in Australia. VHA owns and operates its own 3G and 4G mobile network, which has mobile sites located nationally across Australia, and has commenced the rollout of a 5G mobile network. It also provides fixed broadband services utilising the Australian government-owned NBN. In addition to supplying mobile services directly to customers under the Vodafone, Lebara and Kogan brands, VHA supplies wholesale mobile services to Australian MVNOs for resale by them to retail customers under their own brands. As at 31 December 2019, VHA employed approximately 2,050 people throughout Australia. In the financial year ended 31 December 2019, the VHA Group's revenues were $3,523.4 million, its total EBITDA was $1,178.7 million, and its total assets as at 31 December 2019 were $8,745.8 million.	Section 9
Who is entitled to participate in the Scheme?	Persons who hold TPG Shares on the Scheme Record Date can participate in the Scheme.	Section 7.11
Will I have to pay brokerage fees?	No brokerage fees will be payable on the transfer of TPG Shares to VHA under the Scheme. Brokerage fees may be deducted from the Sale Proceeds payable to Ineligible Foreign Shareholders – see Section 7.11.3.	Section 7.11.3

Question	Response	Section Reference
Scheme process		
What do the TPG Directors recommend?	**The TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.** Each TPG Director also will vote any TPG Shares owned or Controlled by them in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.	Section 7.7
What is the Independent Expert's opinion?	The TPG Board has also commissioned the Independent Expert, Lonergan Edwards, to prepare an Independent Expert's Report in relation to the Scheme. **The Independent Expert has concluded that the Scheme is in the best interests of TPG Shareholders, in the absence of a Superior Proposal.** A complete copy of the Independent Expert's Report is contained in Annexure A.	Annexure A
What alternatives did the TPG Board consider?	The TPG Directors are of the view that the Scheme is more likely to enhance TPG Shareholder value in the long term than the other currently available alternatives including maintenance of the status quo. Having regard to the reasons to vote in favour or not vote in favour, other key considerations and risks as set out in Sections 6.1, 6.2 and 12 and the opportunity for both TPG and TPG Shareholders to realise the future growth of TPG and its various businesses, the TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.	Section 7.7
Why you may consider voting in favour of the Scheme	**The TPG Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.** Reasons why you should consider voting in favour of the Scheme include: • The Scheme will create a leading challenger telecommunications operator with significant scale and complementary fixed line and mobile networks. • The Merged Group will provide a comprehensive telecommunications product offering, catering to a broad range of customers, with access to TPG's corporate distribution channels and VHA's consumer retail presence. • The Merged Group is expected to have significant synergy potential. • The Merged Group will have increased financial scale and a strengthened combined balance sheet supported by strong free cash flow generation. • The Scheme Consideration offered under the Scheme enables Scheme Shareholders (other than Ineligible Foreign Shareholders) to participate in the combination benefits of the two businesses. • The Independent Expert has concluded that the Scheme is in the best interests of TPG Shareholders, in the absence of a Superior Proposal. • No Superior Proposal has emerged as at the date of this Scheme Booklet. Further detail is provided in Section 6.1.	Section 6.1
Why you may consider voting against the Scheme	Reasons why you might consider voting against the Scheme include: • You may disagree with the TPG Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in your best interests. • You may wish to confine your investment and exposure to a business with TPG's specific characteristics. • You may consider that there are risks associated with the integration of TPG and VHA and that these risks exceed the benefits of the Scheme. • You may believe there is potential for a Superior Proposal to be made in the foreseeable future. • The future value of the Merged Co Shares and Singapore Co Shares is not certain. • The tax consequences of the Scheme may not suit your current financial circumstances. • You may be concerned about specific risks associated with VHA's business. Further detail is provided in Section 6.2.	Section 6.2

Question	Response	Section Reference
Scheme Consideration		
What will I receive if the Scheme is Implemented?	If you are an Eligible Shareholder and the Scheme is Implemented, you will receive one share in the Merged Co for each TPG Share you hold such that the TPG Shareholders' overall ownership in the Merged Co will be 49.9% upon Implementation. Please refer to Section 7.11 to determine whether you are an Eligible Shareholder. In addition to the Scheme Consideration, prior to Implementation of the Scheme and subject to the Scheme becoming Effective and compliance with the Corporations Act: • the TPG Board also intends to pay the TPG Special Dividend as a fully franked cash special dividend for the benefit of the TPG Shareholders who hold shares on the TPG Special Dividend Record Date. The expected quantum of the TPG Special Dividend will be announced by TPG on ASX at least 10 days prior to the Scheme Meeting. See Section 7.3 for further details; and • TPG intends to undertake a separation of its Singapore business to existing TPG Shareholders by way of in-specie dividend distribution of one Singapore Co Share for every two TPG Shares owned as at the Singapore Dividend Record Date, with any fractional entitlements rounded up to the nearest whole Singapore Co Share. It is intended that Singapore Co Shares will be listed on ASX code "TUA". See Section 7.10 and Section 8.7 for further details.	Sections 7.2, 7.3, 7.10, 7.11 and 8.7
I am a foreign TPG Shareholder. Does that make me an Ineligible Foreign Shareholder?	A TPG Shareholder who is (or who is acting on behalf of) a citizen or resident of a jurisdiction other than (and is not a resident of) Australia (and its external territories), New Zealand, or whose Registered Address as at the Scheme Record Date is a place outside Australia (and its external territories) and New Zealand, or who is acting on behalf of such a person, will be classified as an Ineligible Foreign Shareholder, unless TPG and VHA jointly determine that it is lawful and not unduly onerous or impracticable to issue that TPG Shareholder Merged Co Shares when the Scheme becomes Effective.	Section 7.11.3
How will Ineligible Foreign Shareholders be treated under the Scheme?	All TPG Shareholders are invited to participate in the Scheme and Ineligible Foreign Shareholders will participate in the Scheme on the same basis as Eligible Shareholders. However, Merged Co Shares will not be issued to Ineligible Foreign Shareholders. Instead, the Merged Co Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled will be issued to a Sale Agent to be sold on the ASX. The Sale Agent will sell those Merged Co Shares as soon as reasonably practicable after the Implementation Date and the Sale Agent will remit the Sale Proceeds for the Merged Co Shares to TPG. TPG will then remit to each Ineligible Foreign Shareholder the Sale Proceeds attributable to the Merged Co Shares to which the Ineligible Foreign Shareholder would otherwise have been entitled (after deducting any applicable brokerage, stamp duty or other costs, taxes and charges).	Section 7.11.3
Can I choose to keep my TPG Shares?	No. If the Scheme is Implemented, your TPG Shares will be transferred to VHA and you will receive the Scheme Consideration. Provided that the Scheme Resolution is passed by the Requisite Majority of TPG Shareholders at the Scheme Meeting, the Scheme is approved by the Court at the Second Court Hearing and the Scheme becomes Effective, this will occur even if you did not vote on the Scheme or if you voted against the Scheme Resolution.	Section 7.12.1
Can I sell my TPG Shares?	Yes, you can sell your TPG Shares on the ASX at any time before the close of trading on the Effective Date. Trading in TPG Shares will be suspended from official quotation on the ASX from the close of trading on the Effective Date. You will not be able to sell your TPG Shares on the ASX after this time. If you sell your TPG Shares on the ASX prior to the Effective Date: • you will not receive the Scheme Consideration; • you will not receive the TPG Special Dividend; • you will not receive the Singapore Dividend; • you may be required to pay brokerage on the sale of your TPG Shares; and • there may be different tax consequences for you compared with those consequences that would apply if you disposed of your TPG Shares under the Scheme.	N/A

<table>
<tr><th>Question</th><th>Response</th><th>Section Reference</th></tr>
<tr><td>Can I choose to receive cash for my TPG Shares?</td><td>No. There is no option for TPG Shareholders to elect to receive cash in place of the Scheme Consideration.
On the Implementation Date, Eligible Shareholders will receive the Scheme Consideration, comprising one Merged Co Share for each TPG Share owned on the Scheme Record Date.
Prior to the Implementation Date, if the TPG Board resolves to pay the TPG Dividends, TPG Shareholders will also be paid or distributed:
• the Singapore Dividend of one Singapore Co Share for every two TPG Shares owned on the Singapore Dividend Record Date, with any fractional entitlements rounded up to the nearest whole Singapore Co Share; and
• the TPG Special Dividend for each TPG Share owned on the TPG Special Dividend Record Date.
Following Implementation, you may elect to sell your Merged Co Shares and/or Singapore Co Shares on the ASX.
Alternatively, you may elect to sell your TPG Shares on the ASX at any time before the close of trading on the Effective Date.</td><td>Sections 7.2, 7.3, 7.10, 7.11 and 8.7</td></tr>
<tr><td>Can I subscribe for additional Merged Co Shares under the Scheme?</td><td>No. There is no option for TPG Shareholders to elect to receive or to subscribe for additional Merged Co Shares under the Scheme.
TPG Shareholders will be able to purchase additional Merged Co Shares through normal trading on the ASX after the Implementation Date.</td><td>N/A</td></tr>
<tr><td>When will I receive the Scheme Consideration?</td><td>If you are an Eligible Shareholder, you will have your name entered into the register of Merged Co Shareholders as the holder of your Merged Co Shares on the Implementation Date. If you are an Ineligible Foreign Shareholder, the net cash proceeds of the sale of the Merged Co Shares to which you would otherwise have been entitled will be paid to you in accordance with the process outlined in Section 7.11.3.
If the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the issue of the Scheme Consideration will also be delayed.</td><td>Sections 7.2 and 7.11.3</td></tr>
<tr><td colspan="3">TPG Special Dividend</td></tr>
<tr><td>What is the TPG Special Dividend?</td><td>The TPG Special Dividend is a fully franked cash special dividend which the TPG Board intends to resolve to pay prior to Implementation, subject to the Scheme becoming Effective, for the benefit of TPG Shareholders who hold TPG Shares at the TPG Special Dividend Record Date.
The calculation of the TPG Special Dividend Amount has not yet been finalised as at the date of the Scheme Booklet. The expected quantum of the TPG Special Dividend will be announced by TPG on ASX at least 10 days prior to the Scheme Meeting. See Section 7.3 for further details.</td><td>Section 7.3</td></tr>
<tr><td>How will I receive the TPG Special Dividend?</td><td>Subject to the Scheme becoming Effective and the TPG Board resolving to pay the TPG Special Dividend (which the TPG Board intends to do once the Scheme has become Effective), it will be paid to each TPG Shareholder who holds TPG Shares at the TPG Special Dividend Record Date by:
• direct credit to the nominated bank account of the TPG Shareholder as noted on the Register on the TPG Special Dividend Record Date; or
• where an account has not been provided, by dispatching a cheque by mail to the TPG Shareholder’s Registered Address as at the TPG Special Dividend Record Date.</td><td>Section 7.3</td></tr>
<tr><td colspan="3">Singapore Dividend</td></tr>
<tr><td>What is the Singapore Dividend?</td><td>Prior to Implementation of the Scheme, and subject to the Scheme becoming Effective, TPG intends to undertake a separation of its Singapore business by way of an in-specie dividend distribution to TPG Shareholders of one Singapore Co Share for every two TPG Shares owned as at the Singapore Dividend Record Date, with any fractional entitlements rounded up to the nearest whole Singapore Co Share.
It is intended that Singapore Co Shares will be listed on the ASX and will trade under the ASX code “TUA”.</td><td>Sections 7.10 and 8.7</td></tr>
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Question	Response	Section Reference
How will I receive the Singapore Dividend?	Subject to the Scheme becoming Effective and the TPG Board resolving to pay the Singapore Dividend (which the TPG Board intends to do once the Scheme has become Effective), eligible TPG Shareholders will receive one Singapore Co Share for every two TPG Shares they hold at 7.00pm (Sydney time) on Wednesday, 1 July 2020, with any fractional entitlements rounded up to the nearest whole Singapore Co Share. Eligible TPG Shareholders do not need to do anything or pay anything to receive the Singapore Co Shares. TPG Shareholders who are not eligible to receive Singapore Co Shares will receive the net cash proceeds of the sale of their Singapore Co Shares to which they would otherwise have been entitled in accordance with the process outlined in Section 7.11.3 and the Singapore Co information memorandum sent to TPG Shareholders with this Scheme Booklet (**Singapore Co Information Memorandum**). If the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the issue of the Singapore Dividend will also be delayed.	Sections 7.10, 7.11.3 and 8.7
The Scheme Meeting and the EGM		
What is the Scheme Meeting?	The Scheme Meeting is a meeting of TPG Shareholders to consider the Scheme. The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure E.	Section 4.2.1
Why is an EGM being held?	The EGM is being held to approve the change of name of TPG from 'TPG Telecom Limited' to TPG Corporation Limited to free the name so that VHA can adopt the name "TPG Telecom Limited" on listing as the Merged Co.	Section 4.2.2
Who can vote at the meetings?	**Voting on the Scheme at the Scheme Meeting** TPG Shareholders who are registered on the Register at 7.00pm on Monday 22 June 2020 will be entitled to vote at the Scheme Meeting. **Voting at the EGM** TPG Shareholders who are registered on the Register at 7.00pm on Monday 22 June 2020 will be entitled to vote at the EGM.	Section 4.3
When and where will the meetings be held?	**Scheme Meeting and EGM** The Scheme Meeting and EGM are scheduled to be held on 10.30am on Wednesday, 24 June 2020 at Level 22, 207 Kent Street, Sydney, NSW 2000.	Section 4.2
How do I vote at the meetings?	**Scheme Meeting and EGM** Each TPG Shareholder who is entitled to vote can vote at either or both the Scheme Meeting and the EGM: • in person, by attending the Scheme Meeting and the EGM in person, online or using the Lumi AGM application; • by appointing a proxy to attend and vote on your behalf; or • by attorney or corporate representative. You are entitled to appoint an attorney or, in the case of a corporate shareholder, a corporate representative to attend and vote at the Scheme Meeting and the EGM on your behalf. As a result of the potential health risks and the government's restrictions in response to the COVID-19 pandemic, TPG Shareholders are encouraged to attend the Scheme Meeting and the EGM online or to lodge a directed proxy in advance of the meetings rather than planning on attending in person. Any TPG Shareholder who may still wish to physically attend the meetings should be mindful of government warnings and recommendations and monitor TPG's website and ASX announcements for any updates about the meetings.	Section 4.3.3
What vote is required to approve the Scheme?	For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majority of TPG Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or, in the case of corporate TPG Shareholders, corporate representative), which is: • a majority in number (more than 50%) of TPG Shareholders; and • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by TPG Shareholders. The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.	Section 7.6

Question	Response	Section Reference
What if I do not vote at the Scheme Meeting or do not vote in favour of the Scheme Resolution?	If you do not vote or vote against the Scheme Resolution, but the Scheme Resolution is approved by the Requisite Majority of TPG Shareholders, then, subject to the other Conditions Precedent to the Scheme being satisfied or waived, and Court approval, the Scheme will be Implemented and binding on all TPG Shareholders, including those who did not vote or voted against the Scheme Resolution.	Section 6.3.1
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be announced to the ASX shortly after the conclusion of the Scheme Meeting. The result will be accessible from the ASX's website at www.asx.com.au. Even if the Scheme Resolution is passed by the Requisite Majority of TPG Shareholders at the Scheme Meeting, the Scheme will not become Effective unless and until it is approved by the Court at the Second Court Hearing and the Court order is lodged with ASIC.	Section 4.2.1
Tax implications of the Scheme		
What are the Australian tax implications of the Scheme for TPG Shareholders?	A summary of the general Australian income tax, stamp duty and GST consequences for TPG Shareholders who participate in the Scheme and receive the TPG Special Dividend and Singapore Dividend is set out in Section 11. Each TPG Shareholder's tax position will depend on their particular circumstances. TPG Shareholders are urged to consult their own professional tax advisers as to the specific tax consequences to them of the Scheme, including the applicability and effect of income tax and other tax laws in their particular circumstances.	Section 11
Am I entitled to scrip-for-scrip Capital Gains Tax rollover relief?	Australian resident TPG Shareholders who would otherwise make a capital gain on the disposal of their TPG Shares under the Scheme should be eligible to choose scrip-for-scrip roll-over relief. The tax consequences of the Scheme will differ for each TPG Shareholder, and TPG Shareholders should consult their own professional tax advisers to seek advice which considers their individual circumstances.	Section 11.3.1
Further questions		
Are there any conditions that need to be satisfied before the Scheme can proceed?	As at the date of this Scheme Booklet, the outstanding Conditions Precedent which must be satisfied or waived (as applicable) before the Scheme can become Effective are: • ASX approval for listing of the Merged Co; • ASIC and ASX approvals (as necessary); • TPG Shareholder approval of the Scheme at the Scheme Meeting; • Court approval of the Scheme; • there being no action by a Government Agency which would restrain or prohibit the Implementation of the Scheme; • VHA and TPG entering into arrangements for financing of the Merged Group; (see Section 10.6 for further detail the Merged Group financing arrangements); and • VHA completing the Restructure steps required to be completed by the Second Court Date and otherwise being in a position to complete the Restructure prior to Implementation. Further details regarding the Conditions Precedent are available at Section 7.5.	Sections 7.5, 9.16, 10.6 and 13.9
When will the Scheme become Effective?	If the Conditions Precedent are satisfied or waived (as applicable) and the Scheme is approved by the Requisite Majority of TPG Shareholders at the Scheme Meeting, TPG will apply to the Court to approve the Scheme at the Second Court Hearing. The Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC. The Scheme is expected to become Effective on the Second Court Date or the Business Day following the Second Court Date.	Section 7.6

Question	Response	Section Reference
What happens if the Scheme is not Implemented?	If the Scheme does not become Effective and is not Implemented: • you will not receive the Scheme Consideration; • you will not receive the TPG Special Dividend; • you will not receive the Singapore Dividend; • you will retain your TPG Shares; and • TPG will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX.	Section 7.13
What happens if a Competing Proposal is proposed?	Since TPG and VHA entered the Scheme Implementation Deed on 30 August 2018 through to the date of this Scheme Booklet, no such Competing Proposal has emerged. However, if a Competing Proposal is proposed to the TPG Board prior to the Second Court Date, the TPG Board will carefully consider the proposal and determine whether it is a Superior Proposal. Under the Scheme Implementation Deed, TPG must notify VHA of any Competing Proposal and its terms.	Section 13.1.3
Under what circumstances is a break fee payable?	Under the Scheme Implementation Deed: • TPG must pay VHA a break fee of $50 million (excluding GST) if certain specified events occur, including if a Competing Proposal is announced during the Exclusivity Period and completed within 12 months of the date of announcement; and • VHA must pay TPG a break fee of $50 million (excluding GST) if certain specified events occur, including if all other Conditions Precedent (other than approval of the Scheme by the Court) are satisfied but the Restructure Condition Precedent or a Regulatory Approvals Condition Precedent relating solely to the Restructure are not satisfied. No break fee is payable if the Scheme does not proceed solely as a result of the Requisite Majority of TPG Shareholders failing to approve the Scheme at the Scheme Meeting. See Sections 13.1.5 and 13.1.6 for a more detailed explanation of the circumstances in which a break fee is payable.	Sections 13.1.5 and 13.1.6
Who can I contact if I have further questions in relation to this Scheme Booklet or the Scheme?	If you have any further questions about this Scheme Booklet or the Scheme, you should: • seek independent legal, financial, tax or other professional advice; and • contact the Shareholder Information Line on 1300 855 080 (callers within Australia) or +61 3 9415 4000 (callers outside Australia), Monday to Friday between 8.30am to 5.30pm (Sydney time). TPG is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Information disclosed to the ASX by TPG is available on the ASX's website at www.asx.com.au or on TPG's website at www.tpg.com.au.	N/A
Overview of Merged Co		
What will the Merged Co be called?	The Merged Co will be called TPG Telecom Limited and will be listed on the ASX and trade under the ASX code "TPG".	Section 10.1
Who will be the directors of the Merged Co?	If the Scheme is Implemented, the Board of the Merged Co will be: • David Teoh (Chairman); • Iñaki Berroeta (CEO); • Canning Fok; • Pierre Klotz; • Diego Massidda; • Robert Millner; • Dr Helen Nugent AO; • Frank Sixt; • Arlene Tansey; and • Shane Teoh.	Section 10.3

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<tr><th>Question</th><th>Response</th><th>Section Reference</th></tr>
<tr><td>What will the dividend policy of the Merged Co be?</td><td>Following Implementation, it is currently intended that the Merged Co dividend policy will be to pay a dividend of at least 50% of net profit after tax, adding back one-off restructuring costs and certain non-cash items, being customer base intangible amortisation, spectrum amortisation and any non-cash tax expense, until the Merged Co Board determines otherwise.</td><td>Section 10.4.5</td></tr>
<tr><td>What will be the level of franking of future dividends of the Merged Co?</td><td>TPG's franking balance on Implementation should be available to the Merged Co post Implementation. Subject to Merged Co Board approval, the Merged Co intends to frank any Merged Co dividends to the fullest extent possible. However, no assurances can be given in relation to the level of franking of any Merged Co dividends. The franking capacity of the Merged Co will depend upon the balance of the franking account at Implementation, the amount of tax paid in the future, and other factors. The timing of payment of dividends will depend on cash reserves and other relevant considerations.</td><td>Section 10.4.5</td></tr>
<tr><td>Who will be the substantial shareholders of the Merged Co?</td><td>Upon Implementation of the Scheme, Scheme Shareholders will own 49.9% of the Merged Co with VHA Shareholders owning the remaining 50.1%.
Based on their respective shareholdings in VHA and TPG as at the Last Practicable Date and following the expected transfer of certain VHA Shares to JVCo shortly after Implementation of the Scheme, it is expected that the holders of 5% or more of the issued capital of the Merged Co will be:
<table>
<tr><th>Shareholder</th><th>% of capital controlled</th></tr>
<tr><td>Mr David Teoh and associates</td><td>17.12%</td></tr>
<tr><td>Washington H Soul Pattinson and Company Limited</td><td>12.61%</td></tr>
<tr><td>Entities associated with VOD and HTAL</td><td>50.1% as described in further detail below:
• VOL (a wholly-owned Subsidiary of VOD): at least 5.55%[1]
• H3GAH (a wholly-owned Subsidiary of HTAL): at least 5.55%[1]
• JVCo: no more than 39%[1]</td></tr>
</table></td><td>Sections 9.16 and 10.7.2</td></tr>
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1. Depending on the outcome of the Restructure, the individual shareholdings of VOL, H3GAH and JVCo in the Merged Co described above may vary. See Section 9.16 for further detail on the Restructure. In any event:
   - VOD and its Subsidiaries will have a look-through economic interest of 25.05% in the Merged Co, because VOL will hold an interest in the Merged Co directly, and another wholly-owned Subsidiary of VOD will own 50% of JVCo; and
   - HTAL and its Subsidiaries will have a look-through economic interest of 25.05% in Merged Co, because H3GAH will hold an interest in Merged Co directly and own 50% of JVCo.

   For completeness, the aggregate shareholding in the Merged Co of VOD (and its Subsidiaries), HTAL (and its Subsidiaries) and JVCo will, after Implementation and following completion of the Restructure and the expected transfer of certain VHA Shares to JVCo, be 50.1%.

Question	Response	Section Reference
Will there be any restrictions on the shareholders of the Merged Co?	The major shareholders of TPG and VHA remain committed to the long-term value creation opportunities available to the Merged Co. Therefore, in accordance with the Scheme Implementation Deed, the major shareholders will enter into the following voluntary escrow agreements prior to Implementation: • Mr David Teoh and his associates will enter into an escrow agreement under which they must not dispose of, subject to certain exceptions, more than 20% of their aggregate shareholding in the Merged Co for a period of 24 months following Implementation of the Scheme. • The shareholders of VHA, being VOL and H3GAH (together with HTAL, VEBV and VOD) will enter into an escrow agreement under which they must not dispose of, subject to certain exceptions, any of their shareholding in the Merged Co for a period of 24 months following Implementation of the Scheme. In addition, for the purpose of the approval from CFIUS in respect of the Merger, and until the NSA is terminated in accordance with its terms or CKHH is no longer bound by the terms of the NSA, CKHH, which will hold a 25.05% indirect interest in Merged Co upon Implementation, has agreed that it will not, and will procure that its subsidiaries and Affiliates do not: • nominate any CKHH Associate as a director on the Merged Co Board if the appointment of that nominee would result in CKHH Associates: – constituting more than 20% of the total number of directors on the Merged Co Board; or – having more than 20% of the aggregate number of votes on the Merged Co Board; • vote its shares (if any) in Merged Co to approve the appointment of a CKHH Associate to the Merged Co Board if the appointment of such CKHH Associate would result in CKHH Associates exceeding 20% of the members, or 20% of the voting power, of the Merged Co Board; or • hold in the aggregate equity or ownership interests in Merged Co that exceeds 25.05% on a fully diluted basis. The no objection notice provided by FIRB and the Treasurer to VHA in relation to the Scheme and the Restructure imposes a number of restrictions on VHA, the VHA Shareholders and certain upstream shareholders of VHA (including VOD and CKHH) (collectively referred to as the **Regulated Shareholders**), including: • at least two members on the Merged Co Board must be independent directors with a certain level of industry or risk experience; • at least half of the members of the Merged Co Board must be either Australian citizens or Australian residents for tax purposes; • directors on the Merged Co Board nominated or appointed by, or employees or officers of, a Regulated Shareholder group company (**Regulated Shareholder Director**) cannot comprise more than 50% of the Merged Co Board; • an independent director must fulfil the role of 'senior independent director' at any time when the chair of the Merged Co Board is not an Australian citizen or is a Regulated Shareholder Director; • for a quorum for a meeting of the Merged Co Board, at least one of the independent directors must be able to vote at the meeting, Regulated Shareholder Directors cannot comprise more than 50% of the members of the Merged Co Board able to vote at the meeting, and the chair of the meeting does not have a second or casting vote; and • the Merged Co Board cannot delegate powers to a Regulated Shareholder group company, to any person who is a director, employee or representative of a Regulated Shareholder group company, or to a committee of the Merged Co Board unless independent directors comprise a majority, or Regulated Shareholder Directors comprise no more than 50%, of the committee.	Sections 10.5.5, 10.5.6, 13.5 and 13.6

SECTION 6

REASONS FOR VOTING FOR AND AGAINST THE SCHEME

The TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

In making this recommendation, the TPG Directors have considered the information contained in:

- Section 6.1, 'Reasons to vote in favour of the Scheme';
- Section 6.2, 'Reasons not to vote in favour of the Scheme';
- Section 6.3, 'Other key considerations in relation to voting on the Scheme'; and
- Annexure A, 'Independent Expert's Report'.

6.1 Reasons to vote in favour of the Scheme

This Section 6.1 summarises the reasons why the TPG Directors believe the Scheme is in the best interests of the TPG Shareholders and have determined to unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

This Section 6.1 should be read in conjunction with Sections 6.2, and 6.3 and the other information contained in this Scheme Booklet, including the Independent Expert's Report.

6.1.1 The Scheme will create Australia's leading challenger telecommunications operator with significant scale and complementary fixed line and mobile networks

The Scheme combines two highly complementary businesses in TPG and VHA to create Australia's leading challenger full-service telecommunications company. The Merged Group will have an enhanced network with highly complementary assets and a more diverse earnings base across fixed broadband and mobile in particular. The Scheme will also bring together the innovative services and culture of both TPG and VHA to establish a vertically and horizontally integrated telecommunications player, including complementary national fibre and international capacity, spectrum holdings, core networks, 3G/4G/5G mobile network and Wi-Fi network infrastructure. The Merged Group will leverage this combined infrastructure to capitalise on the 5G market opportunity.

Further information regarding the businesses and operations of the Merged Group can be found in Section 10.

6.1.2 The Merged Group will provide a comprehensive telecommunications product offering, catering to a broad range of customers and leveraging TPG's corporate distribution channels and VHA's consumer retail presence

The Merged Group will be an integrated, full-service telecommunications company with a comprehensive portfolio of fixed line and mobile products. In addition, the Merged Group is expected to have distribution channels and enhanced scale across all Australian consumer, SME, corporate, wholesale and government markets.

With this broader product offering and enhanced scale, the Merged Group is expected to be better positioned to provide attractive customer products and long-term, sustainable consumer choice. The Merged Group will have the potential to improve its customer service via a strong combined distribution strategy, leveraging VHA's retail storefront network and mass sales channels along with both VHA and TPG's existing contact centres and digital channels.

6.1.3 The Merged Group is expected to have significant synergy potential

The Merger is expected to generate cost and capital expenditure synergies. Synergies are anticipated to be realised in infrastructure, network and transmission savings, consolidation of overlapping functions of the two businesses and economies of scale. The Merged Group may also benefit from potential revenue synergies through cross-selling opportunities in the consumer and enterprise markets.

Such savings can be utilised for future network investments and cost savings for consumers, providing greater scope for the Merged Group to compete.

Further information regarding the potential cost synergies likely to result from Implementation of the Scheme can be found in Section 10.2.

Upon Implementation, Scheme Shareholders will own 49.9% of the Merged Co and will therefore benefit from 49.9% of the impact of the realised synergies.

6.1.4 The Merged Group will have increased financial scale and a strengthened combined balance sheet supported by strong free cash flow generation

If the Scheme is Implemented, the Merged Group is expected to benefit from a strong balance sheet position as it would have:

- combined total annual pro forma[1] historical revenue and EBITDA[2] of approximately $5,909 million and $1,977 million respectively;
- anticipated drawn debt at Implementation of approximately $4,771 million (on a pro forma basis)[3] ; and
- anticipated net debt to pro forma historical EBITDA ratio of 2.6x times[4].

The Merged Group's increased financial scale and strong combined free cash flow generation is expected to provide the Merged Group with the flexibility to consider and pursue strategic investment in future growth opportunities, in addition to supporting an attractive dividend and deleveraging profile.

6.1.5 Scrip Consideration offered under the Scheme ensures existing TPG Shareholders will participate in the combination benefits of the two businesses

Upon Implementation, Scheme Shareholders will own 49.9% of the Merged Co.

The all scrip Scheme Consideration means that Eligible Shareholders will remain shareholders in the Merged Co and will access the benefits of combining with VHA, while retaining exposure to TPG's current business.

If the TPG Board resolves to pay the Singapore Dividend, Eligible Shareholders will also receive Singapore Co Shares under the Singapore Dividend, allowing them to retain the same economic exposure to the Singapore business undertaken by TPG prior to the Merger.

6.1.6 The Independent Expert has concluded that the Scheme is in the best interests of TPG Shareholders, in the absence of a Superior Proposal

The TPG Board appointed Lonergan Edwards to prepare an Independent Expert's Report for the Scheme. In doing so, Lonergan Edwards prepared an opinion as to whether the Scheme is in the best interests of TPG Shareholders, which is set out in full in Annexure A.

The Independent Expert has concluded that the Scheme is in the best interests of TPG Shareholders, in the absence of a Superior Proposal.

TPG Shareholders should review and consider the Independent Expert's Report in its entirety when determining whether or not to vote in favour of the Scheme.

6.1.7 No Superior Proposal has emerged

The TPG Board is permitted to respond to a Competing Proposal if it determines in good faith after receiving written legal advice from its external legal advisers that failure to do so would be reasonably likely to constitute a breach of the TPG Board's fiduciary or statutory duties. Refer to Section 13.1.3 for further details of these restrictions.

Since TPG and VHA entered the Scheme Implementation Deed on 30 August 2018 through to the date of this Scheme Booklet, no such Competing Proposal has emerged.

TPG will notify TPG Shareholders if a Superior Proposal is received before the Scheme Meeting.

1. Pro forma metrics per the Merged Group Pro Forma Historical Financial Information (see Section 10.8).
2. Pro forma historical EBITDA calculated on a post-AASB 16 basis.
3. Pro forma net debt includes debt contribution to the Merged Co as contemplated or agreed under the Scheme Implementation Deed, which includes $4.0bn of debt contribution (as announced on 30 August 2018) plus subsequent payments made by TPG and VHA to fund the acquisition of 700MHz and 3.6GHz spectrum payments. The anticipated pro forma drawn net debt at Implementation assumes a nil TPG Working Capital Adjustment and nil VHA Working Capital Adjustment, a nil Leakage and is presented before the impact of any net cashflows of VHA and TPG between the Locked Box Date and Implementation.
4. Based on the Merged Group's pro forma historical EBITDA without reflecting the adoption of AASB 16. If calculated on a post-AASB 16 basis, the Merged Group's anticipated net debt to pro forma historical EBITDA ratio would be 2.4x.

6.2 Reasons to not vote in favour of the Scheme

The TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme is in the best interests of TPG Shareholders, in the absence of a Superior Proposal.

Notwithstanding this recommendation and this conclusion, TPG Shareholders should read and consider the following reasons not to vote in favour of the Scheme when determining how to exercise their vote at the Scheme Meeting.

6.2.1 You may disagree with the TPG Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in your best interests

Notwithstanding the unanimous recommendation of the TPG Directors and the conclusion of the Independent Expert, you may believe or receive advice that the Scheme is not in your best interests.

You are not obliged to follow the recommendation of the TPG Board nor to agree with the Independent Expert's conclusion.

6.2.2 You may wish to confine your investment and exposure to a business with TPG's specific characteristics

TPG Shareholders may wish to keep their TPG Shares and preserve their investment in a publicly listed company with the specific characteristics of TPG including its current exposure predominantly to fixed broadband and associated risk profiles.

Notwithstanding that the businesses of TPG and VHA are largely complementary, the asset composition and exposure, earnings mix and risk profile of the two companies on a standalone basis are different. Sections 8 and 9 set out further detail on the standalone businesses of TPG and VHA respectively.

Implementation of the Scheme may represent a disadvantage if you do not want to change your investment profile. TPG Shareholders should read this Scheme Booklet carefully to understand the implications of the Scheme and should seek investment, legal or other professional advice in relation to their own circumstances. Further information of the Merged Group can be found at Section 10.

6.2.3 You may consider that there are risks associated with the integration of TPG and VHA which exceed the benefits of the Scheme

As detailed in Section 10.2, there is potential for the Merged Group to realise meaningful synergies following Implementation, with these synergies expected to take time to be fully realised across the Merged Group. TPG and VHA have not sought to quantify the potential synergies at this stage.

TPG Shareholders may believe that the integration of TPG and VHA will be more complicated, may take more time or may require costs which are not anticipated. Additionally, TPG Shareholders may also believe that a failure to achieve a meaningful level of synergies within an acceptable timeframe or in their entirety may have an unforeseen or adverse effect on the operations, financial performance or financial position of the Merged Group.

Further detail on the risks associated with the integration of TPG and VHA can be found in Section 12.2.

6.2.4 You may believe that there is potential for a Superior Proposal to be made in the foreseeable future

Since TPG and VHA entered the Scheme Implementation Deed on 30 August 2018 through to the date of this Scheme Booklet, no Competing Proposal has emerged. However, TPG Shareholders may consider that a Superior Proposal, which is in the best interests of TPG Shareholders or an alternative proposal with better long-term prospects for the TPG businesses, could emerge in the foreseeable future. Implementation of the Scheme will mean that existing TPG Shareholders will not receive the benefit of any such Superior Proposal or alternative proposal.

The Scheme Implementation Deed prohibits TPG from soliciting and responding to a Competing Proposal, other than in certain circumstances. Refer to Section 13.1.3 for a summary of these restrictions. TPG will notify TPG Shareholders if a Superior Proposal is received before the Scheme Meeting.

6.2.5 The future value of the Merged Co Shares and Singapore Co Shares is not certain

If the Scheme is Implemented, Eligible Shareholders will receive Scheme Consideration in the form of one Merged Co Share for each TPG Share held as at the Scheme Record Date. If the TPG Board resolves to pay the Singapore Dividend, Eligible Shareholders will also receive the Singapore Dividend in the form of one Singapore Co Share for every two TPG Shares held as at the Singapore Dividend Record Date, with any fractional entitlements rounded up to the nearest whole Singapore Co Share.

If the Scheme is approved by TPG Shareholders, the trading value of the Merged Co Shares will depend on the price at which the Merged Co Shares trade on the ASX after the listing of the Merged Co. Similarly, the trading value of Singapore Co Shares will depend on the price at which the Singapore Co Shares trade on the ASX after the listing of Singapore Co.

Upon the admission of the Merged Co and Singapore Co to the official list of the ASX, and following Implementation of the Scheme, the price of the Merged Co Shares and the Singapore Co Shares respectively may rise or fall based on market conditions and the financial and operational performance of the Merged Co and Singapore Co respectively.

The value of the Merged Co Shares received as Scheme Consideration may also decline following Implementation. Accordingly, there is no guarantee as to the future value of the Scheme Consideration to be received by TPG Shareholders if the Scheme is Implemented. Similarly, nor is there any guarantee as to the future value of the Singapore Dividend that may be received by TPG Shareholders if the Scheme is Implemented.

6.2.6 The tax consequences of the Scheme may not suit your current financial circumstances.

Implementation of the Scheme may trigger different or adverse tax consequences for certain TPG Shareholders. The tax treatment may vary depending on the nature and characteristics of each TPG Shareholder and their specific circumstances. The tax consequences of the Scheme may not suit a TPG Shareholder's financial position. TPG Shareholders should seek financial, tax and other professional advice as necessary for their specific circumstances.

TPG Shareholders should read the tax implications outlined in Section 11. Section 11 is general in nature and TPG Shareholders should consult with their professional tax adviser regarding their particular circumstances.

6.2.7 You may be concerned about specific risks associated with VHA's business

You should read Section 9, which summarises the business operations and strategy of VHA, to understand what additional businesses and assets you would be exposed to as a Merged Co Shareholder.

Additionally, there are a number of risks specific to holding Merged Co Shares, which are described in further detail in Section 12.2.

TPG Shareholders should take these risks into account before deciding whether or not to vote in favour of the Scheme.

6.3 Other key considerations in relation to voting on the Scheme

TPG Shareholders should also take into account the following additional considerations in determining how to exercise their vote at the Scheme Meeting.

6.3.1 The Scheme may be implemented even if you vote against the Scheme or do not vote at all

If the Scheme is approved by the Requisite Majority of TPG Shareholders and the Court and all of the other Conditions Precedent to the Scheme are either satisfied or waived (as applicable):

- the Scheme will bind all TPG Shareholders, including those who did not vote on the Scheme Resolution and those who voted against it, meaning that all TPG Shareholders will have their TPG Shares transferred to VHA and all Scheme Shareholders will receive the Scheme Consideration; and
- TPG will be delisted from the ASX. However, the Merged Co will be listed on the ASX and will trade under the ASX code "TPG".

6.3.2 Implications for TPG and TPG Shareholders if the Scheme is not implemented

If any Conditions Precedent, including TPG Shareholder approval and Court approval, are not satisfied or waived (as applicable) prior to the End Date, the Scheme will not proceed.

If the Scheme does not proceed, TPG Shareholders will not receive the Scheme Consideration and will retain their TPG Shares. Additionally, the advantages of the Scheme described in Section 6.1 will not be realised and the potential disadvantages of the Scheme described in Section 6.2 will not arise.

If the Scheme is not implemented, TPG will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX.

Concurrent to the entry into the Scheme Implementation Deed, TPG and VHA entered into a joint venture deed, pursuant to which they have formed an incorporated joint venture entity to acquire, hold and licence spectrum, including 3.6 GHz spectrum. Under the joint venture deed, TPG and VHA have also agreed to discuss potentially expanding the business of the joint venture in the future, including to facilitate various forms of spectrum, infrastructure and network sharing. This joint venture is not conditional on the Scheme and will continue even if the Scheme is not implemented.

TPG has incurred costs in respect of the Scheme prior to the date of this Scheme Booklet, including in relation to the conduct of negotiations with VHA, retention of advisers, provision of information to VHA, obtaining regulatory approval, engagement of the Independent Expert, and preparation of this Scheme Booklet. If the Scheme is not implemented, TPG expects such transaction costs to be approximately $12 million. If the Scheme is implemented, these costs are expected to be in the range of $45 million to $48 million, with this increase in transaction costs reflecting the additional costs associated with Implementation.

6.3.3 Conditionality of the Scheme

Implementation of the Scheme is subject to the satisfaction or waiver (as applicable) of a number of Conditions Precedent.

The Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed, a copy of which is available on the ASX website at www.asx.com.au and on TPG's website at www.tpg.com.au.

As at the date of this Scheme Booklet, the Implementation of the Scheme is still subject to a number of Conditions Precedent, which are summarised in Section 7.5.

If the Conditions Precedent are not satisfied or waived (as applicable) by the End Date, the Scheme will not proceed and TPG Shareholders will not receive the Scheme Consideration, the TPG Special Dividend or the Singapore Dividend.

6.3.4 Break Fees

Under the Scheme Implementation Deed:

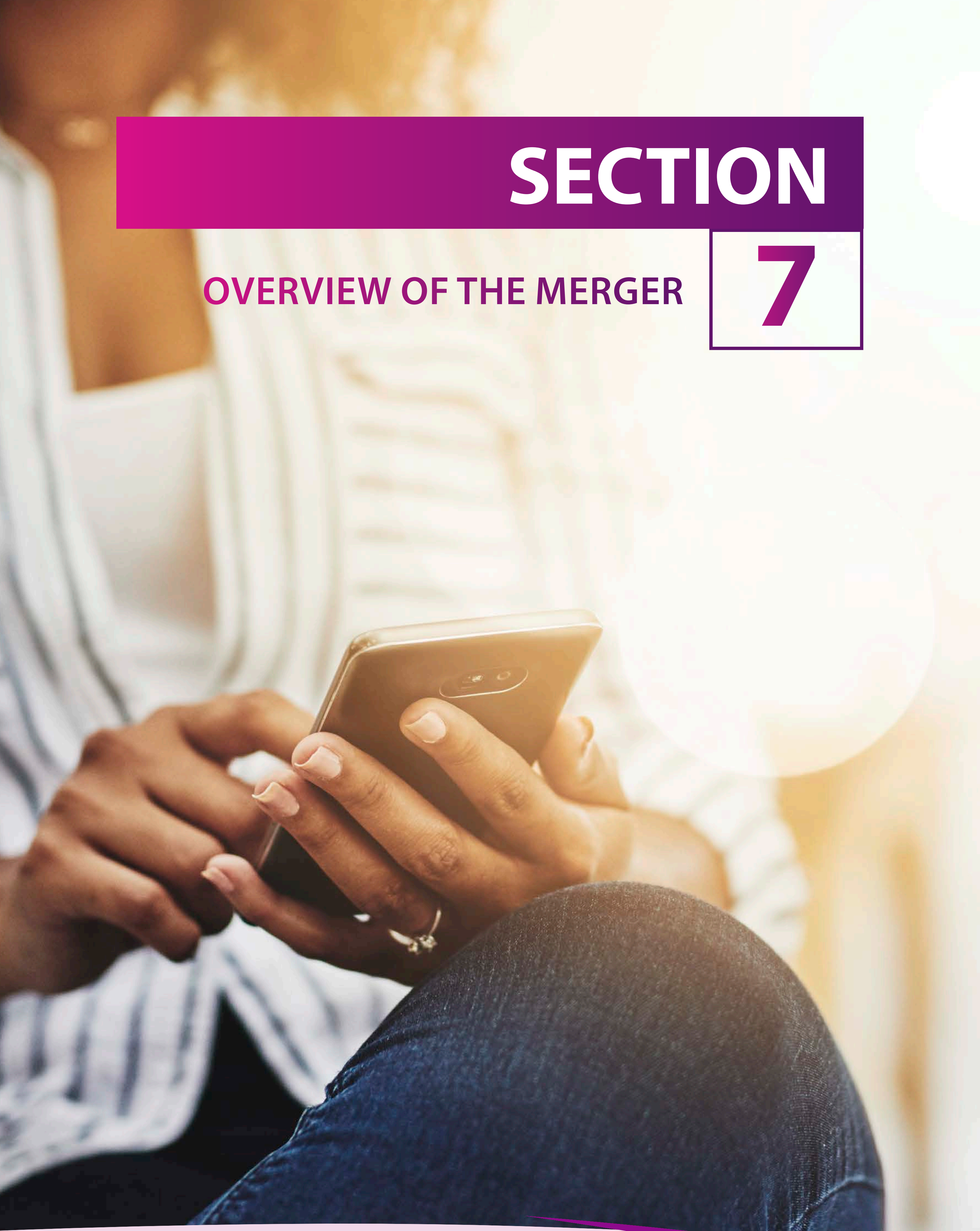
- TPG must pay VHA a break fee of $50 million (excluding GST) if certain specified events occur, including if a Competing Proposal is announced before the End Date and completed within 12 months of the End Date; and
- VHA must pay TPG a break fee of $50 million (excluding GST) if certain specified events occur, including if all other Conditions Precedent (other than approval of the Scheme by the Court) are satisfied but the Restructure Condition Precedent or a Regulatory Approvals Condition Precedent in relation to the Restructure are not satisfied.

No break fees are payable if the Scheme does not proceed solely as a result of the Requisite Majority of TPG Shareholders failing to approve the Scheme at the Scheme Meeting.

See Section 13.1 for a more detailed explanation of the circumstances in which a break fee is payable.

SECTION 7

OVERVIEW OF THE MERGER



7.1 Background to the Merger

On 30 August 2018, TPG announced that it had entered into the Scheme Implementation Deed with VHA, in relation to the acquisition by VHA of all shares in TPG, by way of a scheme of arrangement under Part 5.1 of the Corporations Act.

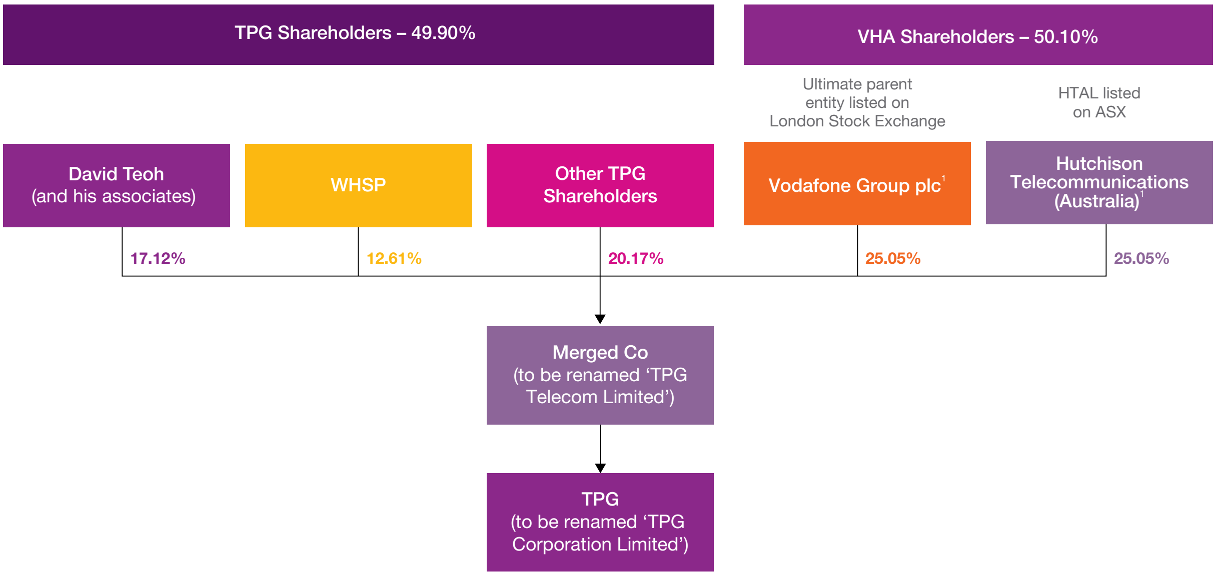
A brief summary of the Scheme Implementation Deed is included in Section 13.1 of this Scheme Booklet. A copy of the Scheme Implementation Deed is available on the ASX website at www.asx.com.au and on TPG's website at www.tpg.com.au.

This Section 7 contains an overview of the Merger.

If the Scheme becomes Effective, the Restructure is completed and the Scheme is Implemented:

- TPG will become a wholly-owned Subsidiary of the Merged Co and will be delisted from ASX.
- VHA (which will become the Merged Co on Implementation) will be listed on ASX under the code "TPG" and change its name to 'TPG Telecom Limited'.
- The VHA Shareholders (which includes JVCo, an entity 50% owned by H3GAH and 50% owned by a wholly-owned Subsidiary of VOD) will hold in aggregate 50.1% and the Scheme Shareholders will hold in aggregate 49.9% in the Merged Co.

The proposed structure of the Merged Group following completion of the Restructure and Implementation of the Scheme will be as follows:



Note 1: Represents the look-through ultimate economic interests of VOD and HTAL, which will hold their interests in the Merged Co indirectly through certain wholly-owned Subsidiaries (namely VOL and H3GAH) and a jointly owned entity (namely JVCo). See Section 9.16 for further information.

7.2 Scheme Consideration

If the Scheme is Implemented, Scheme Shareholders (other than Ineligible Foreign Shareholders – see Section 7.11.3) will receive one Merged Co Share for each TPG Share they own as at the Scheme Record Date. Prior to the Second Court Date, VHA will pass a resolution to undertake a share consolidation to ensure that, upon Implementation, Scheme Shareholders will hold 49.9% of the Merged Co and VHA Shareholders will hold 50.1% of the Merged Co.

All Merged Co Shares issued to Scheme Shareholders under the Scheme will rank equally in all respects with all existing VHA Shares on issue as at the Implementation Date. The rights and liabilities attached to the Merged Co Shares are described in Section 10.4.6.

VHA will be under no obligation to issue any Merged Co Shares to any Ineligible Foreign Shareholder and will instead issue the Merged Co Shares that would otherwise have been issued to an Ineligible Foreign Shareholder to a nominee appointed by TPG to be sold, as described in Section 7.11.3.

In addition to the Scheme Consideration, prior to Implementation of the Scheme and subject to the Scheme becoming Effective and compliance with the Corporations Act:

- the TPG Board intends to pay the TPG Special Dividend as a fully franked cash special dividend for the benefit of the TPG Shareholders who hold shares on the TPG Special Dividend Record Date. The expected quantum of the

TPG Special Dividend will be announced by TPG on ASX at least 10 days prior to the Scheme Meeting. The record date for the TPG Special Dividend is 7.00pm (Sydney time) on Wednesday, 1 July 2020. See Section 7.3 for further details.

- TPG intends to undertake a separation of its Singapore business by way of an in-specie dividend distribution to TPG Shareholders of one Singapore Co Share for every two TPG Shares owned as at the Singapore Dividend Record Date, with any fractional entitlements rounded up to the nearest whole Singapore Co Share. It is intended that Singapore Co Shares will be listed on ASX and will trade under the ASX code "TUA". See Sections 7.10 and 8.7 for further details.

7.3 TPG Special Dividend

Under the terms of the Merger, TPG agreed it would have a target net debt liability of approximately $2,508 million (**TPG Target Net Debt**), and a target working capital liability of approximately $318 million (**TPG Target Working Capital**), in each case at the Locked Box Date.

As TPG's actual net debt liability at the Locked Box Date (**TPG Actual Net Debt**) was less than the TPG Target Net Debt liability, the TPG Board intends to resolve to pay a fully franked cash special dividend (**TPG Special Dividend**) prior to Implementation, to distribute the excess cash from the TPG Group.

The total quantum of the TPG Special Dividend (**TPG Special Dividend Amount**) will be calculated as the difference between the TPG Actual Net Debt and the TPG Target Net Debt, subject to the working capital adjustments, the intended equity capitalisation of TPG Singapore and the impact of any potential Leakage described in Sections 7.3.1 and 7.10. While the Locked Box Date was 30 April 2020, the calculation of the final TPG Special Dividend Amount has not yet been finalised as at the date of this Scheme Booklet.

Accordingly, subject to the Scheme becoming Effective and the TPG Board resolving to pay the TPG Special Dividend (which the TPG Board intends to do once the Scheme has become Effective):

- the expected quantum of the TPG Special Dividend will be announced by TPG on ASX at least 10 days prior to the Scheme Meeting;
- the TPG Special Dividend will be distributed to TPG Shareholders in the form of a fully franked cash special dividend in accordance with their holding as at the TPG Special Dividend Record Date (7.00pm (Sydney time) on 1 July 2020); and
- the TPG Special Dividend will be paid to TPG Shareholders prior to Implementation of the Scheme.

If the TPG Board resolves to pay the TPG Special Dividend, it will be paid to each TPG Shareholder who holds TPG Shares as at the TPG Special Dividend Record Date by:

- direct credit to the nominated bank account of the TPG Shareholder as noted on the Register on the TPG Special Dividend Record Date; or
- where an account has not been provided, by dispatching a cheque by mail to the TPG Shareholder's Registered Address as at the TPG Special Dividend Record Date.

7.3.1 TPG Working Capital Adjustment

To the extent that TPG's actual working capital liability at the Locked Box Date (**TPG Actual Working Capital**) was different to the TPG Target Working Capital, an adjustment will be made to either increase or decrease the TPG Special Dividend Amount as appropriate (**TPG Working Capital Adjustment**). For illustrative purposes only, if TPG's Actual Working Capital liability as at the Locked Box Date was:

- $318 million (being equal to the TPG Target Working Capital), then the TPG Working Capital Adjustment would be nil. This means the TPG Special Dividend Amount would remain unchanged, and equal to the difference between the TPG Actual Net Debt and the TPG Target Net Debt (subject to the impact of any Leakage as described in Sections 7.4.2 and 7.10);
- $308 million, then the TPG Working Capital Adjustment would increase the TPG Special Dividend Amount by $10 million; or
- $328 million, then the TPG Working Capital Adjustment would decrease the TPG Special Dividend Amount by $10 million.

TPG and VHA have agreed the principles under which the TPG Actual Working Capital will be calculated.

7.4 VHA Net Debt and VHA Working Capital Adjustment

Under the terms of the Merger, VHA agreed that it would have a target net debt liability of approximately $2,236 million (**VHA Target Net Debt**) and a target working capital liability of approximately $323 million (**VHA Target Working Capital**), in each case at the Locked Box Date.

Since VHA's actual net debt liability at the Locked Box Date (**VHA Actual Net Debt**) was greater than the VHA Target Net Debt liability, VHA will implement the Restructure (as described further in Section 9.16) to remove the excess debt liability from the VHA Group. The quantum of debt to be removed from the VHA Group (**VHA Adjustment Amount**) will be calculated as the difference between the VHA Actual Net Debt and the VHA Target Net Debt, subject to the working capital adjustments and the impact of any Leakage described below.

7.4.1 VHA Working Capital Adjustment

To the extent that VHA's actual working capital liability at the Locked Box Date (**VHA Actual Working Capital**) was different to the VHA Target Working Capital, an adjustment will be made to either increase or decrease the VHA Adjustment Amount as appropriate (**VHA Working Capital Adjustment**). For illustrative purposes only, if the VHA Actual Working Capital liability at the Locked Box Date was:

- $323 million (being equal to the VHA Target Working Capital), then the VHA Working Capital Adjustment would be nil and the VHA Adjustment Amount would remain unchanged. This means the amount of debt that must be removed from the VHA Group prior to Implementation of the Scheme would be equal to the difference between the VHA Actual Net Debt and the VHA Target Net Debt (subject to the impact of any Leakage as described in Section 7.4.2);
- $313 million, then the VHA Working Capital Adjustment would decrease the VHA Adjustment Amount by $10 million. This means the amount of debt that must be removed from the VHA Group prior to Implementation would decrease by $10 million because of the VHA Working Capital Adjustment; or
- $333 million, then the VHA Working Capital Adjustment would increase the VHA Adjustment Amount by $10 million. This means the amount of debt that must be removed from the VHA Group prior to Implementation would increase by $10 million because of the VHA Working Capital Adjustment.

TPG and VHA have agreed the principles under which the VHA Adjustment Amount will be calculated.

7.4.2 Subsequent adjustments

If Leakage occurs after the Locked Box Date and before Implementation, the VHA Adjustment Amount calculated at the Locked Box Date may change so that each of VHA and TPG brings the agreed amount of debt to the Merged Group. For example, Leakage may occur if the costs of the Restructure (in respect of VHA) or the Singapore Demerger (in respect of TPG, see Section 7.10 for further details) are higher than were anticipated in the Locked Box Date calculations.

7.5 Conditions Precedent to Implementation

7.5.1 Overview

As at the date of this Scheme Booklet, the Implementation of the Scheme is still subject to a number of Conditions Precedent, including:

- **ASX approval for listing of the Merged Co:** ASX approves Merged Co's admission to the ASX, and the quotation of the Merged Co Shares by 8.00am on the Second Court Date;
- **ASIC and ASX:** receipt of ASIC and ASX approvals (as necessary);
- **TPG Shareholder approval:** approval of the Scheme by the Requisite Majority of TPG Shareholders at the Scheme Meeting;
- **Court approval:** approval of the Scheme by the Court;
- **Restraints**: there is no action by a Government Agency which would restrain or prohibit the Implementation of the Scheme;
- **Financing:** VHA and TPG entering into binding arrangements to put in place new financing for the Merged Group, on terms acceptable to each of VHA and TPG (acting reasonably). TPG and VHA expect the Syndicated Facility Agreement for the new Merged Group debt facilities, which is in agreed form, to be entered into before the Second Court Date (see Section 10.6 for further detail the Merged Group financing arrangements); and
- **Restructure:** VHA, HTAL and VOL:
  - completing the steps of the Restructure which are scheduled to be taken prior to 8.00am on the Second Court Date; and
  - otherwise being in a position to complete the Restructure on or prior to the Implementation Date.

The Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed, a copy of which is available on the ASX website at www.asx.com.au and on TPG's website at www.tpg.com.au.

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed.

As at the date of this Scheme Booklet, the following key Conditions Precedent have been satisfied or waived:

- **FIRB:** receipt of a no objections notice in relation to the Scheme and Restructure from the Commonwealth under Part 3 of the *Foreign Acquisitions and Takeovers Act 1975* (Cth);
- **Competition approval:** TPG and VHA have received an order from the Federal Court of Australia that the Merger does not contravene the *Competition and Consumer Act 2010* (Cth);
- **US regulatory approvals:** TPG and VHA have received applicable consents from CFIUS and the Federal Communications Commission to implement the Scheme; and
- **Independent Expert:** the Independent Expert has issued the Independent Expert's Report which concludes that the Scheme is in the best interests of TPG Shareholders.

In addition, as at the Last Practicable Date, none of the TPG Directors are aware of any circumstances which would cause any Condition Precedent not to be satisfied.

TPG will make an announcement on ASX's website at www.asx.com.au as and when the Conditions Precedent are satisfied or waived (as applicable).

7.6 Scheme Meeting

On 19 May 2020, at the First Court Hearing, the Court made the requisite orders that the Scheme Meeting be convened and that this Scheme Booklet be dispatched to TPG Shareholders.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure E.

The Requisite Majority of TPG Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or, in the case of corporate TPG Shareholders, corporate representative) necessary to approve the Scheme are:

- a majority in number (more than 50%) of TPG Shareholders; and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by TPG Shareholders.

The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.

The fact that the Court has ordered the Scheme Meeting to be convened and has approved this Scheme Booklet required to accompany the Notice of Scheme Meeting does not mean that the Court has prepared, or is responsible for the content of, this Scheme Booklet or has any view as to the merits of the Scheme or as to how TPG Shareholders should vote. TPG Shareholders must reach their own decision on these matters.

7.7 Recommendation of TPG Directors

The TPG Directors unanimously recommend that TPG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

Each TPG Director will vote, or procure the voting of, any TPG Shares owned or Controlled by them in favour of the Scheme at the Scheme Meeting to be held on Wednesday 24 June 2020 at 10.30am, in the absence of a Superior Proposal.

In considering whether to vote in favour of the Scheme, TPG Directors encourage you to:

- carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain advice from your legal, financial, tax or other professional advisers on the effect of the Scheme becoming Effective.

Each TPG Director's Relevant Interests are disclosed in Section 13.7 of this Scheme Booklet.

7.8 Independent Expert's conclusion

TPG Directors engaged Lonergan Edwards as Independent Expert to consider whether the Scheme is in the best interest of TPG Shareholders. **The Independent Expert has concluded that the Scheme is in the best interests of the TPG Shareholders, in the absence of a Superior Proposal.** The Independent Expert's Report is contained in Annexure A.

7.9 Court approval

TPG will apply to the Court for an order approving the Scheme if:

- the Scheme is approved by the Requisite Majority of TPG Shareholders at the Scheme Meeting (see Section 7.6 for the Scheme approval requirements); and
- all Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (as applicable).

Any TPG Shareholder will be able to appear at the Second Court Hearing, expected to be held at 9.15am (Sydney time) on 26 June 2020 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney, NSW 2000.

7.10 Singapore Demerger

Prior to Implementation of the Scheme, and subject to the Scheme becoming Effective, TPG intends to undertake a separation of its Singapore business by way of an in-specie dividend distribution to TPG Shareholders of one Singapore Co Share for every two TPG Shares owned as at the Singapore Dividend Record Date, with any fractional entitlements rounded up to the nearest whole Singapore Co Share. It is intended that Singapore Co Shares will be listed on ASX and will trade under the ASX code "TUA".

Once TPG Singapore has received the requisite approval from the IMDA for the Singapore Demerger (see Section 8.7 for further detail) and prior to the Singapore Demerger and Implementation of the Scheme, TPG intends to capitalise Singapore Co with additional equity funding. This funding will be used by Singapore Co to support the Singapore business's near term trade obligations and to fund the ongoing construction of the Singapore mobile network.

TPG anticipates that the additional equity funding will be included in the Locked Box Date calculations, which are still being finalised, such that the equity funding provided to Singapore Co will have been taken into consideration when TPG determines the TPG Special Dividend Amount that is announced by TPG on ASX at least 10 days prior to the Scheme Meeting.

If, and to the extent that, the Singapore Demerger Costs exceed those anticipated in the Locked Box Date calculations, this Leakage would either:

- be factored into the calculation of the TPG Special Dividend Amount (if known before its expected quantum is announced); or
- result in a corresponding decrease in the VHA Adjustment Amount by which VHA needs to reduce the debt which remains in VHA at Implementation.

See Section 7.3 for further details on the TPG Special Dividend Amount and Section 7.4 for further details on the VHA Adjustment Amount.

For further details on Singapore Co and the Singapore Demerger, see Section 8.7 and the Singapore Co Information Memorandum.

7.11 Entitlement to participate in the Scheme

7.11.1 TPG Shareholders

The way in which an individual TPG Shareholder participates in the Scheme will depend on whether that shareholder is an:

- Eligible Shareholder; or
- Ineligible Foreign Shareholder.

7.11.2 Eligible Shareholders

Eligible Shareholders are TPG Shareholders who are not Ineligible Foreign Shareholders. If the Scheme becomes Effective and is Implemented, each Eligible Shareholder will receive the Scheme Consideration of one Merged Co Share for each TPG Share they own. If the Scheme becomes Effective, the TPG Board intends to resolve to pay the TPG Dividends. Eligible Shareholders will also be paid or distributed the TPG Special Dividend and Singapore Dividend prior to Implementation for each TPG Share they own at the TPG Special Dividend Record Date and Singapore Dividend Record Date respectively.

7.11.3 Ineligible Foreign Shareholders

A Scheme Shareholder will be an Ineligible Foreign Shareholder where their address shown in the Register on the Scheme Record Date is a place outside Australia (and its external territories) and New Zealand, unless VHA and TPG (each acting reasonably) determine that it is lawful and not unduly onerous or impracticable to issue Merged Co Shares to that Scheme Shareholder under the Scheme.

VHA will be under no obligation to issue any Merged Co Shares to any Ineligible Foreign Shareholder and will instead issue the Merged Co Shares that would otherwise have been issued to an Ineligible Foreign Shareholder to a nominee appointed by TPG (**Sale Agent**).

Ineligible Foreign Shareholders will still participate in the Scheme. However, Merged Co Shares will not be issued to Ineligible Foreign Shareholders. Instead, the Merged Co Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled to will be issued directly to the Sale Agent and sold, as soon as reasonably practicable on or after the Implementation Date, on the ASX at a price reasonably determined by the Sale Agent. The Sale Agent will remit the Sale Proceeds for the Merged Co Shares to TPG (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges). TPG will then remit to each Ineligible Foreign Shareholder the Sale Proceeds attributable to the Merged Co Shares to which the Ineligible Foreign Shareholder would otherwise have been entitled (after deducting any applicable brokerage, stamp duty or other costs, taxes and charges).

The Sale Proceeds will be paid to each Ineligible Foreign Shareholder by:

- direct credit to the nominated bank account of the Ineligible Foreign Shareholder as noted on the Register on the Scheme Record Date; or
- where an account has not been provided, Sale Proceeds will be remitted by dispatching a cheque by mail to the Ineligible Foreign Shareholder's Registered Address as at the Scheme Record Date.

Sale Proceeds will be paid to Ineligible Foreign Shareholders in Australian dollars.

Under the Scheme, each Ineligible Foreign Shareholder is taken to appoint TPG as its agent to receive on its behalf any financial services guide or other notices which may be issued by the Sale Agent to that Ineligible Foreign Shareholder.

As set out in the Singapore Co Information Memorandum, TPG Shareholders will be ineligible to receive the Singapore Co Shares under the Singapore Dividend where their address shown in the Register on the Singapore Dividend Record Date is a place outside Australia (and its external territories) and New Zealand, unless TPG determines (in its absolute discretion) that it is lawful and not unduly onerous or impracticable to issue that TPG Shareholder with Singapore Co Shares. In accordance with the process above in respect of the Merged Co Shares and as set out in the Singapore Co Information Memorandum, the Singapore Co Shares to which the ineligible TPG Shareholders would otherwise have been entitled will be issued directly to the Sale Agent and sold by the Sale Agent. The Sale Agent will remit the sale proceeds to TPG (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges), who will then remit the sale proceeds to the relevant TPG Shareholders.

7.12 Implementation of the Scheme

7.12.1 Consequences of approving the Scheme

If the Scheme is approved by the Requisite Majority of TPG Shareholders at the Scheme Meeting, approved by the Court at the Second Court Hearing, and the Conditions Precedent in relation to the Scheme outlined in Section 7.5 of this Scheme Booklet are satisfied or waived (as applicable), then TPG will lodge the Court order approving the Scheme with ASIC. As a consequence (on the basis of the current timetable):

- the Scheme will become Effective on the Effective Date (Monday, 29 June 2020). At the close of trading on ASX on the Effective Date, TPG Shares will be suspended from trading;
- on or about Tuesday, 30 June 2020, Merged Co Shares will commence trading on ASX on a deferred settlement basis;
- on the Implementation Date (Monday, 13 July 2020) if you were a TPG Shareholder at the Scheme Record Date, VHA will issue Merged Co Shares as Scheme Consideration under the Scheme either to you if you are an Eligible Shareholder or to the Sale Agent on your behalf if you are an Ineligible Foreign Shareholder (as applicable); and
- on or about Tuesday, 14 July 2020, the Merged Co Shares issued as Scheme Consideration will begin trading on ASX on an ordinary settlement basis.

Refer to Sections 7.11.2 and 7.11.3 to determine whether you are an Eligible Shareholder or an Ineligible Foreign Shareholder.

7.12.2 Listing of the Merged Co on ASX and trading

Together with Implementation of the Scheme, the Merged Co is seeking a listing for the Merged Co Shares on ASX.

VHA will seek confirmation from ASX that, from the Business Day after the Effective Date (or such other date as ASX requires), the Merged Co Shares (which will include the Merged Co Shares issued as Scheme Consideration) will be quoted on ASX. Merged Co Shares are expected to trade on a deferred settlement basis from the commencement of trading on this date.

It is the responsibility of each Scheme Shareholder to confirm their holding before trading in Merged Co Shares to avoid the risk of selling shares they do not own. Holders of Merged Co Shares who sell their shares before they receive their holding statement or confirm their uncertificated holdings of Merged Co Shares do so at their own risk.

Merged Co Shares will commence trading on ASX on a normal settlement basis from the Business Day after the Implementation Date (or such other date as ASX requires).

7.12.3 Delisting of TPG

After the Scheme has been Implemented, TPG will request that the ASX removes it from the official list of the ASX. The delisting is expected to occur shortly following the Implementation Date.

7.12.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is taken to have warranted to TPG and VHA on the Implementation Date, and appointed and authorised TPG as its attorney and agent to warrant to VHA on the Implementation Date, that:

- all their TPG Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their TPG Shares to VHA together with any rights and entitlements attaching to those shares; and
- it has no existing right to be issued any other TPG Shares or any other form of TPG securities.

TPG undertakes that it will provide such warranty to VHA as agent and attorney of each Scheme Shareholder.

TPG Shareholders should be aware that, to the extent that this warranty is untrue in respect of their TPG Shares, and their TPG Shares are not transferred under the Scheme free of third party interests, they may be liable to compensate VHA for any damage caused to those parties resulting from such encumbrance.

7.13 Consequences if the Scheme does not proceed

If the Scheme does not become Effective and is not Implemented:

- TPG Shareholders will continue to hold TPG Shares and will be exposed to general risks as well as risks specific to TPG and the industries in which it operates, including those set out in Section 12 of this Scheme Booklet;
- TPG Shareholders will not receive the Scheme Consideration;
- TPG Shareholders will not receive the TPG Special Dividend or the Singapore Dividend; and
- a break fee of $50 million may be payable by TPG to VHA under certain circumstances. These circumstances do not include the failure by TPG Shareholders to pass the Scheme Resolution at the Scheme Meeting. See Sections 13.1.5 and 13.1.6 for a more detailed explanation of the circumstances in which a break fee is payable.

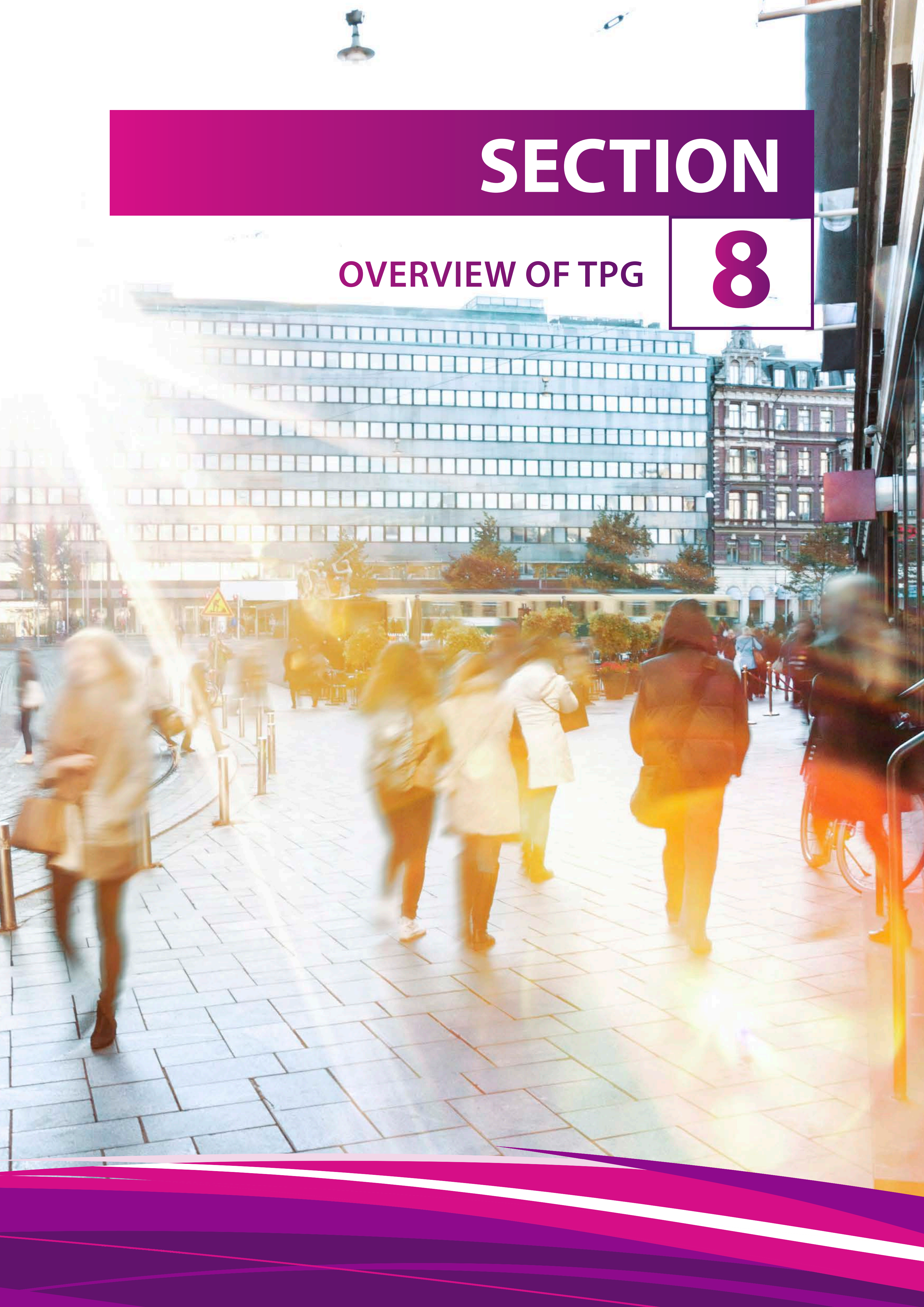
If the Scheme is not Implemented and in the absence of a Superior Proposal, TPG will continue as an ASX listed entity with management continuing to implement its current business plan and financial and operating strategies.

The spectrum joint venture between TPG and VHA discussed at Section 6.3.2 is not conditional on the Scheme and will continue even if the Scheme is not Implemented. Under the joint venture deed between TPG and VHA, the parties have agreed to discuss potentially expanding the business of the joint venture in the future, including to facilitate various forms of spectrum, infrastructure and network sharing. However, having ceased its mobile rollout, TPG has no business plan or strategy for using its spectrum licences on a standalone basis and there is no certainty that the TPG and VHA joint venture will expand to include any further aspects of the business.

If the Scheme is not Implemented, the advantages of the Scheme described in Section 6.1 of this Scheme Booklet will not be realised and the potential disadvantages and risks of the Scheme described in Section 6.2 and Section 12 of this Scheme Booklet will not arise.

SECTION 8

OVERVIEW OF TPG



TPG is a leading Australian provider of telecommunication services to residential users, small and medium enterprises, government, corporate enterprises and wholesale customers.

TPG is listed on the ASX and TPG Shares are quoted on the ASX under the code 'TPM'. TPG's market capitalisation as at the Last Practicable Date, was approximately $6,680.2 million.

TPG employs approximately 4,700 people across Australia, New Zealand, the Philippines, Malaysia and Singapore and is headquartered in Macquarie Park, New South Wales, Australia.

In the financial year ended 31 July 2019, the TPG Group's revenue was $2,477.4 million, its total underlying EBITDA was $818.4 million and its underlying NPAT was $376.2 million. As at 31 January 2020 (its most recent half year end), the TPG Group's consolidated total assets were $5,469.5 million and net assets were $3,003.9 million.

8.1 Corporate History

TPG was founded in 1986 as the Total Peripherals Group, which sold computer equipment and network and internet services. TPG began a strategic investment in DSLAM infrastructure in 2005 and ceased the sale of computer equipment in December 2005. Since then, TPG has predominantly focused on providing internet and telephony solutions to a broad range of residential customers, SMEs and corporate customers and has continued to grow strongly. The business was listed on the ASX in April 2008 via a merger with SP Telemedia Limited, and in November 2009 SP Telemedia Limited was renamed TPG Telecom Limited.

8.2 Business Overview

TPG provides the following services to residential users, small and medium enterprises, government, large corporate enterprises and wholesale customers across Australia and overseas:

- **Fixed Line Internet** – NBN services, ADSL2+, Fibre Optic and Ethernet broadband access, as well as Internet Protocol Television (**IPTV**);
- **Mobile phone services** via MVNO arrangements with VHA and Optus in Australia;
- Standard **home phone telephony and VoIP** (Internet based) telephony;
- **Cloud computing** services; and
- **Business networking solutions** – dark fibre products, fully managed corporate wide area networks, Internet based virtual private networks and data networks.

TPG delivers these services across its owned, carrier-grade voice, data and internet network, including over 27,000km of inter-capital and metropolitan fibre optic networks and international transit capacity. TPG also provides consumer fixed line internet and voice services using the NBN.

8.2.1 Notable corporate developments and acquisitions

Fixed Line Internet

In September 2015, TPG acquired iiNet which added over 1.9 million broadband, telephony and IPTV services to over 975,000 broadband customers. Following the acquisition, TPG became Australia's second largest fixed broadband company by subscribers.

Fibre and International Capacity

Through its acquisition of PIPE Networks in March 2010, TPG gained access to an extensive dark fibre network across major Australian business centres including Sydney, Melbourne and Brisbane. Further, as part of this acquisition, TPG acquired the international PPC-1 submarine cable which connects Australia and Guam with onwards connectivity to the US and Japan.

TPG's acquisition of AAPT in February 2014 added inter-capital fibre optic networks to its infrastructure assets which further enhanced its position in the Australian telecommunications market by strengthening its fixed line, wholesale and business divisions.

In addition, TPG is party to agreements which provide it with access to the Southern Cross cable, and an agreement giving it indefeasible rights to use the SEA-US submarine cable between Guam and California. The addition of SEA-US to the TPG network extends the reach of TPG's directly controlled network into the main hub of internet content in the US.

In September 2015, TPG also announced two major commercial agreements with VHA including a Dark Fibre Agreement and a MVNO agreement.

As part of the Dark Fibre Agreement, TPG entered into an arrangement with VHA to provide dark fibre and network services to approximately 3,000 VHA mobile sites over a 15 year term. This required TPG to extend its fibre infrastructure by constructing a further approximately 4,000km of new fibre to VHA mobile sites across the country. The transmission agreement delivered the majority of the VHA mobile network with lower latency and an increase in capacity and enhanced resilience.

As part of the MVNO agreement with VHA, TPG commenced the migration of its TPG-branded mobile customer base to VHA's mobile network. At the time of the agreement, this allowed TPG mobile customers to access 4G on VHA's network.

Mobile Network Operations

Singapore

In December 2016, TPG announced that it was the successful bidder at the New Entrant Spectrum Auction in Singapore and had acquired all of the spectrum available at the auction being two lots of 2x5 MHz of 900 MHz spectrum and eight lots of 5 MHz of 2.3 GHz spectrum. In April 2017, TPG announced that it had been successful in bidding for one lot of 2x5 MHz of 2.5 GHz spectrum at the General Spectrum Auction in Singapore. Since 2017, TPG Singapore has been building a mobile network in Singapore and, as at March 2020, had achieved nationwide outdoor coverage of greater than 99.7%, strong indoor coverage, and was progressing with coverage of road tunnels and the MRT. Approximately 416,000 users had been on-boarded for a free trial of TPG Singapore's mobile services in Singapore as at 31 March 2020 and TPG's first paid mobile service in Singapore was also launched on 31 March 2020, with approximately 7,000 customers at 30 April 2020. In February 2020, TPG Singapore submitted an application to the Infocomm Media Development Authority of Singapore (**IMDA**) to acquire 5G spectrum in the 3.5 GHz band under the IMDA's 5G spectrum Call for Proposal. However, on 29 April 2020, the IMDA announced that TPG Singapore would not be allocated a licence in the 3.5 GHz band in Singapore.

As further described in Section 8.7, TPG proposes to demerge the Singapore business through an in-specie distribution of Singapore Co Shares to TPG Shareholders on or prior to the Implementation Date. Accordingly, TPG's Singapore business will not form part of the Merged Group.

Australia

In April 2017, TPG acquired 10 MHz of nationwide 700 MHz spectrum and announced its intention to roll out a mobile network in Australia. TPG commenced the process of designing and constructing mobile network infrastructure, including through the acquisition in December 2018 by Mobile JV Pty Limited, an incorporated 50-50 joint venture between VHA and TPG, of 3.6 GHz spectrum holdings. The mobile network was based principally on small cell architecture and the principal equipment vendor selected for use in the network was Huawei. A key reason for the selection of the vendor and design of TPG's network was that there was a simple upgrade path to 5G using equipment manufactured by Huawei. In August 2018, the Australian government issued its "5G Security Guidance" which prevents Huawei from providing network equipment for 5G networks. This meant that the planned upgrade path to 5G for the network that TPG was rolling out was blocked. TPG consequently determined it did not make commercial sense to continue to invest in a network that it could not upgrade to 5G and therefore, in January 2019, announced that it had decided to cease the rollout of its mobile network in Australia. Having ceased its mobile network rollout, TPG now has no business plan or strategy for using its spectrum licences on a standalone basis. It is expected, however, that, if the Merger proceeds, TPG's spectrum assets will be complementary to the VHA mobile network.

8.3 Overview of business units

The TPG Group operates in two key segments – the Consumer Segment and the Corporate Segment, which contributed approximately 70% and 30% respectively to the TPG Group's revenue for the half year ended 31 January 2020.

8.3.1 TPG Consumer Segment

TPG's Consumer Segment provides fixed line internet, home phone and 'SIM only' mobile phone services to a subscriber base that includes over 1.9 million fixed broadband subscribers and approximately 0.4 million mobile phone subscribers as at January 2020. TPG offers retail customers standalone services as well as plans that bundle broadband and home phone line rental.

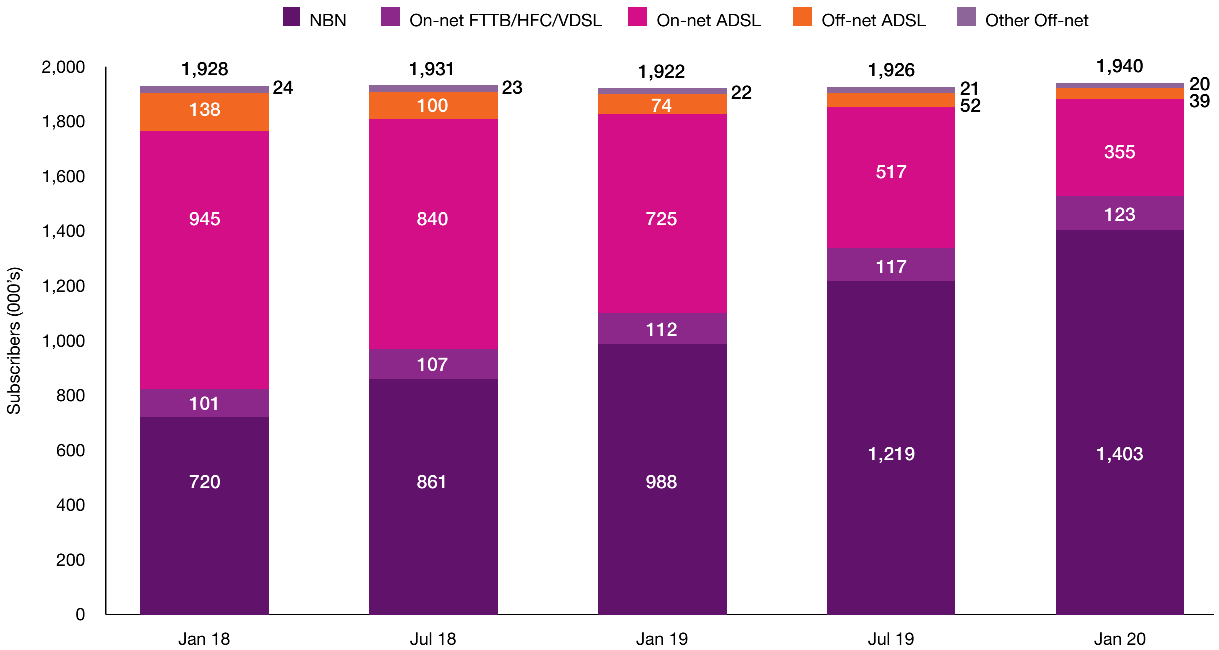
Approximately 86% of the Consumer Segment's revenue was generated from broadband and broadband/home voice bundles for the half year ended 31 January 2020. There is currently only a small revenue contribution of 6% from mobile over the same period.

TPG offers broadband services to consumers by four key modes: On-net ADSL, Off-net ADSL, NBN and Fibre-to-the-Basement (**FTTB**). TPG's strategy has historically focused on shifting customers onto its owned network infrastructure and bundling products to drive profitability. As the NBN rollout progresses, TPG aims to maintain and win incremental market share on the NBN and leverage its extensive network infrastructure to maximise earnings, including by offering customers FTTB as an alternative service to the NBN.

Following the acquisition of iiNet in September 2015, TPG has adopted a multi-brand strategy to compete in the fixed broadband market. Accordingly, the iiNet brand is positioned as a premium, customer service led brand while TPG is positioned as a value-leading challenger brand. TPG also operates the Internode brand, predominantly in the South Australian market.

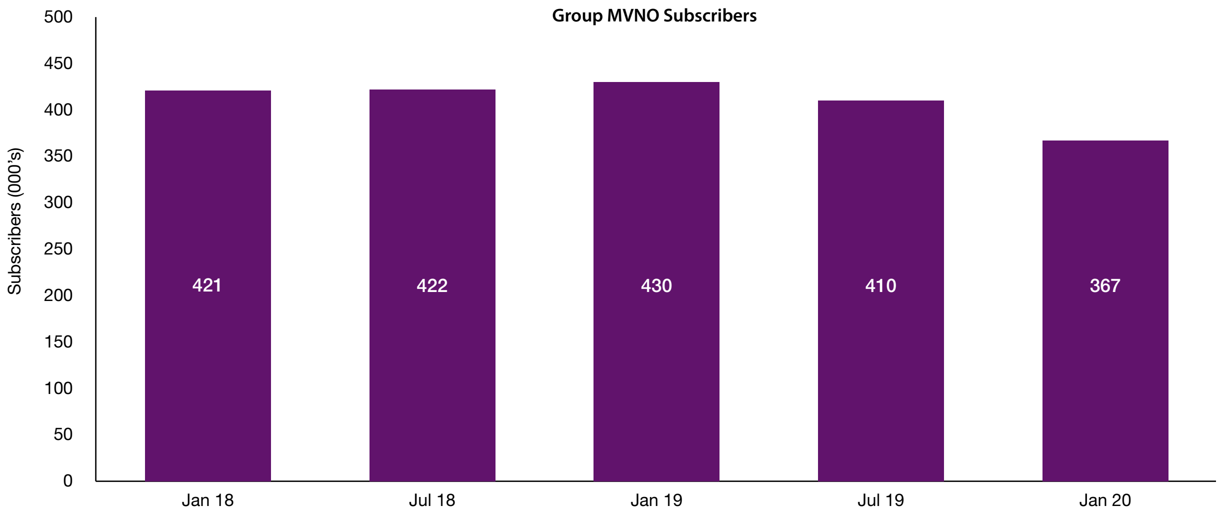
As shown in Figure 1, as at 31 January 2020, TPG had approximately 1.9 million broadband subscribers. In the past 2 years there has been a significant change in the composition of the broadband customer base with NBN subscribers now representing 72.3% of the total TPG broadband customer base as at 31 January 2020. This represents a significant change from the 37.3% of TPG's total customer base who were NBN subscribers only 2 years earlier. The migration of TPG's existing customers from On-net ADSL and Off-net ADSL onto the NBN is expected to continue as more premises across Australia are declared ready-for-service by the NBN.

Figure 1: TPG Group Broadband Subscribers



TPG has also been offering no contract SIM only mobile plans to consumers as an MVNO that operates on both Vodafone's and Optus' mobile networks. As shown in Figure 2, TPG's Consumer Division had 367,000 mobile subscribers as at 31 January 2020.

Figure 2: TPG Group MVNO Subscribers



8.3.2 TPG Corporate Segment

TPG's Corporate Segment provides a full suite of telecommunications solutions to a customer base that includes small and medium enterprises, government, large corporate enterprises and wholesale customers. The Corporate Segment grew significantly with the acquisitions of Pipe Networks in March 2010 and AAPT in February 2014 and further with the Dark Fibre Agreement with VHA entered into in September 2015.

TPG's corporate products focus on TPG's owned fibre network which it is using to supply very high capacity, low latency services suitable for the largest corporates in Australia, as well as great value high speed ethernet services, such as its Fibre1000 product, to small and medium-size businesses and enterprise customers. The expansion of TPG's fibre network has greatly extended the reach of the Fibre1000 product into many thousands of additional buildings, increasing TPG's on-net addressable market considerably.

In addition to its profitable fixed line connectivity offerings, TPG also provides a range of other business services including voice services, ranging from high capacity SIP trunk calling platforms to a hosted PABX solution known as Bizphone, cloud services, domain name hosting, website hosting, mail hosting and IP addressing.

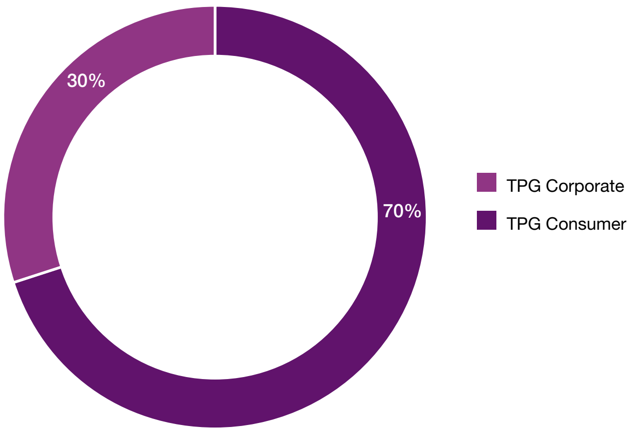
8.4 Operating model and revenue breakdown

The primary means for generating revenue in TPG's Consumer Segment is through sales of internet, telephony and mobile services to consumers across Australia. TPG Consumer Segment customers typically enter into contracts with TPG for access to these telecommunication services and are billed monthly.

The primary means for generating revenue in TPG's Corporate Segment is through sales agreements with SMEs, larger corporate and wholesale customers.

The revenue by segment for TPG for the half year ended 31 January 2020 is as set out in Figure 3:

Figure 3: TPG Group 1H20 Revenue composition



8.5 Network and Infrastructure

At the core of TPG's business is its extensive fibre and customer access network infrastructure.

TPG's key network infrastructure is outlined in Table 1.

Table 1: TPG network infrastructure

National Core Network	• Over 27,000km of metro and inter-capital fibre network • Connected to 121 NBN points of interconnect • More than 400 national network points of presence servicing metro and regional areas
Wireless Networks and Spectrum	• Mobile network in Singapore • Spectrum holdings, including recently secured access to 700 MHz, 1,800 MHz and 3.6 GHz[1] spectrum • City Wi-Fi networks in Adelaide, Ballarat, Bendigo, Canberra and Melbourne
International network	• PPC-1, a 7,000km submarine cable connecting Sydney to Guam, and onward to the US and Asia • Significant capacity on the Southern Cross Cable connecting Australia to the US • SEA-US cable between Guam and the US • International links into New Zealand, Singapore, Hong Kong, Japan and the US
Customer Access Networks	• Thousands of on-net fibre buildings in metro and regional areas • Fibre-to-the-Basement network for Consumers in major capital cities • Over 400 DSLAM enabled exchanges, offering ADSL and Mid-Band Ethernet services • Regional HFC networks in Ballarat, Mildura and Geelong • Extensive VDSL network in ACT

8.6 Business strategy and initiatives

The TPG business is focused on growing its residential and corporate customer bases profitably by delivering market-leading telecommunications services.

Across TPG's Consumer Segment, TPG is focused on maintaining and increasing its market share, providing new and innovative products and bundling products. TPG's strategy has historically focused on being a value provider in on-net and off-net fixed broadband. TPG is also a reseller of broadband on the NBN and is focused on managing the transition of existing customers to the NBN and winning incremental market share. As an alternative to the NBN, TPG also offers FTTB products to over 200,000 premises currently, as a competing service to the NBN that utilises TPG's own fibre network infrastructure instead of using the NBN access network.

1. Held by Mobile JV Pty Limited.

TPG's ownership of network infrastructure has also been a significant strategic advantage in product differentiation in the corporate and government markets. TPG regularly tenders for business from new customers in the corporate, government, wholesale and consumer markets. At any point in time, TPG may be participating in a number of tender opportunities. Success in any one or more of those tenders cannot be assured, but may have a material impact on TPG's revenue and EBITDA, and may also materially impact TPG's capital expenditure requirements.

In order to maximise its prospects for profitable growth, TPG strives to run its business as efficiently as possible and with an industry-leading cost structure. The manner in which it seeks to achieve this cost structure advantage is through careful investment in network infrastructure combined with disciplined overhead cost control, and through extensive synergy realisation programs following material acquisitions.

8.7 Singapore Demerger

TPG intends to separate 100% of Singapore Co's business from TPG to existing eligible TPG Shareholders by way of an in-specie dividend distribution of Singapore Co Shares (**Singapore Dividend**) if the Scheme becomes Effective.

Subject to their eligibility and the TPG Board resolving to pay the Singapore Dividend, TPG Shareholders will receive one Singapore Co Share for every two TPG Shares they hold at 7.00pm (Sydney time) on Wednesday, 1 July 2020, with any fractional entitlements rounded up to the nearest whole Singapore Co Share.

Where the calculation of the aggregate number of Singapore Co Shares to be transferred to a particular TPG Shareholder would result in the transfer of a fraction of a Singapore Co Share, then the entitlement of that TPG Shareholder will be rounded up to the nearest Singapore Co Share. However, if TPG is of the opinion that a TPG Shareholder has been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to any rounding provided for in the calculation of the TPG Shareholder's entitlement to Singapore Co Shares, then TPG reserves the right to round the entitlement of such holdings so as to provide only the number of Singapore Co Shares that would have been received but for the splitting or division.

Eligible TPG Shareholders do not need to do anything or pay anything to receive the Singapore Co Shares. Further detail regarding the Singapore Dividend and TPG Shareholders eligibility to receive the dividend is set out in the Singapore Co Information Memorandum.

Singapore Co is an Australian company which is a wholly-owned Subsidiary of TPG and will own TPG Singapore, as a wholly-owned Subsidiary. TPG Singapore owns and operates the TPG mobile business in Singapore. Further details regarding the TPG Singapore mobile business are set out in Section 8.2.1 and the Singapore Co Information Memorandum. Following the Singapore Dividend, the eligible TPG Shareholders as at the Singapore Dividend Record Date will become the shareholders of Singapore Co and maintain an indirect interest in TPG Singapore.

It is intended that Singapore Co Shares will be listed on ASX and will trade under the ASX code "TUA". TPG Shareholders who hold Singapore Co Shares will then, if they wish to do so, be able to sell their Singapore Co Shares on market.

TPG Singapore has applied to the IMDA for approval of various matters in order to implement the Singapore Demerger, including the transfer of TPG Singapore to Singapore Co, to be listed on the ASX. As at the date of this Scheme Booklet, TPG Singapore has received conditional approval from the IMDA. The conditions include ASX formally approving the listing of Singapore Co. Subject to TPG Shareholders and the Court approving the Scheme, TPG expects to be able to satisfy those conditions, so that the Singapore Demerger can proceed as described in this Scheme Booklet.

Details regarding the agreements relating to the Singapore Demerger that will be entered into by TPG and Singapore Co are contained in Section 13.4. Details regarding the general Australia tax consequences of the Scheme, TPG Special Dividend and Singapore Dividend are contained in Section 11.

8.8 TPG Board

As at the date of this Scheme Booklet, the TPG Directors are:

- David Teoh, Executive Chairman & Chief Executive Officer;
- Denis Ledbury, Non-Executive Director;
- Robert Millner, Non-Executive Director;
- Joseph Pang, Non-Executive Director; and
- Shane Teoh, Non-Executive Director.

8.9 Capital structure

As at the date of this Scheme Booklet, TPG's issued securities are as follows:

Table 2: TPG capital structure

Type of security	Number on issue
TPG Shares	927,811,493
TPG Performance Rights	557,825

8.10 Share Price History

TPG Shares are quoted on the ASX under the code 'TPM'.

The closing price of TPG Shares on the ASX on 29 August 2018, being the last trading day prior to the announcement of the Scheme, was $7.88.

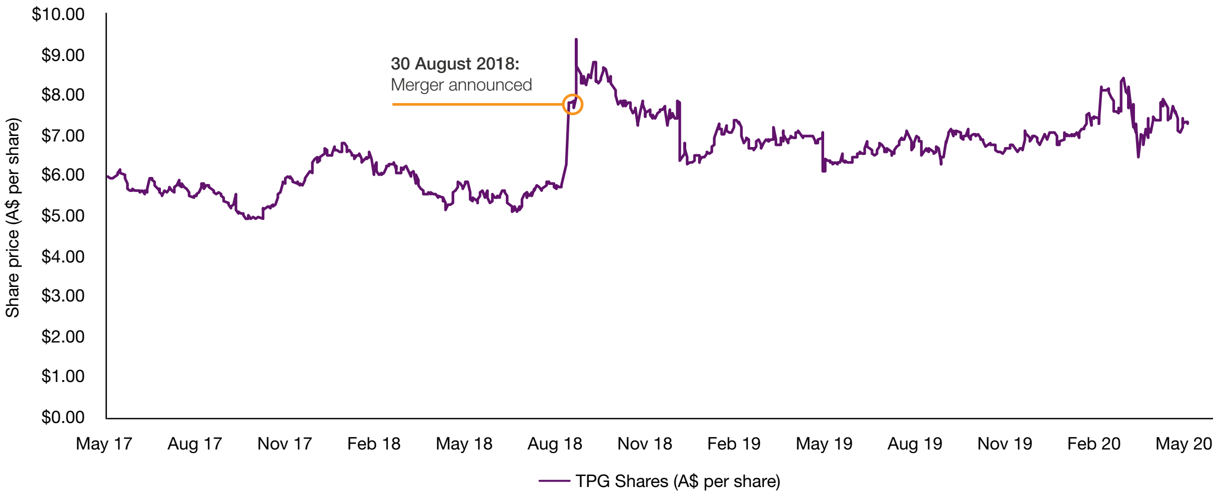
The closing price of TPG Shares on the ASX on the Last Practicable Date was $7.20.

During the three months ending on the Last Practicable Date:

- the highest recorded daily closing price for TPG Shares on the ASX was $8.35 on 6 March 2020; and
- the lowest recorded daily closing price for TPG Shares on the ASX was $6.41 on 23 March 2020.

Figure 4 shows the TPG Share price performance over the 36 months to the Last Practicable Date:

Figure 4: TPG Shares – historical share price performance since 12 May 2017



8.11 Substantial TPG Shareholders

The substantial holders of TPG Shares as at the Last Practicable Date, were as follows:

Table 3: Substantial TPG Shareholders (as at 12 May 2020)

Substantial TPM Shareholder	Number of TPG Shares owned	Voting power
David Teoh and associates	318,315,608	34.3%
Washington H Soul Pattinson and Company Limited	234,396,121	25.3%

8.12 Historical financial information

This Section 8.12 contains the following historical financial information of TPG:

- historical consolidated income statements for the years ended 31 July 2018 and 31 July 2019, and the half years ended 31 January 2019 and 31 January 2020 (**TPG Historical Income Statements**);
- historical consolidated statement of financial position as at 31 January 2020 (**TPG Historical Statement of Financial Position**); and
- historical consolidated statements of cash flows for the years ended 31 July 2018 and 31 July 2019, and the half years ended 31 January 2019 and 31 January 2020 (**TPG Historical Statements of Cash Flows**),

(together, the **TPG Historical Financial Information**).

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

8.12.1 Basis of preparation of the TPG Historical Financial Information

The TPG Historical Financial Information presented in this Section 8.12 has been extracted from TPG's consolidated financial statements for the years ended 31 July 2018 and 31 July 2019, and the half years ended 31 January 2019 and 31 January 2020. The consolidated financial statements of TPG for the financial years ended 31 July 2018 and 31 July 2019 were audited by KPMG in accordance with Australian Auditing Standards and on which KPMG provided unqualified audit opinions. The consolidated financial statements of TPG for the half year ended 31 January 2020, including the comparative financial statements for the half year ended 31 January 2019, were reviewed by KPMG in accordance with Australian Auditing Standards, and on which KPMG provided an unqualified review opinion.

The TPG Historical Financial Information presented in this Section 8.12 has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (**AAS**), however it is presented in abbreviated form and consequently does not contain all the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

The TPG Historical Financial Information presented in this Section 8.12 should therefore be read in conjunction with the financial statements for the respective periods, including the description of the accounting policies and the notes to those financials statements, all of which are available at www.tpg.com.au or the ASX website at www.asx.com.au.

8.12.1.1 Changes to Accounting Standards

TPG adopted one new accounting standard commencing 1 August 2019 which has been reflected in TPG's consolidated financial statements for the half year ended 31 January 2020:

- AASB 16 *Leases* – This standard introduces a single, on-balance sheet, lease accounting model for leases. Contracts that provide TPG with a right to control the use of an identified asset are accounted for in the consolidated statement of financial position. The right to use the asset is recognised as a right-of-use (**ROU**) asset and the contracted amounts payable over the lease term are accounted for as a lease liability.

TPG has adopted the Modified Retrospective method for transition to the new accounting standard. Accordingly, the comparative information has not been restated and transition adjustments were made through retained earnings as at 1 August 2019. The consolidated financial statements for the financial years ended 31 July 2018 and 31 July 2019, and the half year ended 31 January 2019 are presented on a pre-AASB 16 basis, as reported.

The impact of the adoption of AASB 16 for the half year ended 31 January 2020 was as follows:

- ROU assets of $84.6 million and lease liabilities of $102.0 million were recognised in the 31 January 2020 statement of financial position;
- depreciation of ROU assets of $9.4 million and interest expense on lease liabilities of $1.5 million were recognised in the income statement;
- network, carrier and hardware costs and other expenses were lower by $4.4 million and $5.9 million respectively than they would have been without the application of AASB 16; and
- in the cash flow statement, lease payments have been separated into repayments of the principal component of leases of $12.5 million and interest payments of $1.5 million, both under financing activities.

8.12.2 Explanation of certain non-IFRS financial measures

TPG uses certain measures to manage and report on its businesses that are not recognised under AAS or International Financial Reporting Standards (**IFRS**). These measures are collectively referred to in this Section 8.12 as non-IFRS financial measures pursuant to Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall TPG business. The principal non-IFRS financial measures referred to in this Section 8.12 are as follows:

- **EBITDA** is reported earnings/(losses) including significant items, before the following:
  - interest income or expense;
  - depreciation and amortisation;
  - impairment expense; and
  - income tax expense,
- **Underlying EBITDA** and **Underlying NPAT** (presented in Section 8.12.4) are financial measures which are not prescribed by AAS and reflect earnings before the significant items set out in Section 8.12.4.

8.12.3 TPG Historical Income Statements

Set out below are the TPG Historical Income Statements for the years ended 31 July 2018 and 31 July 2019 and the half years ended 31 January 2019 and 31 January 2020:

Table 4: TPG Historical Income Statements

$m	Year ended 31 July 2018	Year ended 31 July 2019	Half year ended 31 January 2019	Half year ended 31 January 2020
Revenue	2,496.1	2,477.4	1,235.8	1,246.5
Network, carrier and hardware costs	(1,244.3)	(1,259.6)	(613.7)	(654.1)
Employee benefits expense	(242.8)	(224.4)	(109.3)	(108.3)
Other expenses	(182.3)	(184.0)	(92.8)	(77.5)
Earnings before interest, tax, impairment, depreciation and amortisation	**826.7**	**809.4**	**420.0**	**406.6**
Impairment of spectrum and mobile assets	–	(236.8)	(227.4)	–
Depreciation of plant and equipment	(138.8)	(133.2)	(66.5)	(75.6)
Amortisation of intangibles	(90.4)	(136.1)	(42.1)	(89.9)
Results from operating activities	**597.5**	**303.3**	**84.0**	**241.1**
Net financing costs	(34.4)	(50.7)	(13.7)	(33.3)
Profit before income tax	**563.1**	**252.6**	**70.3**	**207.8**
Income tax expense	(165.6)	(77.6)	(22.9)	(63.1)
Net profit after tax	**397.5**	**175.0**	**47.4**	**144.7**
Net profit attributable to non-controlling interest	1.1	1.2	0.5	1.1
Net profit attributable to members of TPG	**396.4**	**173.8**	**46.9**	**143.6**

1. As noted in Section 8.12.1.1, TPG adopted the Modified Retrospective method for transition to the new AASB 16 *Leases* accounting standard commencing 1 August 2019. Results for the half year ended 31 January 2020 include the impact of AASB 16. However, results for the financial years ended 31 July 2018 and 31 July 2019, and the half year ended 31 January 2019 are presented on a pre-AASB 16 basis, as reported.

8.12.4 Management commentary on TPG Historical Income Statements

Commentary on TPG's historical financial performance is set out below. More information is available from TPG's financial reports for the years ended 31 July 2018 and 31 July 2019 and half years ended 31 January 2019 and 31 January 2020, which can be found on the TPG website at www.tpg.com.au.

The tables below also present Underlying EBITDA, Business as Usual (**BAU**) EBITDA, and Underlying NPAT, as well as segment disclosures, as disclosed in TPG's financial reports for the years ended 31 July 2018 and 31 July 2019 and half years ended 31 January 2019 and 31 January 2020.

Table 5: Reconciliation to BAU EBITDA

$m	Year ended 31 July 2018	Year ended 31 July 2019	Half year ended 31 January 2019	Half year ended 31 January 2020
Earnings before interest, tax, impairment, depreciation and amortisation	**826.7**	**809.4**	**420.0**	**406.6**
Add: One-off transaction costs related to Merger	–	9.0	4.4	6.0
Less: One-off Corporate Division benefit	–	–	–	(3.3)
(Less)/Add: AASB 16 impact	–	–	–	(10.2)
Underlying EBITDA	**826.7**	**818.4**	**424.4**	**399.1**
Add: Singapore mobile start-up losses	1.4	2.7	0.8	1.8
Add: Australian mobile network operating expenses	–	2.7	–	3.3
BAU EBITDA	**828.1**	**823.8**	**425.2**	**404.2**

1. FY18 restated for the implementation of AASB15 *Revenue from Contracts with Customers*.

Table 6: Reconciliation to Underlying NPAT

$m	Year ended 31 July 2018	Year ended 31 July 2019	Half year ended 31 January 2019	Half year ended 31 January 2020
Reported NPAT	**396.4**	**173.8**	**46.9**	**143.6**
Add: One-off transaction costs related to Merger	–	6.3	3.1	4.2
Less: One-off Corporate Division benefit	–	–	–	(2.3)
Add: Impairment expense	–	165.7	159.2	–
Add: Acquired customer base intangible amortisation	35.7	30.4	16.0	11.9
(Less)/Add: AASB 16 impact	–	–	–	0.5
Underlying NPAT	**432.1**	**376.2**	**225.2**	**157.9**

Table 7: Segment BAU Revenue

$m	Year ended 31 July 2018	Year ended 31 July 2019	Half year ended 31 January 2019	Half year ended 31 January 2020
Consumer	1,742.3	1,719.0	852.6	872.4
Corporate	753.8	758.4	383.2	373.0
Other	–	–	–	–
Total BAU Revenue	**2,496.1**	**2,477.4**	**1,235.8**	**1,245.4**

1. BAU revenue excludes Other revenue of $1.1 million incidental revenue relating to TPG's Singapore operations in the half year ended 31 January 2020.

Table 8: Segment BAU EBITDA

$m	Year ended 31 July 2018	Year ended 31 July 2019	Half year ended 31 January 2019	Half year ended 31 January 2020
Consumer	499.1	457.3	243.0	211.4
Corporate	329.7	367.1	182.5	193.0
Other	(0.7)	(0.6)	(0.3)	(0.2)
Total BAU Revenue	**828.1**	**823.8**	**425.2**	**404.2**

8.12.4.1 Commentary on TPG Historical Income Statement for the half year ended 31 January 2020

For the half year ended 31 January 2020 (**HY20**), TPG achieved BAU EBITDA of $404.2 million, a decrease of 5% against HY19 of $425.2 million. HY20 BAU EBITDA excluded one-off transaction fees related to the Merger of $6.0 million, a one-off benefit in the Corporate Segment of $3.3 million, a $10.2 million benefit from the adoption of AASB 16 and losses incurred by TPG's mobile network operations in Australia ($3.3 million) and Singapore ($1.8 million). The decrease in HY20 BAU EBITDA was driven by the loss of margin from the continued migration of DSL and home phone customers to low margin NBN services. This was partially offset by stronger than forecast other EBITDA growth of $34 million driven by growth in the Corporate Segment's EBITDA, overhead savings in the Consumer Segment, Tech2 EBITDA growth and organic Consumer Segment broadband (FTTB and NBN) subscriber growth.

Reported NPAT for HY20 of $143.6 million was up 206% compared to the prior corresponding period due to HY19 having been adversely impacted by a $227.4 million pre-tax impairment expense arising from the cessation of the Australian mobile network build. Excluding the impairment, HY20 NPAT was down 30% compared to HY19 because of $53.7 million of Australian spectrum amortisation affecting HY20 but not HY19, and a $19.6 million increase in net financing costs due primarily to the cessation of interest capitalisation associated with the Australian mobile network.

TPG's Consumer Segment BAU EBITDA for HY20 was $211.4 million compared to $243.0 million for HY19. This movement comprised a $39.8 million decrease in gross profit, partially offset by an $8.2 million decrease in overhead costs. The gross profit decline was driven by the NBN headwinds which overshadowed two positives within the HY20 result: an overall increase in broadband subscribers of 14k in the half compared to net negative movement of 9k in HY19, and Tech2's gross profit being up by $7.9 million compared to HY19.

The Corporate Segment achieved BAU EBITDA of $193.0 million for HY20, up by $10.5 million from $182.5 million in HY19 driven by continued strong improvement in margins. Gross profit margin increased to 69% in HY20 from 66% in HY19 driven by the continued favourable change in revenue mix towards on-net fibre services. This positive result was complemented by efficiency savings that delivered a $3.9 million decrease in overhead costs, resulting in a BAU EBITDA margin increase from 48% in HY19 to 52% in HY20.

8.12.4.2 Commentary on TPG Historical Income Statement for the year ended 31 July 2019

At the beginning of the financial year ended 31 July 2019 (**FY19**), TPG provided EBITDA guidance of $800 to $820 million for its BAU operations, which excluded any impact of its mobile network operations in Australia and Singapore. TPG delivered FY19 BAU EBITDA of $823.8 million, above the top end of guidance. Notwithstanding this result, TPG's FY19 BAU EBITDA was a decrease of 1% against FY18 BAU EBITDA of $828.1 million. BAU EBITDA continued to be adversely impacted by the loss of margin as DSL and home phone customers migrated to low margin NBN services. FY19 Underlying NPAT attributable to shareholders was $376.2 million.

The Consumer Segment's BAU EBITDA for FY19 was $457.3 million compared to $499.1 million for FY18. This movement was comprised of a $62.6 million decrease in gross profit driven by broadband gross margin erosion and loss of home phone voice revenue, both due to the NBN rollout. This gross profit decrease was partially offset by a $20.8 million decrease in employment and overhead costs as part of TPG's ongoing operating cost optimisation work.

The Corporate Segment's BAU EBITDA for FY19 was $367.1 million, an increase of 11% against FY18 BAU EBITDA of $329.7 million. This result was driven by a significant step-up in the contribution from the contract to provide fibre services to VHA, complemented by other on-net fibre sales. The continued shift towards revenue delivered on the Group's owned fibre infrastructure helped lift the Corporate Segment's EBITDA margin to 48% in FY19 compared to 44% in FY18.

8.12.5 TPG Historical Statements of Cash Flows

Set out below are TPG's Historical Statements of Cash Flows for the years ended 31 July 2018 and 31 July 2019 and the half years ended 31 January 2019 and 31 January 2020:

Table 9: TPG Historical Statements of Cash Flows

$m	Year ended 31 July 2018	Year ended 31 July 2019	Half year ended 31 January 2019	Half year ended 31 January 2020
Cash flows from operating activities				
Cash receipts from customers	2,743.2	2,729.3	1,359.4	1,359.0
Cash paid to suppliers and employees	(1,874.9)	(1,893.0)	(948.7)	(959.5)
Income taxes paid	(194.5)	(128.6)	(77.7)	(60.4)
Net cash from operating activities	**673.8**	**707.7**	**333.0**	**339.1**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(292.5)	(327.9)	(162.5)	(168.2)
Acquisition of spectrum assets	(597.3)	(352.4)	(352.4)	(352.4)
Acquisition of other intangible assets	(66.5)	(37.0)	(41.8)	(25.4)
Transaction costs relating to planned business combination	–	(6.6)	(2.9)	(8.4)
Net cash used in investing activities	**(956.3)**	**(723.9)**	**(559.6)**	**(554.4)**
Cash flows from financing activities				
Repayment of lease liabilities	(34.1)	(5.5)	(2.4)	(12.5)
Proceeds from borrowings	969.4	292.8	292.8	332.0
Repayment of borrowings	(538.6)	(205.0)	(55.0)	(35.0)
Transaction costs related to borrowings	(10.8)	–	–	–
Interest received	1.2	1.3	0.7	0.3
Finance costs paid	(45.8)	(61.5)	(29.4)	(26.5)
Dividends paid	(21.2)	(37.1)	(18.6)	(18.6)
Dividends paid to non-controlling interest	(1.8)	–	–	–
Net cash (used in)/from financing activities	**318.3**	**(15.0)**	**188.1**	**239.7**
Net (decrease)/increase in cash and cash equivalents	**35.8**	**(31.2)**	**(38.5)**	**24.4**
Cash and cash equivalents at beginning of the year	46.3	82.2	82.2	51.4
Effect of exchange rate fluctuations	0.1	0.4	0.3	0.2
Cash and cash equivalents at end of the year	**82.2**	**51.4**	**44.0**	**76.0**

8.12.5.1 Commentary on TPG Historical Statement of Cash Flows for the half year ended 31 January 2020

TPG generated net operating cash flow after tax of $339.1 million for HY20, a 2% increase over the prior corresponding period of $333.0 million in HY19.

Total capital expenditure for HY20 of $546.0 million included the final $352.4 million instalment for the 2x10 MHz of 700 MHz Australian spectrum acquired at auction in 2017, and $68.9 million on the Singapore mobile network build. The remaining BAU capital expenditure of $124.7 million was within expectations but $26.3 million higher than HY19, reflecting a step-up in fibre builds for corporate customers supporting the margin expansion within that segment.

8.12.5.2 Commentary on TPG Historical Statement of Cash Flows for the year ended 31 July 2019

TPG delivered a strong net operating cash flow result (pre-tax) of $836.3 million in FY19, exceeding both underlying EBITDA of $818.4 million and BAU EBITDA of $823.8 million over the same period. TPG generated net operating cash flow after tax of $707.7 million, a 5% increase over the prior corresponding period of $673.8 million in FY18.

Total capital expenditure for FY19 of $717.3 million included a $352.4 million instalment for the 2x10 MHz of 700 MHz spectrum acquired at auction in 2017, $86.1 million invested in the (now ceased) Australian mobile network build, and $80.1 million on the Singapore mobile network build. The remaining BAU capital expenditure of $198.7 million was $59.3 million lower than FY18 and within the guidance range of $180 to $220 million provided at the start of FY19.

8.12.6 TPG Historical Statement of Financial Position

Set out below is TPG's Historical Statement of Financial Position as at 31 January 2020:

Table 10: TPG Historical Statement of Financial Position

$m	As at 31 January 2020
Cash and cash equivalents	76.0
Trade and other receivables and contract assets	129.6
Deferred contract costs	5.9
Inventories	6.9
Prepayments and other assets	24.0
Total Current Assets	**242.4**
Investments	0.3
Deferred contract costs	6.5
Property, plant and equipment	1,461.5
Right of use assets	84.6
Spectrum assets	1,280.8
Goodwill and other intangible assets	2,341.8
Deferred tax assets	45.1
Prepayments and other assets	6.5
Total Non-Current Assets	**5,227.1**
Total Assets	**5,469.5**
Trade and other payables	301.4
Loans and borrowings and derivative financial liabilities	15.9
Lease liabilities	25.5
Spectrum liability	–
Current tax liabilities	10.4
Deferred revenue	160.7
Employee benefits	27.9
Provisions	13.1
Accrued interest	5.3
Total Current Liabilities	**560.2**
Loans and borrowings and derivative financial liabilities	1,771.3
Lease liabilities	76.5
Deferred revenue	26.4
Employee benefits	2.1
Provisions	29.1
Total Non-Current Liabilities	**1,905.4**
Total Liabilities	**2,465.6**
Net Assets	**3,003.9**
Share capital	1,465.2
Reserves	(51.5)
Retained earnings	1,583.9
Equity attributable to members of TPG	**2,997.6**
Non-controlling interest	6.3
Total Equity	**3,003.9**

8.13 Outlook

Consistent with TPG's disclosure to the ASX on 5 March 2020, TPG expects its full year EBITDA from its BAU operations in FY20 to be in the range of $775 million to $785 million. This guidance range is an upgrade from the FY20 outlook provided on 5 September 2019 of $735 million to $750 million BAU EBITDA. FY20 guidance for BAU capital expenditure has remained the same at $200 million to $240 million.

8.13.1 COVID-19 pandemic

The COVID-19 pandemic has, as at the date of this Scheme Booklet, affected TPG's business in several ways, including:

- a small increase in the sales of fixed line broadband services;
- an increase in data and voice usage by customers, particularly during the day; and
- operational changes, including employees working remotely.

The COVID-19 pandemic continues to evolve and TPG considers it reasonably likely that its business will be affected in other ways, including increased bad debt risk due to customers facing financial distress caused by the pandemic, and possible decline in corporate customer revenue arising from forced business closures and customers seeking lower cost services.

In light of the challenging macroeconomic conditions and resultant market uncertainty caused by COVID-19, there is insufficient knowledge and insight to predict with certainty the impact of COVID-19 on TPG's business or future financial or other performance. As such, actual events and their impacts on TPG's business and performance may be significantly different to those expressed in this Section 8.13.1.

8.14 Material changes in TPG's financial position

To the knowledge of the TPG Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of TPG as at the Last Practicable Date, has not materially changed since the half year ended 31 January 2020.

8.15 Publicly available information

TPG is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, TPG is subject to Listing Rules which require (subject to some exceptions) continuous disclosure of any information that TPG has that a reasonable person would expect to have a material effect on the price or value of TPG Shares.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by TPG is available on ASX's website at www.asx.com.au.

In addition, TPG is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by TPG may be obtained from an ASIC office.

TPG's Shareholders may obtain a copy of TPG's 2019 Annual Report (including its audited financial statements in respect of the year ended 31 July 2019) and TPG's HY20 Financial Report for the half year ended 31 January 2020 from ASX's website at www.asx.com.au or from TPG's website at www.tpg.com.au.

TPG's announcements to ASX after the lodgement with ASX of its HY20 Financial Report to the Last Practicable Date are listed in the table below.

8.15.1 TPG ASX announcements

Table 11: TPG ASX announcements since 5 March 2020

Date	Announcement
5 March 2020	ACCC won't appeal court's TPG-Vodafone merger decision
26 March 2020	CFIUS and FCC approvals obtained
26 March 2020	HTA: Regulatory Clearances CFIUS and FCC
30 April 2020	Singapore 5G Call for Proposal Outcome
7 May 2020	FIRB approval obtained
7 May 2020	HTA: FIRB Approval of VHA/TPG Merger

SECTION 9

OVERVIEW OF VHA

VHA is the third-largest telecommunications provider in Australia. VHA owns and operates its own 3G and 4G mobile network, which has mobile sites located nationally across Australia, and has commenced the rollout of a 5G mobile network. In addition to supplying mobile services directly to customers under the Vodafone, Lebara and Kogan brands, VHA supplies wholesale mobile services to Australian MVNOs for resale by them to retail customers under their own brands.

In 2017, VHA began providing retail fixed line broadband services to its customers via the Australian government-owned NBN. VHA also launched Kogan Internet fixed broadband services in April 2018.

As at 31 December 2019, VHA's customer base in Australia consisted of approximately 5.7 million mobile customers and 114,000 fixed broadband customers. VHA's mobile network covers more than 22 million Australians and VHA has a national footprint of retail stores including 99 company-owned stores as at 31 December 2019.

VHA employed approximately 2,050 people throughout Australia as at 31 December 2019. In the financial year ended 31 December 2019, the VHA Group's revenues were $3,523.4 million, its total EBITDA was $1,178.7 million, and its total assets as at 31 December 2019 were $8,745.8 million.

9.1 Corporate History

Vodafone commenced operations in Australia in 1993 as Vodafone Australia through a wholly-owned Subsidiary of VOD. Vodafone Australia built its own national mobile network and since launch has continuously provided mobile network services in Australia under the Vodafone brand.

HTAL commenced operations in Australia in 1988 initially as a national paging network and later as a reseller of mobile, fixed line and internet services. In 1999, HTAL listed on the ASX and built and launched the Orange mobile network in Sydney and Melbourne. The Orange mobile network was decommissioned in 2006.

In 2003, through its Subsidiary Hutchison 3G Australia Pty Limited (later renamed VHA after the merger with Vodafone Australia in 2009) HTAL launched the "3" mobile network, Australia's first 3G mobile network. The "3" mobile network was HTAL's core operation prior to merging its telecommunications business with Vodafone Australia.

In 2008, Vodafone Australia acquired Crazy John's, an Australian MVNO and reseller of Vodafone Australia services. Crazy John's closed in 2014 and its customers were migrated to the Vodafone mobile service.

In 2009, HTAL and Vodafone Australia agreed to merge their telecommunications businesses in a 50-50 joint venture, creating VHA. As a consequence of the VHA merger, the "3" mobile network assets were merged with the Vodafone Australia network.

VHA launched 4G services in Australia in 2014 and also launched its $5 Roaming product later that year.

In September 2015, VHA announced it had entered into a Dark Fibre Agreement and a MVNO agreement with TPG. Under the Dark Fibre Agreement, TPG agreed to supply dark fibre and network services to around 3,000 VHA sites over a 15 year term. Under the MVNO agreement, TPG migrated its TPG branded mobile customer base to VHA's mobile network.

Also in 2015, VHA entered into a commercial agreement with Kogan which included a right to use the Kogan brand and launched Kogan Mobile on VHA's network. In 2016, VHA acquired Lebara Mobile's Australian mobile business assets, including its customer base and the right to use the Lebara brand in Australia.

As previously mentioned, in 2017 VHA began acquiring wholesale capacity on the NBN and providing fixed line broadband services in Sydney, the ACT, Victoria and Newcastle under the Vodafone nbn™ brand. The Vodafone nbn™ service extended to 110 points of interconnect as at 31 December 2019 and is available in most parts of Australia where the NBN is ready for service.

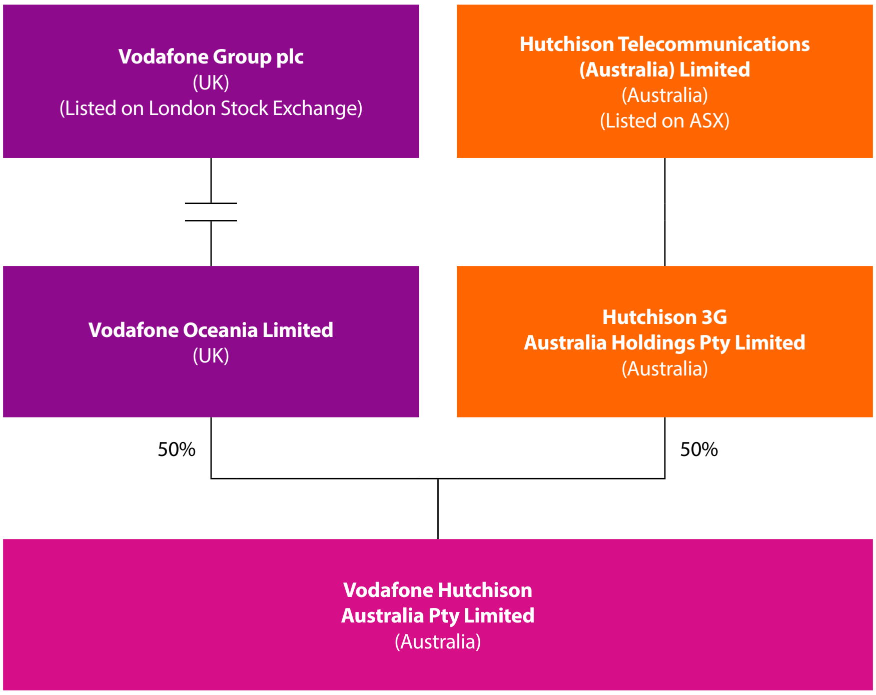
In December 2018, Mobile JV Pty Limited, an incorporated 50-50 joint venture between VHA and TPG, acquired substantial spectrum holdings in all available metropolitan and regional areas in the 3.6 GHz spectrum band auction for $263 million. For further information regarding VHA's spectrum holdings see Section 9.6.5.3.

In December 2019, VHA announced that it had partnered with Nokia to commence the roll out of its 5G telecommunications network in the first half of 2020. For information regarding the roll out of VHA's 5G network, see Section 9.6.8.

9.1.1 Ownership

VHA is a 50-50 joint venture between a wholly-owned indirect Subsidiary of VOD and a direct wholly-owned Subsidiary of HTAL. VHA was formed in 2009 by the merger of HTAL's and Vodafone Australia's telecommunications businesses. Figure 5 shows the current ownership of VHA.

Figure 5: Ownership of VHA[1]



Vodafone Group plc (or **VOD**) is a publicly traded multinational telecommunications company headquartered in London, United Kingdom. VOD's stock trades on the London Stock Exchange under the ticker symbol LON:VOD and on the NASDAQ Stock Exchange under the ticker symbol NASDAQ:VOD.

HTAL is publicly traded on the ASX under the ticker symbol: HTA, and is 87.865%-owned, indirectly, by CK Hutchison Holdings Limited (**CKHH**), a publicly traded multinational conglomerate headquartered in Hong Kong. CKHH's stock trades on the Hong Kong Stock Exchange under the ticker symbol HKEX:1.

The VHA 50-50 joint venture is governed by a shareholders' agreement, which, under the Scheme Implementation Deed, will terminate with effect on and from the Implementation Date. VOD and HTAL will each own (directly or indirectly) an effective 25.05% interest in the issued shares of the Merged Co immediately following Implementation of the Scheme. For further information see Section 10.7.

9.2 Business Overview

VHA's core business is the operation of a 3G, 4G and 5G telecommunications network and the provision of mobile telecommunication services to customers using this network, which includes the provision of data, voice and messaging services and machine to machine connectivity. VHA also generates revenue from interconnection fees from other telecommunications operators where their voice and messaging traffic terminates on VHA's network.

VHA acquires wholesale capacity on the NBN and uses that capacity to offer fixed home broadband services to its customers under the Vodafone nbn™ and Kogan Internet brands.

1. This simplified organisational structure chart does not show all interposed entities between VHA and VOD, any entities that hold shares in HTAL, or any Subsidiaries of VHA.

In addition to providing the mobile and fixed telecommunications services described above, VHA's other business activities include providing a range of products that complement its service offerings and facilitate access to VHA's network, such as:

- mobile handsets, tablets and other devices including Apple, Samsung, Huawei, OPPO and Google;
- mobile phone insurance; and
- accessories such as cases, screen protection, audio headsets, Bluetooth speakers and Vodafone TV boxes.

In the year ended 31 December 2019, approximately 68% of VHA's total operating revenue was attributable to the provision of mobile and fixed telecommunication services, and approximately 32% was attributable to other services and products.

9.3 Mobile Industry Overview

9.3.1 Mobile market overview

The mobile market is the largest contributor of revenues in the Australian telecommunications industry.

The mobile market includes mobile phone services, being voice, SMS and data services delivered over 3G, 4G or 5G technologies to mobile handsets, and mobile broadband, which is data services delivered over the same networks.

Mobile network operators (MNOs)

As at 31 December 2019, there were three MNOs in Australia with their own spectrum allocations and the network infrastructure required to operate a national mobile network: Telstra, Optus and VHA.

- Telstra is Australia's largest MNO by number of subscribers and was owned by the Australian Federal government before being privatised and listed on the ASX in 1997;
- Optus is Australia's second-largest MNO by number of subscribers and became a wholly-owned Subsidiary of the Singtel Group based in Singapore in 2001; and
- VHA is Australia's third-largest MNO by number of subscribers and was formed in 2009 following a merger of HTAL and Vodafone Australia's telecommunications businesses (see Section 9.1.1 for further information).

These MNOs operate services under their core brands and may operate under one or more secondary brands. All three Australian MNOs offer postpaid and prepaid mobile solutions to both consumer and business segments, covering voice, data and messaging services.

The aggregate mobile market share by customer number of the three Australian MNOs (including secondary brands) is approximately 87%. The remaining approximately 13% of market share is held by MVNOs who utilise the networks of the MNOs and market mobile products and services under their own brands.

Mobile virtual network operators (MVNOs)

MVNOs are operators that provide mobile telecommunication services to their customers but, in contrast to MNOs, do not own or operate their own mobile telecommunications network. MVNOs typically purchase wholesale mobile services from an MNO and resell those mobile services to their customers under their own brands.

MVNOs in Australia operate within both postpaid and prepaid consumer segments, with the majority of their customers being prepaid.

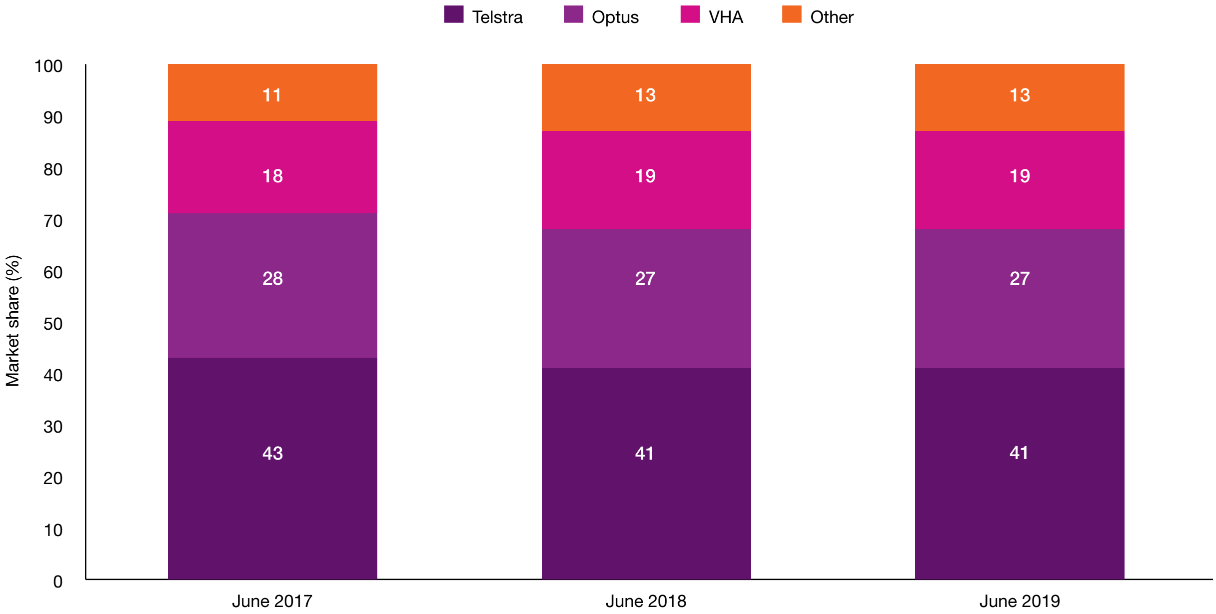
According to the ACCC Communications Market Report 2018-19, Australian MVNOs accounted for approximately 13% of mobile services from 2017 to 2019.

9.3.2 Customer base

The postpaid subscriber market is the largest segment of the Australian mobile services market, both in terms of number of subscribers and value. According to the ACCC's Internet Activity Report for June 2019, as at 30 June 2019 of the 28 million mobile services in operation, 17 million (63%) related to postpaid handset services, and 10 million (37%) related to prepaid handset services.

The Australian market for mobile services (by handsets) grew from approximately 27 million mobile phone services as at 30 June 2018 to approximately 28 million as at 30 June 2019. Figure 6 shows the breakdown of the Australian retail mobile subscriber market by MNO and MVNOs ('Other').

Figure 6: Total retail mobile subscriber market share[2]



9.3.3 Smartphones and data usage

It is anticipated that consistent with other global mobile markets, the increasing use of smartphones and tablets, unlimited data plans and high take up of video streaming services in Australia will continue to be a driver of data consumption.

According to the ACCC's Communications Market Report 2018-2019, the total volume of data downloaded in Australia across all access technologies (i.e. fixed broadband services and mobile services) increased from 1.5 million Terabytes in the three months to June 2015 to 6 million Terabytes in the three months to June 2019.

The total volume of data downloaded increased by approximately 47% in the three months to June 2019 compared to the corresponding period the previous year, with mobile services accounting for 12% of all download volumes for the three months to June 2019.

9.4 Overview of business units

9.4.1 Mobile services

The VHA Group generates most of its revenue by providing mobile data, voice and messaging services to customers. These services are mainly supplied by VHA directly to its customers, but are also supplied by VHA on a wholesale basis to MVNOs for resale under their own brands.

VHA offers a wide range of postpaid and prepaid mobile service plans, allowing customers to choose how they pay for their services. These service plans are described in more detail below.

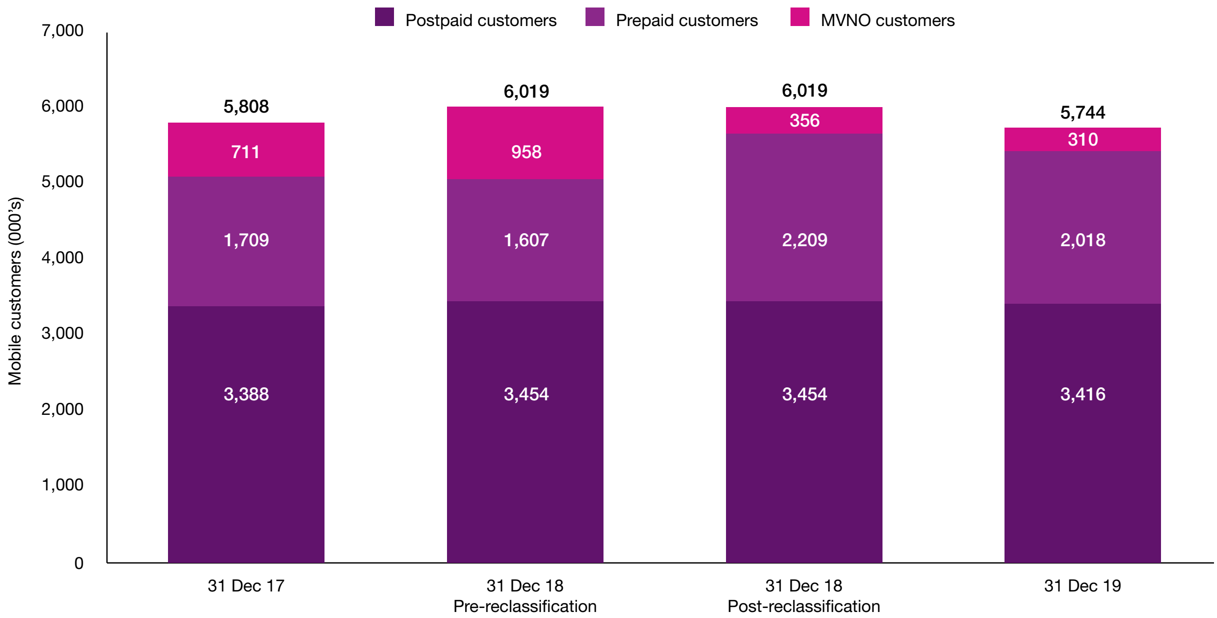
From 1 January 2016 to 31 December 2019, VHA's total mobile customer base grew by approximately 6%, and as at 31 December 2019 was approximately 5.7 million customers, making VHA the third-largest telecommunications provider in Australia by subscriber numbers at that time.[3]

VHA's total mobile customer base is comprised of postpaid customers, prepaid customers, and customers who receive mobile services utilising VHA's mobile network through an arrangement with an MVNO as set out in the figure below.

In 2018, VHA reclassified approximately 602,000 Kogan and Lebara-branded customers from MVNO customers to prepaid customers. Figure 7 below presents VHA customer numbers for the last three calendar years. Customer numbers as at 31 December 2018 are presented on both a pre- and post-reclassification basis.

2. Source: ACCC Communications Market Report 2018-19.
3. VHA mobile network customers were calculated using the three month active mobile customer base.

Figure 7: VHA total mobile customers



9.4.1.1 Postpaid mobile services

VHA offers a range of postpaid mobile service plans which provide customers with specific inclusions of data, voice minutes (domestic and international calls) and SMS (domestic and international messages) that a customer can use each month on VHA's mobile network for a fixed monthly access fee.

All of VHA's currently offered postpaid mobile plans include unlimited national voice calls and SMS to all mobile networks in Australia, meaning the variations in inclusions between different mobile service plans relate to the included data allowance, and international calls/SMS or other value-added services offered on some mobile service plans.

VHA also offers a number of postpaid 'mobile broadband' plans which only include a data allowance that a customer can use each month on VHA's mobile network for a fixed monthly access fee.

Customers can sign up to a postpaid mobile service plan in one of two ways:

- if a customer wants to acquire a mobile device (handset, tablet or modem) in addition to the plan, they can opt to spread the cost of the device over 12, 24 or 36 months. At this time the customer must also sign up for a mobile service plan with VHA for a monthly access fee. Customers are not locked into a fixed-term contract for their mobile service plan, but if they choose to terminate their contract before the end of the term of their mobile device instalments, they are usually required to pay VHA the total of their remaining device instalments at that time; or
- if a customer does not want to acquire a mobile device (handset, tablet or modem) from VHA, they can purchase a 'SIM only' mobile service plan for a monthly charge. The customer is contractually required to provide their own mobile device to use the network services.

For postpaid customers whose contract period has ended or who have no set contract period, VHA provides the mobile network service on a month-to-month basis until that customer terminates the service or changes to a different service provider.

A customer may incur charges in addition to their monthly fee for usage that is not included in, or exceeds, the inclusions of their mobile service plan. These 'overage' charges are billed to the customer at the end of their monthly billing cycle.

In the year ended 31 December 2019, postpaid mobile services accounted for approximately 52% of the VHA Group's operating revenue.

Consumer and business segments

Consumer postpaid services refers to postpaid mobile service plans purchased by individual consumers, and is the largest segment of VHA's total mobile customer base.

Business postpaid services refers to postpaid mobile service plans supplied to business customers.

VHA offers a range of business solutions to small and medium sized business. VHA has primarily targeted the small office, home office and small to medium business markets with standardised offerings. VHA also supplies postpaid mobile services to larger corporate and enterprise customers, usually with bespoke pricing and inclusions.

9.4.1.2 Prepaid mobile services

Under prepaid mobile service plans, customers pay an upfront fee to purchase a fixed amount of calls, messaging and data for a fixed period.

VHA currently offers two main prepaid products to meet the needs of different customers:

- 'Combo plus', where a customer pays VHA a fixed amount upfront in return for a specific amount of data, voice minutes (domestic and international calls) and SMS (domestic and international messages) that the customer can use on the VHA mobile network, including unlimited national voice calls and SMS to all mobile networks in Australia. These inclusions are valid for a certain number of days (7, 14, 28 or 35 days). If the inclusions are exhausted or the validity period expires, the customer needs to 'recharge' their account in order to continue using their service; and
- 'Pay and Go', where a customer pays a fixed amount upfront in return for 'credit'. The customer does not have specific inclusions for different types of usage, but instead any usage is charged at a fixed unit rate (dependent on the type of usage) and deducted from the customer's credit balance. This credit is valid for a certain period, ranging from 60 to 365 days. If credit is exhausted or the validity period expires, the customer needs to recharge their account in order to continue using their service.

VHA provides several options for customers to recharge their account, including by using the MyVodafone app, the Vodafone website, or through a number of distribution partners.

VHA also supplies prepaid plans under the Kogan Mobile and Lebara Mobile brands. These mobile plans are different to those sold under the Vodafone brand, and are tailored for particular segments. VHA provides the underlying service to these customers and the customer contract is between VHA and the customer. Further information about these brands is below.

VHA also offers a number of prepaid 'mobile broadband' plans which only include a fixed data allowance that a customer can use over a fixed period for an upfront fee.

In the year ended 31 December 2019, prepaid mobile services, including those provided under the Kogan and Lebara brands, accounted for approximately 12% of the VHA Group's operating revenue.

Kogan

Kogan is a large Australian online retailer that offers a variety of brands across a range of categories including consumer electronics and appliances. In 2015, VHA and Kogan announced a partnership to launch 'Kogan Mobile', a low cost 'SIM only' prepaid mobile service, which launched in October 2015.

Under the terms of a Mobile Cooperation Agreement between VHA and Kogan Mobile Australia Pty Ltd (**Kogan**), Kogan is responsible for marketing and selling Kogan Mobile SIMs and mobile service plans through their online store. VHA is a licensee of the Kogan brand and is responsible for providing all aspects of service delivery, including the use of its mobile network and customer service operations. Kogan Mobile customers contract with a VHA Group company for their mobile service.

In the year ended 31 December 2019, approximately 2% of the VHA Group's operating revenue was attributable to Kogan Mobile-branded prepaid services.

Lebara

Lebara Mobile launched in Australia in 2009 as an MVNO on VHA's network, offering low cost international calling mobile plans focused on migrant communities. Lebara Australia was the Australian business of Lebara Group, which operates Lebara Mobile in a number of countries in Europe.

VHA acquired Lebara Group's Australian mobile telecommunications business assets in 2016, including its customer base, distribution agreements and the right to use the Lebara brand in Australia for an initial five year term.

Lebara SIM packs and recharges are sold in thousands of retail stores throughout Australia, from independent corner stores to national supermarket chains.

In the year ended 31 December 2019, approximately 1% of the VHA Group's operating revenue was attributable to Lebara Mobile-branded prepaid services.

9.4.1.3 MVNOs

VHA supplies wholesale mobile services to a number of MVNOs for resale under their own brands. MVNO customers accounted for approximately 5% of VHA's total mobile customer base as at 31 December 2019.

VHA and TPG entered into a MVNO arrangement in 2015 and TPG migrated most of its TPG-branded mobile customer base to VHA's network at that time. TPG is currently VHA's largest MVNO partner, contributing approximately $56 million in revenue to the VHA Group in the year ended 31 December 2019, representing approximately 1.6% of the VHA Group's operating revenue.

VHA's other MVNO partners include Macquarie Telecom, TPC (formerly Tel Pacific), TransACT, Pivotel and AAPT.

9.4.1.4 International roaming

Outbound roaming

Most of VHA's mobile telecommunications customers can access international roaming services, which allows them to use mobile services while they are outside of Australia and connected to a foreign mobile network that has a roaming agreement with VHA.

VHA's $5 Roaming product allows customers to use their mobile service plan inclusions whilst roaming overseas in 80 countries, for an extra $5 a day. VHA's ability to provide the $5 Roaming product in a specific country is reliant on securing favourable pricing terms from the foreign telecommunications operators in that country.

If a customer's mobile service plan does not include the $5 Roaming product, or the customer is in a country that is not included in the $5 Roaming product, VHA offers 'Pay as you go' roaming, where customers are charged a fee based on their usage whilst overseas.

Inbound roaming

VHA also supplies inbound roaming services to various foreign mobile telecommunications operators, meaning that VHA allows customers of those operators to access mobile services on VHA's network when those customers are in Australia.

Arrangements for the supply and price of outbound and inbound international roaming services are typically conducted under internationally standardised agreements and separate tariff discount agreements. The tariff discount agreements generally include mutual discounts on inbound roaming services in the parties' respective jurisdictions.

9.4.2 Fixed broadband services

VHA provides retail fixed line broadband services to its customers via the Australian government-owned NBN.

VHA first entered the fixed broadband market with a limited launch occurring in December 2017. A broader national launch followed in April 2018, covering all Australian capital cities except Darwin. As at 31 December 2019, VHA extended its coverage to include Darwin and other urban locations in regional Australia, connecting 110 NBN points of interconnect. This means that, when the rollout of the NBN is complete, VHA would be able to cover more than 90% of VHA's postpaid customer base. VHA's home broadband services are sold under the Vodafone nbn™ and Kogan Internet brands.

VHA had approximately 114,000 fixed broadband customers as at 31 December 2019, which accounted for approximately 1.5% of the VHA Group's operating revenue in the year ended 31 December 2019. The product is intended to complement VHA's mobile service offerings, delivering a converged experience to meet growing consumer demand for connectivity across a range of access technologies.

Vodafone nbn™ fixed broadband offerings include a choice of three speed subscription options that include a 30-Day network satisfaction guarantee, no lock-in contracts and no upfront costs. Vodafone's 4G dual modem provides an instant connection prior to the NBN service being installed and ongoing backup via VHA's 4G network if there is a fault on a customer's NBN connection. VHA also offers discounts for customers that hold multiple fixed broadband and mobile services as part of its 'Bundle & Save' offering. Kogan Internet offers simple low price fixed broadband services with no lock-in contracts.

9.4.3 Other business activities

9.4.3.1 Products and services

In addition to providing mobile and fixed telecommunication services, VHA also provides a range of value added products and services that complement its service offerings and facilitate access to VHA's network, leveraging VHA's brand, distribution channels and customer base.

- **Mobile devices** – VHA sells several brands of mobile handset, tablet and other devices including Apple, Samsung, Huawei, OPPO and Google. Mobile devices are available to consumer and business customers on either a postpaid or prepaid basis.
- **Insurance** – VHA sells mobile handset insurance, which is issued by The Hollard Insurance Company Pty Ltd through its agent Risk Insure Pty Limited acting under a binder. Two main types of insurance are currently offered, an entry level product for accidental damage cover only, and a premium product providing accidental damage cover and cover for a lost or stolen phone, tablet or wearable device.
- **Accessories** – VHA sells mobile handset and device accessories such as cases, screen protection, wireless audio headsets and Bluetooth speakers, power and charging solutions, Vodafone TV boxes and cables. VHA also sells a number of wearable devices, including Apple and Samsung watches as well as consumer 'Internet of Things' or 'smart home' devices.

9.4.3.2 Messaging and paging

VHA operates a messaging and paging business with three product offerings: Live Answering, Paging and Messaging. There are approximately 2,500 customers using VHA's paging and messaging services and total annual revenue in the year ended 31 December 2019 was approximately $11 million.

The VHA paging network is the only remaining paging network in Australia and is separate to VHA's mobile network. The paging network is near end-of-life, and VHA is evaluating options for its future which may include ceasing its operations in the near term.

9.5 Operating model and revenue breakdown

9.5.1 Revenue

VHA primarily generates revenue by providing mobile telecommunication services to its approximately 5.7 million mobile customers (as at 31 December 2019) across Australia utilising its 3G, 4G and 5G mobile network and supplying mobile telecommunication services on a wholesale basis to MVNOs for resale to their customers under their own brands.

VHA also generates revenue from retailing wholesale capacity on the NBN to its customers, and by providing a range of value-added products and services relevant to its customers.

VHA's key revenue drivers are the growth of its customer base and the monthly average revenue per user (**ARPU**). ARPU is a metric widely used in the telecommunications industry to measure performance and is determined by dividing the business's service revenue by the number of subscribers in respect of that revenue.

9.5.2 Costs

VHA's key costs are:

- the cost of sales to generate income, which include commissions and handset costs;
- direct costs of providing telecommunication services such as interconnection costs and international roaming costs;
- operating costs, which include employee costs, marketing costs, IT costs and costs to operate the mobile network;
- depreciation and amortisation costs, which include the depreciation of network, IT and other tangible assets, the depreciation of right of use assets, and the amortisation of intangible assets covering spectrum licences, computer software and customer acquisition costs; and
- financing costs, which include interest and other finance charges on loan facilities, along with interest on lease liabilities.

9.5.3 Sales and distribution

VHA's products and services are sold through a broad range of sales channels, including:

- direct sales channels, including VHA's website (vodafone.com.au) and Lebara's website (lebara.com.au), by VHA's customer care agents, and through a network of company owned and operated retail locations; and
- indirect sales channels, including sales through a network of retail locations owned by third parties and Kogan's websites (koganmobile.com.au and koganinternet.com.au).

These sales channels are summarised in Table 12 below.

Table 12: VHA sales channels

Sales channel	Description	Number as at 31 December 2019
Direct		
Digital	Direct sales through VHA's website (vodafone.com.au) and Lebara's website (lebara.com.au).	N/A
Contact centre	Direct sales to consumers and businesses by customer care agents.	N/A
Company Owned, Company Operated retail stores	Retail stores that exclusively sell VHA products and services, are owned and operated by VHA, and staffed by VHA employees. VHA is the lessee or licensee of the store's premises.	99 stores nationally
Direct Business Sales	Direct sales to business by VHA business sales teams.	N/A
Indirect		
Select Vodafone dealers	Retail stores that exclusively sell Vodafone products and services, are Vodafone branded, but are owned and operated by a third party and staffed by their employees. The third party is the lessee or licensee of the store's lease or licence.	113 stores nationally
V-Licence dealers	Retail stores that exclusively sell Vodafone products and services, are Vodafone branded, but are operated by a third party and staffed by their employees. VHA is the lessee or licensee of the premises.	54 stores nationally
Kogan websites	Kogan Mobile and Kogan Internet websites that are owned and operated by Kogan and sell Kogan Mobile and Kogan Internet services.	N/A
Apple stores	Indirect sales through Apple retail locations.	22 stores nationally
Business Centres and Business Dealers	Retail stores or office premises referred to as Vodafone Business Centres and Business Dealers that sell Vodafone products and services (either on an exclusive or non-exclusive basis) and are owned and operated by a third party and staffed by their employees.	33 nationally
Mo's Mobiles	Mo's Mobiles is a group of independent retail stores that exclusively sell Vodafone products and services, are Vodafone branded (but not exclusively), and are owned and operated by a third party and staffed by their employees.	62 stores nationally
Independent Dealer Channels	Individual independent retail stores that sell Vodafone and Lebara-branded products and services (either on an exclusive or non-exclusive basis), are not Vodafone branded, and are owned and operated by a third party and staffed by their employees.	69 stores nationally
Mass	Petrol and convenience stores, Coles, Woolworths, Kmart, Officeworks, BIG W, and 7-11 stores that sell Vodafone prepaid and Lebara-branded services only.	~23,600 stores nationally

9.5.4 COVID-19 pandemic

The COVID-19 pandemic has, as at the date of this Scheme Booklet, affected VHA's business in several ways, including:

- a decline in sales of prepaid and postpaid mobile services and consequently in mobile revenues due to the temporary closure of some retail stores, fewer overseas visitors and lower retail traffic;
- a decrease in international roaming outbound and inbound revenues due to the decline in people movement into and out of Australia;
- loss of operations in VHA's outsourced offshore contact centre, resulting in reduced capacity to service customers, as further described in Section 9.7.4;
- VHA's waiver of certain fees and charges for customers; and
- an increase in data and voice usage by customers, particularly during the day.

VHA has taken steps to protect the safety and wellbeing of its employees and contractors including working from home arrangements for all office based staff and some contact centre staff, temporary closure of some retail stores, introducing social-distancing measures for retail and call centre staff and enhanced professional cleaning and hygiene measures at office and retail premises.

The COVID-19 pandemic continues to evolve and, based on VHA's observations to date, VHA considers it reasonably likely that its business will continue to be affected in a number of ways, including reduced sales revenues due to factors such as customers not being able to access retail stores and fewer overseas visitors, reduced capacity to service customers, lower other revenues including international roaming revenues, customers seeking lower cost services, increased bad debt risk and delays in mobile network roll out.

These impacts are likely to have a negative impact on VHA's financial performance until the situation returns to pre-COVID-19 conditions. In light of the challenging macroeconomic conditions and resultant market uncertainty caused by COVID-19, there is insufficient knowledge and insight to predict with certainty the impact of COVID-19 on VHA's business or future financial or other performance. As such, actual events and their impacts on VHA's business and performance may be significantly different to those expressed in this Section 9.5.4.

9.6 VHA's mobile network

9.6.1 Overview

As part of its core business, VHA operates its own 3G and 4G telecommunications network. VHA has commenced network upgrades to use 5G technology and on 30 December 2019, VHA announced that it had partnered with Nokia to commence the roll out of its 5G telecommunications network in the first half of 2020. For information regarding the roll out of VHA's 5G network, see Section 9.6.8.

9.6.2 Coverage and capacity

Coverage

VHA's own 3G and 4G mobile network covers nearly 96% of the Australian population, which has been increased to nearly 97% with coverage obtained under a domestic network roaming agreement with Optus (**Domestic Roaming Agreement**) which has a term expiring on 3 June 2023.

The Domestic Roaming Agreement has historically allowed customers to access Optus' 3G mobile network in some primarily regional and rural areas where VHA has not deployed its own mobile network sites. VHA provides voice and messaging services to its customers when they are in the area covered by the Domestic Roaming Agreement as well as 3G data services, which are speed managed allowing only minimal data capability to customers.

Capacity

VHA has a capacity management process to ensure that its mobile network has sufficient capacity to meet demands in connectivity and traffic. VHA undertakes capacity enhancement programs as necessary which include the deployment of new mobile sites, expansion of transmission links, data centre capacity increases and other activities.

9.6.3 Network technologies

VHA's mobile network currently uses three main technologies:

- 3G technology, or the "Universal Mobile Telecommunication System", operates on the wideband code division multiple access standard and is capable of delivering voice, SMS and fast data services to mobile devices.
- 4G technology, or the "Long Term Evolution", is newer than 3G technology and while also capable of delivering voice and SMS services, is designed to deliver significantly faster data services than 3G.
- 5G technology, the next evolution in mobile network technology, which has the potential for improvements over 4G technology including faster network speeds, lower latency, and more simultaneous connections of devices to a mobile network at the same time.

For information regarding the roll out of VHA's 5G network, see Section 9.6.8.

9.6.4 Network structure

Mobile telecommunications networks consist of a range of distributed mobile sites with radio equipment, usually called a radio access network. The mobile sites transmit and receive radio signals from mobile devices. The mobile cell sites are connected to an intelligent central routing network by a data transmission network.

VHA's mobile network can be described as consisting of three main sub-networks:

Sub-network	Primary function
Radio access network	The radio access network connects customer devices to mobile sites (which may be mobile towers or other solutions such as small cells or in-building coverage) deployed across Australia. For further information regarding VHA's radio access network, see Section 9.6.5. VHA requires spectrum licenced from the Australian government to transmit radio signals across the radio access network. For further information regarding VHA's spectrum holdings, see Section 9.6.5.3.
Transmission network	The transmission network transports data from each mobile site across Australia to VHA's core network. VHA uses several forms of transmission in its transmission network, including dark fibre and microwave. For further information regarding VHA's transmission network, see Section 9.6.6.
Core network	The core network is the intelligent central routing network that manages communications between VHA's network and other networks or to the internet. For further information regarding VHA's core network, see Section 9.6.7.

9.6.5 Radio access network

VHA's radio access network as at 31 December 2019 included a total of approximately 5,613 mobile sites (also called mobile base stations) distributed nationally across Australia which connect with the mobile devices used by VHA's customers using spectrum licenced by VHA from the Australian government.

9.6.5.1 Mobile sites

The table below shows the number of mobile sites where VHA has installed one or more items of radio access network equipment as at 31 December 2019. There are 467 mobile sites where VHA owns the pole, tower or other structure on the site.

Of the remaining 5,146 sites where VHA has installed radio access network equipment, but does not own the structure, the sites are either owned or leased by other parties and VHA is permitted to use or occupy the site under a licence, under its telecommunications powers, under a co-location agreement with a third party or under a network sharing joint venture with Optus.

The following table sets out the approximate number of mobile sites by state where VHA mobile network equipment has been installed.

Table 13: Ownership of VHA mobile sites as at 31 December 2019

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
Sites where VHA owns the structure	17	140	4	98	51	14	94	49	467
Optus led eJV Towers	46	559	25	375	116	12	504	163	1,800
Third party sites	59	1,211	23	587	291	61	792	322	3,346
Total	**122**	**1,910**	**52**	**1,060**	**458**	**87**	**1,390**	**534**	**5,613**

Various types of mobile sites can be used in a radio access network. The mobile sites VHA uses in its radio access network can be categorised as macro cell sites, small cell sites, and in-building coverage systems. Figure 8 contains a breakdown of the approximately 5,613 mobile sites used in VHA's network into these categories.

Figure 8: VHA mobile sites as at 31 December 2017, 2018 and 2019 by type

9.6.5.2 Network equipment

Radio access network equipment for VHA's current 3G and 4G network has been primarily provided under a framework agreement between VHA and Huawei.

In August 2018, the Australian government issued its "5G Security Guidance" which will prevent Huawei from providing radio access network equipment for VHA's 5G network.

On 30 December 2019, VHA announced that it had partnered with Nokia to commence the roll out of its 5G telecommunications network in the first half of 2020. As part of the 5G network rollout plans, the existing Huawei radio access network equipment used for VHA's 3G and 4G network will be replaced with Nokia substitute equipment on sites where 5G is being deployed.

9.6.5.3 Spectrum

VHA transmits signals between its customers and the mobile sites in its radio access network using parts of the mobile frequency band. VHA has the right to use certain parts of the mobile frequency band under licences issued by the Australian government.

The mobile frequency band refers to a grouping of radio frequencies that are used by MNOs to communicate with mobile devices. Radio frequencies are a subset of a larger range of frequencies along the electromagnetic spectrum that have a rate of oscillation between 3 kHz to 300 GHz, which carry radio signals.

The frequency of the mobile frequency band affects the penetration of the signal and the quality of service:

- higher frequency radio signals only travel short distances and have less ability to penetrate buildings. However, high band spectrum contains more bandwidth and is better used to provide high speed services and improve network capacity; and

- lower frequency radio signals can travel long distances and have more ability to penetrate into buildings and therefore assist with providing increased network coverage.

VHA is the holder of rights to use spectrum in the mobile frequency band under licences issued by the Australian government. Table 14 sets out a summary of these holdings, including the expiry dates of each licence.

Table 14: VHA spectrum holdings

Spectrum band	Amount	Locations	Expiry date	Attributes
700 MHz	2 x 5 MHz	National	December 2029	Better for coverage. Lower band frequencies propagate better, which means that a low band signal covers a longer distance and has better in-building coverage.
850 MHz	2 x 10 MHz 2 x 5 MHz	Metro Regional	June 2028	
900 MHz	2 x 8.2 MHz	National	Currently an apparatus licence, renewed annually	
1800 MHz	2 x 30 MHz 2 x 25 MHz 2 x 25 MHz 2 x 5 MHz 2 x 0-15 MHz	Sydney/Melbourne Brisbane/Adelaide/ Perth Canberra Hobart/Darwin Regional, differs by area	June 2028	Better for speed, as there is more bandwidth available in higher band frequencies than in lower band.
2100 MHz	2 x 25 MHz 2 x 20 MHz 2 x 10 MHz 2 x 5 MHz	Sydney/Melbourne Brisbane/Adelaide/ Perth Canberra Hobart/Darwin Regional	October 2032[4]	
3.6 GHz[5]	50% of 1 x 60 MHz 1 x 25-40 MHz	Top six capital cities Metro fringe and regional areas	December 2030	The primary (but not only) 5G band, which offers faster network speeds, lower latency, and more simultaneous connections of devices to a mobile network.

9.6.6 Transmission network

Transmission networks involve the transportation of analogue or digital data from one physical point to another, using wired, optical fibre or wireless mediums of transportation capacity.

Transmission capacity can be used for the carriage of voice, data or other communications. VHA uses transmission capacity in its mobile network to carry integrated data traffic such as voice, video and data from each mobile site across Australia to VHA's core network.

VHA's radio access network is supported by a transmission network which, as at 31 December 2019, included approximately 3,243 leased fibre connections, 1,318 Ethernet leased lines and 1,135 microwave radio links.

In September 2015, VHA and a Subsidiary of TPG entered into a Dark Fibre Agreement under which TPG is required to provide dark fibre and network services to approximately 3,000 VHA mobile network sites over a 15 year term. To provide these services, TPG agreed to extend its current fibre infrastructure by constructing approximately 4,000km of new fibre to VHA mobile sites across Australia. Not all of the new fibre construction has been completed as at the date of this Scheme Booklet.

4. A subset of regional spectrum is accessed via apparatus licences and expires in 2021.
5. The spectrum licence for this spectrum is issued to Mobile JV Pty Limited, an incorporated 50-50 joint venture between VHA and TPG. VHA has a 50% interest in the 3.6 GHz spectrum owned by Mobile JV Pty Limited by virtue of its 50% ownership of that company.

In August 2018, the Australian government issued its "5G Security Guidance" which will prevent Huawei from supplying transmission equipment to provide 5G network mobile services or carry 5G mobile traffic.

On 30 December 2019, VHA announced that it had partnered with Nokia to commence the rollout of its 5G telecommunications network in the first half of 2020. As part of the 5G network rollout, VHA will replace the existing Huawei transmission network equipment with new equipment supplied by Nokia in parts of the network that carry 5G traffic.

9.6.7 Core network

VHA's core network is the intelligent central routing network which manages the registration of customers and routing of voice, SMS and data traffic across VHA's overall network and between VHA's network and other networks.

In contrast to VHA's radio access network and transmission network, which are geographically distributed across Australia, VHA's core network is centralised, in each of the larger Australian states, in secure buildings and referred to as data centres.

Since 2014, VHA has rationalised its data centre footprint from 17 to six technology data centres, to deliver improved operating costs and reliability by upgrading the retained technology data centre sites. These technology data centres can house both network and IT equipment, providing for site and geographic redundancy.

9.6.8 5G

5G technology is the next evolution in mobile network technology and has potential advantages over 4G technology such as faster network speeds and lower latency.

There are many separate network elements which need to be upgraded to enable 5G services, principally:

- the transmission network (higher capacity connectivity of mobile base stations/sites to the core network);
- the core network;
- the radio access network; and
- end-user mobile broadband and handset devices which can utilise 5G networks.

VHA's transmission network required a transition from legacy managed transmission services to fibre connectivity to support the increasing data capacity required in 4G and 5G networks. VHA commenced this project in 2014 and in 2015 announced the agreement with TPG for dark fibre and network services described in Section 9.6.4 above.

VHA commenced planning for the upgrade of its core network in 2016, and in 2017 entered into an agreement with Ericsson under which Ericsson (in collaboration with its subcontractor, Cisco) agreed to virtualise VHA's IP and core networks to better prepare for new services and to increase the level of agility and programmability of those networks.

VHA's latest major network initiative is the deployment of a 5G radio access network. This requires the deployment of 5G-enabled antennas on its radio access network and the acquisition of 5G radio spectrum.

On 30 December 2019, VHA announced that it had partnered with Nokia to commence the roll out of its 5G telecommunications network in the first half of 2020.

In December 2018, Mobile JV Pty Limited, an incorporated 50-50 joint venture between VHA and TPG, acquired substantial 5G spectrum holdings in all available metropolitan and regional areas in the 3.6 GHz band auction for $263 million.

9.7 Business strategy and initiatives

VHA's objective is to give Australians more choice and freedom to connect the way they want. The key features of VHA's strategy to deliver this are:

- continued investment in extending and upgrading its mobile network;
- its demonstrated ability to bring new, customer focused value based product offerings to the market;
- extensive national sales channels; and
- leading customer service.

9.7.1 Mobile network investment

VHA's network priority is to enable 5G across the major capital cities, manage aggressive data growth on 4G, and maintain lean, secure and reliable operations.

9.7.2 Customer focused offerings

In an increasingly competitive environment, VHA has demonstrated an ability to provide customer-focused value based offerings.

Selected examples include:

- in June 2016, VHA introduced the 30 day Network Satisfaction Guarantee, which allows eligible new customers in specified circumstances to terminate a contract and return their mobile handset device if they are not satisfied with VHA's mobile network;
- in May 2017, VHA introduced 35 day prepaid expiry periods, providing customers with an extra week to use their inclusions and allowing customers to recharge their prepaid service less frequently than under a standard 28 day recharge period;
- in August 2017, VHA introduced plans which separated the cost of mobile handsets from the cost of the mobile service plan, providing transparency of the cost of their device and allowing customers to choose 12, 24 or 36 months interest-free instalments on handsets and tablets;
- in February 2018, VHA partnered with Norton to allow Vodafone customers to purchase monthly Norton subscriptions using the Pay With Vodafone feature, providing mobile protection for smartphones and tablets;
- in April 2018, VHA introduced a dual modem to provide NBN services with 4G backup enabling customers to connect to VHA's 4G network prior to their NBN service being installed and ongoing backup in the event of an NBN fault;
- in May 2018, VHA introduced Australia's first widely available "endless" mobile plans, known as "Red Plus". On Red Plus plans customers continue to have access to speed restricted data services after they have consumed a fixed amount of unrestricted data, offering protection against excess data use charges;
- in December 2018, VHA introduced "Bundle & Save" providing customers with tiered discounts from 5% to 20% based upon having 2 to 5+ services over $30 each across selected post-paid voice, mobile broadband and Vodafone nbn™ plans;
- in November 2018, VHA extended its "$5 Roaming" offering to cover 80 countries, whereby customers can use their plan inclusions for text, data and calls whilst overseas for only $5 per day; and
- in March 2019, VHA refreshed its "Trade-In" program offering customers appealing valuations on their existing mobile devices to upgrade to the latest technology.

9.7.3 National sales channels

VHA products and services have extensive national distribution, seeking to maximise its customer reach across major cities and metropolitan areas. VHA's sales channels include company owned and operated retail locations and third party operated stores including dealers and mass channels across Australia.

VHA also sells via the Vodafone website (vodafone.com.au), Lebara's website (lebara.com.au), and Kogan's websites (koganmobile.com.au and koganinternet.com.au), as well as VHA's customer contact centres.

9.7.4 Customer service

VHA's customer service is managed through both its own and outsourced contact centres that provide customers a selection of different contact methods to meet their needs. The VHA-owned Australian contact centre in Hobart is focused on end-to-end customer management for more complex customer interactions. The majority of customer interactions and back office and support functions have been outsourced to Tech Mahindra Business Services Limited (**Tech M Business**) who provides an offshore contact centre and support services in India under a Managed Services Agreement described in Section 9.9.7.

VHA also has several smaller outsourced customer contact centres supporting other VHA services, including the Lebara prepaid customer base.

VHA has also invested in building digital capabilities, including improvements in customer self-service via the Vodafone website and MyVodafone app.

In late March 2020, due to the COVID-19 pandemic, Tech M Business became unable to provide all of the contracted services to VHA due to local government restrictions and other effects of the pandemic and as a result, VHA's ability to provide customer services has been significantly impacted. VHA has been adapting the model for delivery of its customer services. The VHA-owned Australian contact centre is servicing more of the customer interactions and retail employees have been redeployed to provide customer service along with working from home arrangements. The scale of the COVID-19 pandemic and its impacts are constantly changing and VHA will continue to assess its customer service arrangements as part of its overall response to the pandemic.

9.8 Marketing

VHA focuses its marketing efforts on a coordinated program of TV, print, radio, digital, social media, outdoor signage, direct mail and point-of-sale media promotions, with digital playing an increasingly important role.

As at the date of this Scheme Booklet, VHA is party to a Brand Licence Agreement with Vodafone Sales & Services Limited (**VSSL**), a wholly-owned indirect Subsidiary of VOD, under which VHA has the right to use the Vodafone brand in Australia.

Effective on Implementation of the Scheme, the existing Brand Licence Agreement will terminate and VHA and VSSL will enter into a new Trade Mark Licence Agreement under which VHA will continue to have the right to use the Vodafone brand in Australia. See Section 13.3.1 for further information.

VHA has also acquired the right to use the Lebara brand in Australia. See Section 12.2.9 for further information.

During the term of VHA's agreements with Kogan, VHA has the right to make available the Kogan Mobile and Kogan Internet services under those brands.

9.9 Key contracts

The following contracts are considered by VHA to be important to its business. All contracts are related to VHA's ordinary course of business.

In addition to the contracts below, see Section 13.3 for information regarding agreements between the VHA Group and its shareholders and their affiliates.

9.9.1 Apple

VHA entered into an amended and restated iPhone Agreement with Apple Pty Limited (**Apple**), effective from 1 April 2019, for the non-exclusive supply of iPhones and related matters such as advertising, marketing and licensing.

The term of this agreement expires on 31 March 2022. In addition to the parties' rights to terminate for cause, Apple may terminate at any time on 60 days' written notice.

Each party provides an indemnity in favour of the other in relation to loss arising from several matters including material breach of contract and breach of third party intellectual property rights. Each party's liability is subject to certain limitations regarding the other party's contribution to a claim. Neither party's liability under this agreement is subject to an express cap.

9.9.2 Samsung

VHA entered into a Framework Supply Agreement with Samsung Electronics Australia Pty Ltd (**Samsung**) in April 2008 for the supply of Samsung mobile handset devices.

This agreement continues in force until terminated by one of the parties.

Each party has various termination rights for cause. VHA also has the right to terminate if there is a change of control in Samsung, and to terminate partially if handsets do not achieve final acceptance or are not supplied by the relevant delivery date.

The agreement contains various customer warranties, indemnities and limitation of liability clauses.

9.9.3 Domestic Roaming Agreement

VHA entered into the Domestic Roaming Agreement with Optus Mobile Pty Limited (Optus) in May 2012, allowing VHA's customers to access Optus' 3G mobile telecommunications network in small areas of primarily regional zones. Since VHA's own network also covers regional areas, the Domestic Roaming Agreement increases the coverage of VHA's network population coverage by approximately 1%.

The term of the Domestic Roaming Agreement will expire on 3 June 2023.

Optus may suspend roaming services in limited circumstances, and each of Optus and VHA have various termination rights for cause. VHA must pay additional fees to Optus if Optus terminates for cause.

9.9.4 Optus joint venture

VNPL, a wholly-owned indirect Subsidiary of VHA, is party to a joint venture with Optus formed in November 2004 relating to shared access rights on network sites deploying 3G and 4G technologies.

VNPL, VHA, Optus and Optus Networks Pty Limited entered into a Joint Venture Memorandum of Understanding in May 2012 (**MOU**), which amended the original joint venture agreement by restricting its operation to passive network technology sharing only, extending the number of sites to which the site sharing arrangements applied (including the acquisition of greenfield sites by both parties), expanding the technologies which the parties could deploy on the shared sites and updating the cost sharing principles relating to the acquisition, upgrade, deployment and operation of the joint venture sites.

Optus, VNPL and VHA have executed a variation to the MOU which permits deployment of 5G network technology on selected existing joint venture sites and other sites agreed between them.

The joint venture with Optus continues indefinitely until it is either terminated for convenience (on giving 3 years' notice) or for cause by either party. In the event of termination, the terminating party must procure rights for the other party to continue to independently access the joint venture sites.

9.9.5 Huawei

VHA entered into an Amended and Restated Radio Access Network Framework Agreement with Huawei Technologies (Australia) Pty Ltd (**Huawei**) in September 2017 for the supply and maintenance of network equipment and software for its mobile network.

This agreement covers some of VHA's operational requirements which VHA does not service using in-house resources.

The term of this agreement expires on 31 December 2020.

Each party has various termination rights for cause. VHA may also terminate the agreement or a work package for convenience.

Huawei provides an indemnity in favour of VHA in relation to a number of different heads of damages. Each party's liability is generally limited other than a number of customary exceptions.

9.9.6 Nokia

MSA

VHA entered into a restated Managed Services Agreement with Nokia Solutions and Networks Australia Pty Limited (**Nokia**) in January 2015 under which Nokia provides network design, planning, optimisation, management and overall operation and support of the VHA network.

The term of this agreement expired 30 April 2020. The parties are in discussions to renew and extend the agreement. The parties intend on extending the term of the current agreement for a further 6 months whilst the terms of the new Managed Services Agreement are being negotiated.

Each party has various termination rights for cause, however, Nokia's rights are very limited. VHA does not have a termination for convenience right during the extended term.

Nokia provides a broad array of indemnities to VHA, many of which have uncapped liability.

Radio Access Network

VHA entered into a Radio Access Network Supply Agreement with Nokia in December 2019 for the supply of hardware, software and services for VHA's radio access network (**RAN Agreement**).

The services supplied under this agreement include radio access network software, hardware and services for the swap out and deployment of selected 3G, 4G and 5G sites, high level designs, site feasibility services, site acquisition, environmental and design services and deployment, testing and services to build and integrate operational support systems and radio access network management systems.

The term of this agreement expires on 31 December 2024.

VHA has broad rights to terminate the agreement. VHA may terminate for convenience after the first 24 months with 60 days' notice. If VHA terminates for convenience in year 3 of the agreement (i.e. from month 25 to month 36), it must pay a termination fee. Nokia has a right to terminate the agreement for cause.

VHA's and Nokia's liability is unlimited in respect of some matters (for example, fraud, loss or damage arising from any act or omission of fraud, loss or damage in relation to personal injury, sickness or death) and limited in respect of other matters.

Nokia provides a broad range of indemnities in favour of VHA, most of which have uncapped liability.

Transmission

VHA entered into a Transmission Network Supply Agreement with Nokia in December 2019 for the supply of hardware, software and services for VHA's transmission network (**Transmission Agreement**).

The services supplied under this agreement include hardware, software and services required by VHA to upgrade selected transmission rings and links, high level designs, testing and services to build and integrate operational support systems and transmission network management systems.

The term of this agreement expires on 31 December 2023.

The termination rights and liability regime of this agreement are substantially similar to that of the RAN Agreement with Nokia described above.

Whole of Business

VHA entered into a Whole of Business Agreement (**WOB Agreement**) with Nokia in December 2019 under which Nokia will provide a "whole of business" credit voucher regime. VHA will grant Nokia exclusivity for the hardware, software and services (with some limited exceptions) in respect of the 3G, 4G and 5G swap at 2,800 sites under the RAN Agreement (**RAN Baseline Scope**) for a 24 month period from the commencement of the RAN Agreement and the Transmission Agreement (**Period of Exclusivity**). VHA has also agreed to provide exclusivity to Nokia in relation to the hardware, software and services for the build of the new transmission network (**Transmission Baseline Scope**) for the Period of Exclusivity.

The term of this agreement expires on 31 December 2023.

VHA's exclusivity obligations will cease if certain VHA termination rights arising under the RAN Agreement or Transmission Agreement (e.g. a delay in program delivery under either agreement) occur or VHA actually terminates the RAN Agreement or the Transmission Agreement for cause within the Period of Exclusivity. VHA's exclusivity obligations only apply to the RAN Baseline Scope and Transmission Baseline Scope and do not prevent VHA from upgrading additional sites outside of the RAN Baseline Scope or Transmission Baseline Scope, building greenfield sites or rolling out small cells.

After the Period of Exclusivity, VHA must pay Nokia a fee if VHA procures hardware, software or services comprised in the RAN Baseline Scope or the Transmission Baseline Scope from a third-party vendor during the initial 4 year term of the WOB Agreement. In that case, VHA will continue to earn and be entitled to spend credit vouchers against spend under the RAN Agreement and Transmission Agreement.

9.9.7 Tech Mahindra

ITMSA

VHA entered into an Information Technology Managed Services Agreement (**ITMSA**) with Tech Mahindra Limited (**Tech M**) dated 1 April 2011 for the supply of IT operations and management services for VHA's IT environment.

The services supplied under the ITMSA include applications management and operations, hardware management and operations, data centre management in Australia and business operations (including billing configuration, failed order processing and bill invoice creation).

The fixed term of this agreement expired on 31 March 2020. The parties are in discussions to extend the term of the agreement for a further one year. VHA has broad rights to terminate the agreement, including to terminate for convenience and on a change of control of Tech M. Tech M has a right to terminate the agreement for cause.

VHA's liability is limited, and Tech M's liability is unlimited in respect of some matters (for example, fraud, third party intellectual property infringement, breach of confidence, and death or personal injury) and limited in respect of other matters.

Tech M provides a broad range of indemnities in favour of VHA, most of which have uncapped liability.

MSA

VHA has also entered into a Managed Services Agreement with Tech Mahindra Business Services Limited (**Tech M Business**) dated 1 September 2012 for call centre services based in India.

The initial term of this agreement is due to expire on 31 December 2021.

VHA has the right to terminate the agreement for convenience and for cause. Tech M Business has a right to terminate the agreement for cause.

Each party provides an indemnity in favour of the other, with VHA's indemnity limited to loss due to its gross negligence. Each party's liability is limited other than for fraud, death or personal injury.

9.9.8 CFIUS

For the purpose of the approval from CFIUS in respect of the Merger, VHA (together with CKHH, TPG and PPC 1) entered into the NSA with the US government, represented by the Departments of Defense, Homeland Security, Justice and the Treasury (together, the CFIUS Monitoring Agencies or **CMAs**) on 19 March 2020.

The majority of VHA's obligations under the NSA commence on Implementation of the Scheme. The NSA will only terminate on the written notice of the CMAs. VHA (together with CKHH, TPG and PPC 1) may request the CMAs to provide written notice of termination of the NSA if the Merger does not proceed or if there is a change of circumstance that warrants modification of the NSA, or if circumstances arise that warrant termination of the NSA.

Under the terms of the NSA, VHA must ensure that the TPG Board includes a Security Director who is an independent director, a US citizen (with no other citizenship) and holds an active US personnel security clearance. VHA must also appoint a Security Officer who is responsible for ensuring compliance and reporting under the NSA. Both the Security Director and Security Officer must be approved by the CMAs.

VHA must notify the CMAs if any foreign entity or individual has or is likely to obtain an ownership interest in 5% or more in VHA (or Merged Co upon Implementation of the Scheme), its subsidiaries or the cable system owned and operated by PPC 1 in the US. VHA must also ensure that it has policies, processes and procedures in place which have been approved by the CMAs to protect against unauthorised access to the cable system owned and operated by PPC 1 in the US. VHA is required to promptly notify the CMAs within 24 hours if VHA learns of any information that indicated unauthorised access to, or disruption or corruption of the cable system owned and operated by PPC 1, any other unauthorised access to or disclosure of communications that violate federal, state or local laws in the US and any material breach of the commitments made in the NSA. VHA is also required to meet and confer with the CMAs to resolve to their satisfaction any concerns they have on VHA's, TPG's or PPC 1's compliance with the NSA, and must negotiate with the CMAs in good faith to address those concerns.

Further information regarding the governance and shareholding restrictions imposed on CKHH under the NSA can be found in Sections 10.5.6 and 10.7.2.

9.10 Vodafone Foundation Australia

The Vodafone Foundation is VOD's corporate philanthropy arm and is an independent charity registered with the Charity Commission in England and Wales (charity registration no. 1089625).

The Vodafone Foundation Australia is a private ancillary fund established under an instrument of trust, and its trustee is Vodafone Foundation Australia Pty Limited, a wholly-owned Subsidiary of VHA. The Vodafone Foundation Australia is part of a global network of 27 Vodafone Foundations. It works to improve the health and wellbeing of Australians through technology.

The Vodafone Foundation Australia currently supports the award-winning DreamLab app, which increases the pace of cancer research for research institutions including the Garvan Institute of Medical Research, Hello Sunday Morning, which enables Australians to change their relationship with alcohol through the app, Daybreak, and Infoxchange, to help people using the AskIzzy app to find support services for domestic violence. The Vodafone Foundation Australia also supports employees across the country to donate to, and volunteer for, local charities.

The Vodafone Foundation Australia provides grants to selected charities with funding provided by VHA and Vodafone Group Foundation. VHA also provides additional promotional and in-kind support to increase the use of DreamLab, Daybreak and AskIzzy, in order to improve the health and wellbeing of more Australians. In the year ended 31 March 2019, the Vodafone Foundation Australia's budget comprised $320,000 from Vodafone Group Foundation and $1 million from VHA.

9.11 VHA Board and Senior Management

9.11.1 VHA Board

As at the date of this Scheme Booklet, the directors of VHA are:

- Canning Fok, Chairman;
- Pierre Klotz, Non-Executive Director;
- Diego Massidda, Non-Executive Director;
- Dominic Lai Kai Ming, Non-Executive Director;
- Frank Sixt, Non-Executive Director;
- Francesco Bianco, Non-Executive Director;
- Barry Roberts-Thomson, Non-Executive Director;
- Miguel Marin, Non-Executive Director;
- Amanda Harkness, Non-Executive Director; and
- Ronald Spithill, Non-Executive Director.

Pre-Implementation

Iñaki Berroeta, the current CEO of VHA, will be appointed as a director of VHA effective on the Effective Date.

From the Effective Date until Implementation of the Scheme, the VHA Board will be comprised of Iñaki Berroeta and a subset of the current directors of VHA: Canning Fok, Diego Massidda, Pierre Klotz, Frank Sixt, and Barry Roberts-Thomson.

Post-Implementation

If the Scheme is Implemented, the Merged Co Board will be reconstituted effective on and from Implementation as described in Section 10.3 and will be comprised of:

- Canning Fok, Frank Sixt, Diego Massidda and Pierre Klotz as VHA appointees;
- Iñaki Berroeta, who will have been appointed as a director effective from the Effective Date;
- David Teoh, Shane Teoh and Robert Millner as TPG appointees; and
- Dr Helen Nugent AO and Arlene Tansey as independent directors.

For further information, including biographies of each of these directors, see Section 10.3.

The reconstituted Merged Co Board following Implementation of the Scheme will determine the ongoing business of VHA and any changes to its business operations.

9.11.2 Senior management

Pre-Implementation

As at the date of this Scheme Booklet, VHA's senior management are as set out in the table below. There may be changes to the management team between the date of this Scheme Booklet and Implementation.

Post-Implementation

The reconstituted Merged Co Board following Implementation of the Scheme will determine the ongoing business of VHA and any changes to its senior management.

Table 15: VHA senior management as at the date of this Scheme Booklet

Iñaki Berroeta *Chief Executive Officer*	Iñaki Berroeta joined VHA as Chief Executive Officer in 2014. A 20-year veteran of the telecommunications industry, Mr Berroeta previously served as CEO of both Vodafone Romania and Vodafone Malta, and held various operational roles at Vodafone Spain, Global Star USA, AirTouch International Inc. (USA) and Airtile Moviles (Spain). Mr Berroeta holds a Master of Science in Telecommunications from Bilbao Superior School of Telecommunications Engineering, Spain, and a Master of Business Administration from Henley Management College, UK.
Ana Bordeianu *Chief Customer Officer*	Ana Bordeianu joined VHA in 2018. She is responsible for all aspects of VHA's customer service and sales functions, including customer service strategy, customer experience, contact centre operations, billing, credit, collections & logistics, customer lifecycle management, products and devices, brand and marketing, and sales and distribution. Ms Bordeianu has extensive experience in customer care and operations, originally joining Vodafone in February 2003, she has held a number of senior leadership roles across customer relations, customer operations and customer experience both in Romania and Qatar. Originally from Romania, Ms Bordeianu has studied Political Sciences and holds a degree in Psychology from Bucharest Spiru Haret University.
Sean Crowley *Chief Financial Officer*	Sean Crowley was appointed as acting Chief Financial Officer of VHA in July 2018. For the previous four years, Mr Crowley supported VHA's Executive Management team with financial and commercial priorities as General Manager – Finance Business Partnering. From 2001 until joining VHA in 2014, Mr Crowley has had an extensive career with Vodafone globally and has held a number of senior finance positions in both local markets and global functions, covering a range of governance, business intelligence and partnership roles. Mr Crowley is a member of Institute of Chartered Accountants Ireland.
Trent Czinner *General Counsel and Company Secretary*	Trent Czinner was appointed General Counsel of VHA in December 2013 and Company Secretary in November 2015. Mr Czinner is responsible for VHA's legal, company secretarial and corporate security functions. Mr Czinner has worked as a telecoms and technology lawyer since 1998. From 2011 to 2013, Mr Czinner ran the legal function for salesforce.com in Australia and New Zealand. Mr Czinner has a Bachelor of Law and Administration from The University of Newcastle was admitted as a Solicitor in NSW in 1995 and has a Master of Business Administration from the Australian Graduate School of Management. He is a Certificated member of Governance Institute of Australia.

Vanessa Hicks *Director of Human Resources*	Vanessa Hicks joined Vodafone Australia in 2006 and was appointed VHA's Director of Human Resources in 2017. She has served in several senior roles within the company, including General Manager of Business Customer Operations and General Manager Human Resources. Ms Hicks is responsible for all human resources functions including organisational culture, leadership programs and occupational health and safety. Ms Hicks also served as Chairperson of the Vodafone Foundation from 2010 to 2014, and remains an active member of the board. Prior to VHA, Ms Hicks was Director at First Choice Solutions and Contact Centre Manager for ING and AMP. Ms Hicks is a Graduate of the Australian Institute of Company Directors (GAICD).
Rob James *Chief Information Officer and Director of Business Enablement*	Rob James joined VHA in September 2019 as the Chief Information Officer and Director of Business Enablement. Mr James is responsible for the Technology Transformation strategy along with Digital and overall IT direction. Prior to joining VHA, Mr James served in a range of technology focused roles including Group Chief Technology Officer for Qantas, Chief Information Officer for William Hill Australia for 4 years, and Chief Technology Officer of Star Entertainment, which owns and operates 4 casino properties in Australia. He has also worked with a series of start-ups including Posse.com, Spacio.us and Museek.com where he led the engineering and product development teams. He currently sits on advisory boards for several technology start-ups. Mr James has over 20 years of experience in technology innovation.
Barry Kezik *Chief Network Officer*	Barry Kezik, General Manager Networks, assumed the responsibilities of Chief Network Officer in February 2020. Mr Kezik joined VHA as General Manager Network Engineering and Planning in 2011. Since joining VHA, Mr Kezik has played a key role in delivering new technology in Australia. He has been a leader in major network projects including VHA's fixed broadband launch, the company's network virtualisation program and the development of VHA's path to 5G. Before VHA, Mr Kezik held a number of senior network roles in Ericsson and Hutchison Telecoms.
Dan Lloyd *Director of External Affairs, Wholesale and Intercarrier*	Dan Lloyd joined VHA in 2014 and has responsibility for public policy, corporate affairs, wholesale, inter-carrier and the Vodafone Australia Foundation. Mr Lloyd previously served in several global leadership roles with Vodafone Group including Director of Public Policy for Africa, the Middle East and Asia-Pacific based in London, Vodafone India's Head of Regulatory based in Mumbai, and a range of global strategy, business development and governance roles. Before joining Vodafone, Mr Lloyd was a Senior Associate at Sydney commercial law firm Gilbert & Tobin. He has Honours degrees in Law and Arts from The University of Sydney.

9.12 Capital structure

As at the date of this Scheme Booklet, VHA had 1,100,096,986 VHA Shares on issue and no other securities on issue. No securities in VHA have been sold in the three months immediately before the date of this Scheme Booklet.

As part of the pre-Implementation Restructure, the VHA Shares on issue will be consolidated into a smaller number of shares, and VHA will issue additional VHA Shares to its existing shareholders (refer to Section 9.16 for further information). The total number of VHA Shares on issue after these actions will be such that, upon Implementation, Scheme Shareholders will hold 49.9% of the Merged Co and VHA Shareholders will hold 50.1% of the Merged Co.

9.13 Historical financial information

9.13.1 Overview

This Section 9.13 contains the following historical financial information of VHA:

- historical consolidated income statements for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 (**VHA Historical Income Statements**);
- historical consolidated statements of cash flow for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 (**VHA Historical Statements of Cash Flow**); and
- historical consolidated statement of financial position as at 31 December 2019 (**VHA Historical Statement of Financial Position**),

(together, the **VHA Historical Financial Information**).

This Section should be read in conjunction with the rest of this Scheme Booklet, including information on the risk factors set out in Section 12 including the risks associated with the Scheme, as set out in Section 12.3.

The financial statements for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 were audited by PwC, who issued an unqualified audit report in respect of those financial statements.

All amounts disclosed in the tables are presented in Australian dollars. A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

9.13.2 Basis of preparation of the VHA Historical Financial Information

The VHA historical financial information for the financial years ended 31 December 2018 and 2019 are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AAS**) and Interpretations adopted by the Australian Accounting Standards Board (**AASB**) and the Corporations Act. These consolidated financial statements also comply with International Financial Reporting Standards (**IFRSs**) adopted by the International Accounting Standards Board (**IASB**).

The VHA historical financial information for the financial year ended 31 December 2017 are general purpose financial statements – reduced disclosure requirements, prepared in accordance with AAS and Interpretations adopted by the AASB and the Corporations Act.

The financial statements are prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value.

Comparative figures have been adjusted to conform to the presentation of the financial statements and notes for the year ended 31 December 2019, where required. Amendments have been made to comparatives as appropriate to enhance comparability.

The VHA Historical Financial Information is presented in Australian dollars, which is the functional currency of the Subsidiaries of VHA.

The VHA Group is of a kind referred to in 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 Australian dollars has been rounded to the nearest million dollars or thousand dollars, except where otherwise indicated.

9.13.2.1 Changes to Accounting Standards

2019

AASB 16 *Leases* became effective for VHA on 1 January 2019. AASB 16 establishes principles for the recognition and measurement of leasing arrangements. On adoption of AASB 16, VHA recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*.

AASB 16 requires lessees to account for all leases in a similar way to finance leases under the principles of precedent lease accounting standard AASB 117. At the commencement date of the lease the lessee recognises and measures a lease liability at the present value of the minimum future lease payments and recognises a corresponding right of use asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability and depreciation charge on the right of use asset. Total interest and depreciation over the entire term of a lease equals total rental expense under AASB 117.

EBITDA and net losses for the year ended 31 December 2019 reflect the adoption of AASB 16 *Leases*. EBITDA no longer includes rental expenses for adopted AASB 16 leases that have been reclassified to right of use assets and accounted for as operating expense in the comparative year. Net losses include depreciation of the right of use assets and interest expense on the lease liabilities relating to adopted AASB 16 leases, which were accounted for as operating expense in the comparative year. Comparatives have not been restated and accordingly, in the VHA Historical Income Statements presented in Section 9.13.4, only the results for the year ended 31 December 2019 reflect the impacts of AASB 16 *Leases*.

2018

VHA adopted two new accounting standards in the financial year commencing on 1 January 2018:

- AASB 9 *Financial Instruments* – This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
- AASB 15 *Revenue from Contracts with Customers* – This standard addresses the recognition and measurement of VHA's revenue arrangements with customers with particular impact on the allocation of revenue to bundled arrangements (i.e. service and handsets) and the treatment of contract costs.

VHA has adopted these standards using the Modified Retrospective approach which means that the cumulative impact of the adoption has been recognised in retained earnings as at 1 January 2018 and no comparatives have been restated.

Accordingly, in the VHA Historical Income Statements presented in Section 9.14.4, only the results for 31 December 2018 and 31 December 2019 reflect the impacts of AASB 9 and AASB 15. Where appropriate, commentary has been provided to include the impacts before the accounting policy changes for comparative purposes.

9.13.2.2 Critical accounting judgements and estimates

The preparation of the 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 VHA 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 VHA Group and that are believed to be reasonable under the circumstances.

9.13.3 Explanation of certain non-IFRS and other financial measures

VHA uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 9.13.3 as non-IFRS financial measures pursuant to Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC.

Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall VHA business.

VHA Historical Income Statements

The principal non-IFRS financial measures referred to in the VHA Historical Income Statements are as follows:

EBIT is reported earnings/(losses) including significant items, before the following:

- interest revenue or expense; and
- income tax expense.

EBITDA is reported earnings/(losses) including significant items, before the following:

- interest revenue or expense;
- income tax expense; and
- depreciation and amortisation.

Average Revenue Per User (**ARPU**) is determined by dividing a business's total service revenue by the number of subscribers in respect of that revenue.

VHA Historical Statement of Financial Position

The principal non-IFRS financial measure referred to in the VHA Historical Statement of Financial Position is working capital, which is calculated as current assets less current liabilities (excluding interest bearing liabilities and derivative financial products).

9.13.4 VHA Historical Income Statements

Set out below are VHA's Historical Income Statements for the years ended 31 December 2017, 31 December 2018 and 31 December 2019:

Table 16: VHA Historical Income Statements

$m	Financial year ended 31 Dec 17[6]	Financial year ended 31 Dec 18[7]	Financial year ended 31 Dec 19[8]
Service revenue	2,363.3	2,374.5	2,270.5
Hardware revenue	995.8	1,156.0	1,118.9
Other service revenue	67.1	79.5	123.8
Revenue from operating activities	**3,426.2**	**3,610.0**	**3,513.2**
Other income	9.1	16.3	10.3
Total revenue	**3,435.3**	**3,626.4**	**3,523.4**
Cost of provision of telecommunication services	(820.0)	(745.2)	(695.8)
Cost of handsets sold	(1,022.8)	(1,182.3)	(1,100.9)
Direct Costs	(1,842.8)	(1,927.5)	(1,796.7)
Gross Margin	**1,592.5**	**1,698.9**	**1,726.7**
Employee benefits expense	(247.0)	(233.2)	(232.3)
Other expenses	(373.8)	(363.5)	(315.7)
Other Costs	(620.8)	(596.7)	(548.0)
EBITDA	**971.8**	**1,102.2**	**1,178.7**
Depreciation expense	(506.9)	(532.4)	(672.3)
Amortisation expense	(290.2)	(336.3)	(349.0)
EBIT	**174.7**	**233.5**	**157.4**
Net financing costs	(352.5)	(358.0)	(436.7)
Loss before income tax	**(177.8)**	**(124.4)**	**(279.3)**
Income tax expense	0.0	0.0	0.0
Loss for the year	**(177.8)**	**(124.4)**	**(279.3)**

Set out below is a summary of VHA's key operating metrics for the years ended 31 December 2017, 31 December 2018 and 31 December 2019.

6. Management of VHA has reclassified balances disclosed in the Historical Income Statement for the year ended 31 December 2017 to better align to that used by management in the operation of the business and to enhance comparability with the financial years ended 31 December 2018 and 31 December 2019.
7. AASB 15 became effective for the VHA Group on 1 January 2018. AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The results for the financial years ended 31 December 2018 and 31 December 2019 reflect the impact of this new accounting standard. The results for the financial year ended 31 December 2017 are presented using the accounting standards adopted at that time.
8. AASB 16 became effective for the VHA Group on 1 January 2019. AASB 16 establishes principles for the recognition and measurement of leasing arrangements. The results for the financial year ended 31 December 2019 reflect the impact of this new accounting standard. The results for the financial years ended 31 December 2018 and 31 December 2017 are presented using the accounting standards adopted at that time.

Table 17: VHA key operating metrics

	Financial year ended 31 Dec 17	Financial year ended 31 Dec 18	Financial year ended 31 Dec 19
Postpaid customers ('000)	3,388	3,454	3,416
Prepaid customers ('000)	2,082	2,209	2,018
VHA customers subtotal ('000)	5,470	5,663	5,434
Mobile Virtual Network Operator ("MVNO") customers ('000)	338	356	310
Total network customers ('000)[9]	5,808	6,019	5,744
Fixed line broadband customers ('000)	–	33	114
Mobile ARPU VHA customers ($)	36.69	35.05	33.35

In 2018, VHA reclassified approximately 602,000 Kogan and Lebara branded customers from MVNO customers to prepaid customers. The table above presents VHA customer numbers on a post-reclassification basis only.

9.13.5 Management commentary on VHA Historical Income Statements

9.13.5.1 Commentary on VHA Historical Income Statement for the year ended 31 December 2019

VHA's total revenue decreased 2.8% year on year to $3,523.4 million from $3,626.4 million, due to lower service revenue, which was largely due to a decline in ARPU from within the mobile customer base.

VHA's EBITDA increased $76.5 million or 6.9% year on year to $1,178.7 million from $1,102.2 million. This was driven by a positive $142.1 million impact from the AASB 16 accounting change and a $37.3 million reduction in costs to offset the $102.9 million decline in revenue. In a year on year comparison without AASB 16, VHA's EBITDA would have been $1,036.6 million, a reduction of $65.5 million (a 6.0% decrease).

VHA's net loss was $279.3 million, which represented a 124.5% year on year increase from $124.4 million. This included a $48 million negative impact arising from the AASB 16 accounting change, a $65.5 million reduction in EBITDA (without the impact of AASB 16 as indicated in the paragraph directly above), whilst the balance of $41.3 million was driven by increased depreciation and amortisation charges and increased interest costs unrelated to the adoption of AASB 16.

Revenue

The VHA Group's total revenue was $3,523.4 million, a 2.8% decrease year on year.

Customer service revenue

Customer service revenue, which comprises service revenue and other service revenue, declined 2.4% to $2,394.3 million.

Postpaid service revenue declined $63.9 million year on year to $1,836.5 million. The decrease was driven by a reduction in ARPU, driven by ongoing competition among the major MNOs and increased inclusions on VHA mobile plans leading to lower out of bundle charges.

Prepaid service revenue decreased $40.1 million year on year to $434.0 million driven by a decrease in the average customer base and in ARPU.

Other customer service revenue grew by $44.2 million to $123.8 million primarily driven by an increase in Fixed revenue as the population grew from 33,000 at 31 December 2018 to 144,000 at 31 December 2019.

Hardware revenue

Hardware revenue declined $37.1 million to $1,118.9 million in the year ended 31 December 2019. Acquisition and upgrade device sales declined year on year however some of this decrease is offset by increasing device recommended retail prices from major manufacturers. Sale of accessories also grew during the year by $12 million due to improved uptake in the range of wearables.

9. VHA mobile network customers were calculated using the three month active mobile customer base.

Gross profit

Gross profit was $1,726.7 million in the year ended 31 December 2019, which was $27.8 million or 1.6% higher than the year ended 31 December 2018. Within gross profit there is a $100 million positive impact arising from the AASB 16 accounting change. Excluding the impact of the AASB 16 accounting change, gross profit was lower by $72 million or 4.2%, which was a result of lower service revenue partially offset by an improvement in device margins.

EBITDA

EBITDA as reported was $1,178.7 million in the year ended 31 December 2019, 6.9% higher than the year ended 31 December 2018. Without the impact of AASB 16 it was $65.6 million or 6% lower, due to lower gross profit (as explained above), partially mitigated by a modest reduction in other costs.

9.13.5.2 Commentary on VHA Historical Income Statement for the year ended 31 December 2018

VHA total revenue increased 5.5% to $3,626.4 million from $3,435.3 million, primarily driven by growth in hardware revenue from higher device sales. In a direct year on year comparison, without the AASB 15 accounting change, VHA total reported revenue would have been $3,670.9 million, a 6.8% increase.

VHA's EBITDA increased 13.4% year on year to $1,102.2 million from $971.8 million, driven by revenue growth and commercial expenditure optimisation. In a direct year on year comparison, without the AASB 15 accounting change, VHA total reported EBITDA would have been $1,086.9 million, an 11.8% increase.

Net loss after tax attributable to shareholders was $124.4 million, which was an improvement of $53.4 million (30.0%) from the same period in 2017 and was due to an increase in EBITDA partially offset by an increase in depreciation and amortisation expense. In a direct year on year comparison, without the AASB 15 accounting change, VHA net loss position would have been $103.4 million, a decrease of 41.8%.

Revenue

The VHA Group's total revenue was $3,626.4 million, a 5.5% increase year on year.

Customer service revenue

Customer service revenue, which comprises service revenue and other service revenue, grew 1.0% to $2,454.0 million. Without the impact of AASB 15, customer service revenue would have grown 1.2%.

Postpaid service revenue declined $4.0 million year on year to $1,900.4 million. Although there was an increase in average registered customers of 66,000, this was offset by a reduction in ARPU, which was driven by ongoing competition among the major MNOs and increased inclusions on VHA mobile plans.

Prepaid service revenue increased $14.8 million year on year to $474.1 million driven by an increase in average customer base of 127,000 more than offsetting a decrease in ARPU.

Other customer service revenue grew by $12.8 million to $79.5 million mainly due to the emergence of fixed line revenue following the introduction of fixed line services during the year.

Hardware revenue

Hardware revenue grew $160.2 million to $1,156.0 million in the year ended 31 December 2018, driven by higher device sales and increasing device recommended retail prices from major manufacturers. Sale of accessories also grew during the year by $13 million due to improved uptake in the range of wearables.

Gross profit

Gross profit was $1,698.9 million in the year ended 31 December 2018, 6.7% higher than the year ended 31 December 2017 due to the above-mentioned increase in service revenue and improved hardware margin, supported by a decrease in interconnection and content costs and other direct telecommunication costs.

EBITDA

EBITDA was $1,102.2 million in the year ended 31 December 2018, 13.4% higher than the year ended 31 December 2017 due to a higher gross profit (as explained above), and lower operating costs of $596.7 million ($24.0 million or 3.9% lower than the year ended 31 December 2017).

9.13.6 VHA Historical Statements of Cash Flow

Set out below are VHA's Historical Statements of Cash Flow for the years ended 31 December 2017, 31 December 2018 and 31 December 2019.

Table 18: VHA Historical Statements of Cash Flow

$m	Financial year ended 31 Dec 17	Financial year ended 31 Dec 18	Financial year ended 31 Dec 19
EBITDA	**971.8**	**1,102.2**	**1,178.7**
Movements in working capital	127.4	22.6	98.5
Net cash flow from operating activities	**1,099.2**	**1,124.8**	**1,277.2**
Payments for property, plant and equipment	(376.7)	(350.4)	(315.3)
Payments for intangible assets	(828.9)	(341.0)	(302.6)
Net cash flows from investing activities	**(1,205.5)**	**(691.3)**	**(617.9)**
Net proceeds (repayment) of borrowings	372.2	32.1	(280.9)
Net interest expense	(180.8)	(179.1)	(287.5)
Net cash flows from financing activities	**191.4**	**(147.0)**	**(568.4)**
Net movement in cash and cash equivalents	**85.1**	**286.5**	**90.9**

9.13.7 Management commentary on VHA Historical Statements of Cash Flow

9.13.7.1 Commentary on VHA statements of cash flow for the year ended 31 December 2019

VHA reported a net increase in cash of $90.9 million for the 2019 year.

Cash inflows from operating activities were $1,277.2 million as compared to $1,124.8 million during 2018. EBITDA includes a $142 million positive impact from the adoption of AASB 16 and on a comparable basis to last year, fell $64.5 million. The improvement in working capital of $98.5 million was due to a reduction in debtors and inventory.

Cash outflows from investing activities were $617.9 million, of which $315.3 million related to property, plant and equipment additions – predominantly for network equipment. Additionally, $302.6 million was spent on additions to intangible assets, including $80 million in respect of the second instalment for the 700MHz spectrum acquired by VHA in April 2017. The remainder consisted of payments for computer software and contract commission additions.

Cash outflows from financing activities were $568.3 million. Finance lease repayments amounted to $109.6 million, increased from $46.2 million primarily due to the adoption of AASB 16. $169.5 million in repayments against the shareholder working capital facility were made during the year. VHA had financing payments of $287.6 million, predominantly for interest on loans and finance leases, including $66.3 million incremental interest on new finance leases arising from the adoption of AASB 16.

9.13.7.2 Commentary on VHA statements of cash flow for the year ended 31 December 2018

VHA reported a net increase in cash of $286.5 million for the 2018 year. Cash inflows from operating activities were $1,124.8 million as compared to $1,099.2 million during 2017. The increase in cash generated from operating activities was primarily driven by the improvement in EBITDA, as working capital improvements were reduced compared with the prior year.

Cash outflows from investing activities were $691.3 million, of which $350.4 million related to property, plant and equipment additions – predominantly for network equipment. Additionally, $341.0 million was spent on additions to intangible assets, including $144 million in respect of the initial instalment for the 700MHz spectrum acquired by VHA in April 2017. The remainder consisted of payments for computer software and contract commission additions.

Cash outflows from financing activities were $147.0 million. VHA made financing payments of $179.1 million for interest and other finance costs, $46.2 million for finance lease repayments, and $1.7 million for Cisco financing repayments. These were offset by $80.0 million drawdown on the shareholder working capital facilities.

9.13.8 VHA Historical Statement of Financial Position

Set out below is the VHA Historical Statement of Financial Position as at 31 December 2019.

Table 19: VHA Historical Statement of Financial Position

$m	As at 31 Dec 19
ASSETS	
Current Assets	
Cash and cash equivalents	733.6
Trade and other receivables	390.8
Inventories	103.0
Derivative financial instruments	129.4
Other	64.4
Total Current Assets	**1,421.2**
Non-Current Assets	
Trade and other receivables	77.2
Property, plant and equipment	1,864.5
Right of use assets	1,453.8
Intangible assets	3,929.1
Total Non-Current Assets	**7,324.6**
Total Assets	**8,745.8**
LIABILITIES	
Current Liabilities	
Trade and other payables	1,047.8
Contract Liabilities	122.3
Borrowings	5,254.9
Lease liabilities	84.1
Provisions	24.5
Derivative financial instruments	0.8
Other	92.8
Total Current Liabilities	**6,627.2**
Non-Current Liabilities	
Borrowings	1,742.7
Lease liabilities	1,544.2
Provisions	21.8
Other	12.3
Total Non-Current Liabilities	**3,321.0**
Total Liabilities	**9,948.2**
Net Liabilities	**(1,202.4)**
EQUITY	
Contributed equity	6,046.9
Reserves	(0.8)
Accumulated losses	(7,248.5)
Total Equity/(Shareholder deficiency)	**(1,202.4)**

9.14 Working capital management

The VHA Group has established several financial arrangements to manage its working capital. Subject to a decision of the Merged Co Board to the contrary, it is intended that these arrangements will remain in place following Implementation of the Scheme.

9.14.1 Handset receivables

HSBC

In June 2015, VPL (a wholly-owned indirect Subsidiary of VHA) and The Hongkong and Shanghai Banking Corporation Limited (**HSBC**) established an arrangement to allow the VHA Group to sell receivables in respect of mobile handset devices to HSBC under an uncommitted revolving facility.

The facility is a revolving facility where payments by VPL to HSBC increase the remaining facility available for further transfers of handset receivables. The term of the arrangement is automatically renewed until a party provides notice to the contrary.

Greensill Capital

In November 2017, VPL (a wholly-owned indirect Subsidiary of VHA) and Greensill Capital UK Limited (**Greensill**) established an arrangement to allow the VHA Group to sell receivables in respect of mobile handset devices and accessories to Greensill under an uncommitted revolving facility.

The facility is a revolving facility where payments by VPL to Greensill increase the remaining facility available for further transfers of handset receivables. The arrangement has no finite term.

9.14.2 Supply chain financing

In August 2016, VHA and Greensill established a supply chain financing arrangement under which participating suppliers may elect to have their invoices paid by Greensill prior to the due date at a discounted rate. VHA then pays the invoiced amount to Greensill in accordance with the payment terms of the supplier's invoice.

The term of the arrangement is automatically renewed until a party provides notice to the contrary.

9.15 VHA financing arrangements

As at the date of this Scheme Booklet, the VHA Group utilises funds available under the Syndicated Facility Agreements and Working Capital Facilities described below to meet its funding requirements. These sources of funds will be replaced with alternative sources of funds for the Merged Group shortly before Implementation of the Scheme, as described in Section 10.6.

Immediately after Implementation of the Scheme, there will no longer be any debt financing or guarantee arrangements as between (on the one hand) VOD, CKHH, any of their respective Subsidiaries or JVCo, and (on the other hand) the Merged Co or any of its Subsidiaries.

Syndicated Facility Agreements

Under a Syndicated Facility Agreement entered into by VHF and various external lenders in 2017 (**2017 SFA**), VHF borrowed a principal amount of US$3.5 billion for a three year term, and under a Syndicated Facility Agreement entered into by VHF and various external lenders in 2019 (**2019 SFA**), VHF borrowed a principal amount of A$1.7 billion for a three year term.

VHF on-lent the proceeds of the 2019 SFA to VHA under an inter-company loan between VHF (as lender) and VHA (as borrower) (**VHF Loan 1**). In the case of the 2017 SFA, VHF exchanged the US$ loan proceeds into A$ under certain cross currency swap arrangements, and VHF then on-lent the A$ proceeds to VHA under a further inter-company loan between VHF (as lender) and VHA (as borrower) (**VHF Loan 2**).

The amounts borrowed by VHF under both the 2017 SFA and the 2019 SFA are guaranteed by each of VOD and CKHH on a bifurcated basis. VHF owes guarantee fees to VOD and CKHH (**Guarantee Fees**) in consideration for VOD guaranteeing amounts owing to the lenders under one tranche of each facility and CKHH guaranteeing the amounts owing to the lenders under the other tranche of each facility. Under VHF Loan 1 and VHF Loan 2, VHA is liable to reimburse VHF for any of such Guarantee Fees.

Working Capital Facilities

VHA entered into a Working Capital Facility Agreement with each of HTAL and Vodafone Investments Luxembourg S.à.r.l in 2009, which have each been subsequently amended several times (**WCF Agreements**). The current term of the WCF Agreements will expire on 21 February 2021.

Although the loan facility under each of the WCF Agreements is up to $750 million ($1.5 billion in total), as at the date of this Scheme Booklet the balance outstanding on each facility was $76 million ($152 million in total).

9.16 VHA Restructure

After the Scheme has become Effective, the VHA Group will implement the Restructure. The Restructure consists of a sequence of transactions that will be carried out in conjunction with the establishment of, and first of two partial drawdowns under, the financing arrangements for the Merged Group described in Section 10.6.

The result of the Restructure will be that the existing debt facilities of the VHA Group are either transferred out of the VHA Group prior to Implementation of the Scheme, or refinanced with the Merged Group's new debt facilities. As described in Section 7.4, a key outcome of the Restructure is that an amount of debt equal to the VHA Adjustment Amount will be removed from the VHA Group prior to Implementation of the Scheme.

The key steps to effect the Restructure include:

- a new entity, JVCo, being incorporated in the UK. This entity is a joint venture 50% owned by a wholly-owned Subsidiary of VOD and 50% owned by H3GAH (which is a wholly-owned Subsidiary of HTAL). See Section 9.17 for further information about JVCo;
- using a combination of funds, including from the first of two partial drawdowns under the new financing arrangements for the Merged Group described in Section 10.6 (**2020 SFA**), VHA will repay:
  - to HTAL and Vodafone Investments Luxembourg S.à.r.l. the amounts outstanding under the WCF Agreements, following which the WCF Agreements will terminate; and
  - to VHF all amounts outstanding under the VHF Loan 1 and VHF Loan 2, following which these inter-company loans will terminate;
- out of the proceeds received from the repayment of the VHF Loan 1, VHF will repay all amounts outstanding under the 2019 SFA and certain other debts owed by VHF. VHF will remain the borrower under the 2017 SFA which will continue to be guaranteed by each of VOD and CKHH as described in Section 9.15;
- VHA will transfer 100% of the shares in VHF to JVCo;
- the VHA Shareholders, being at that time VOL (a wholly-owned Subsidiary of VOD) and H3GAH (a wholly-owned Subsidiary of HTAL) will each subscribe for, and VHA will issue, additional shares in VHA (**New VHA Shares**); and
- prior to Implementation of the Scheme, VOL and H3GAH will enter into share purchase agreements with JVCo under which VOL and H3GAH agree to sell and transfer, in equal proportions, all of the New VHA Shares to JVCo. If the New VHA Shares would represent more than 39% of the issued share capital of the Merged Co immediately following Implementation of the Scheme, then only such number of New VHA Shares as represent 39% of the issued share capital of VHA immediately following Implementation of the Scheme will be transferred under the share purchase agreements.

Completion of such share purchase agreements and the transfer of New VHA Shares to JVCo will occur shortly after Implementation of the Scheme.

The pre-Implementation 50-50 shareholding in VHA by VOL and H3GAH will remain unchanged by the Restructure steps to be undertaken prior to Implementation of the Scheme.

On Implementation of the Scheme, Merged Co Shares will be issued to the Scheme Shareholders such that following Implementation of the Scheme, the Scheme Shareholders will own in aggregate 49.9% of the Merged Co.

Following completion of the Restructure, Implementation, and the transfer of the New VHA Shares to JVCo shortly after Implementation as described above, VOL, H3GAH and JVCo will own in aggregate 50.1% of the Merged Co.

9.17 JVCo

In connection with the Restructure described in Section 9.16, VEBV and H3GAH (as shareholders of JVCo), HTAL (as direct owner of H3GAH), VOD and CKHH (as indirect owners of VEBV and HTAL) and JVCo have or will enter into a shareholders agreement which will govern their relationship in relation to JVCo (**JVCo Shareholders Agreement**). There will be equal representation of directors nominated by each of VEBV and H3GAH on the board of JVCo. All matters, subject to limited exceptions, relating to JVCo and its Subsidiaries (other than Merged Co and its Subsidiaries from time to time) must be approved by the Board of JVCo (or by each of VEBV and H3GAH).

Subject to the following paragraph, in the event of dispute or deadlock between the board of JVCo or VEBV and H3GAH in relation to voting by JVCo at a meeting of the shareholders of the Merged Co, VEBV or H3GAH (or any JVCo director) can require JVCo (through its proxies) to vote at that meeting, such that 50% of the Merged Co Shares held by JVCo shall be voted as directed by VEBV and the other 50% of the Merged Co Shares held by JVCo shall be voted as directed by H3GAH.

The JCVO Shareholders Agreement also provides that at any meeting of the shareholders of the Merged Co:

- each such proxy on any resolution relating to the appointment or removal of the directors of the Merged Co can be directed by VEBV or H3GAH (or any JVCo director) to vote in favour of the appointment of the directors nominated by VEBV and H3GAH respectively (up to a maximum of two nominee directors each); and
- in that case, CKHH and VOD shall also procure that each member of its group that holds shares in the Merged Co directly at any meeting of the shareholders of Merged Co on any resolution relating to the appointment or removal of directors of Merged Co shall vote in favour of the appointment of the directors nominated by VEBV and H3GAH respectively (up to a maximum of two nominee directors each).

Each of VOD and CKHH have agreed to procure that VEBV and H3GAH do not dispose of, subject to limited exceptions, their shares in JVCo for a period of two years from Implementation. JVCo is also not, subject to limited exceptions, permitted to dispose of its shares in Merged Co during a period of two years from Implementation pursuant to the escrow arrangements required under the Scheme Implementation Deed (as further described in Section 13.6).

After the initial two year standstill period, each of VEBV and H3GAH will have a tag along right in the event that the other wishes to transfer all of their shares in JVCo to a third party.

On and from the date that is three years from the Implementation Date, either of VEBV and H3GAH may require JVCo to dispose of Merged Co Shares provided that:

- JVCo must first offer to sell those Merged Co Shares to the shareholder who did not make the request for JVCo to dispose of the shares;
- the disposal complies with all relevant regulatory requirements, including that it does not contravene the insider trading provisions in the Corporations Act;
- unless otherwise directed by JVCo, the Merged Co Shares are disposed of via on-market trades;
- no more than 10% of the Merged Co Shares on issue may be disposed of by JVCo in any nine month period; and
- JVCo has repaid its external debt (including shareholder debt) or if any such debt remains outstanding, the proceeds from the sale of the Merged Co Shares are first used to repay that debt.

The JVCo Shareholders Agreement may only be varied or replaced by a document executed by VEBV, H3GAH, HTAL, VOD, CKHH and JVCo.

9.18 Material changes in VHA's financial position

To the knowledge of VHA, and other than as disclosed in this Scheme Booklet, VHA's financial position has not materially changed since 31 December 2019, being the date of the last audited statement of financial position of VHA.

9.19 VHA relevant interests and dealings in TPG securities

As at the date of this Scheme Booklet, none of VHA, any of its Related Bodies Corporate or any of their respective Associates, nor any of the directors of VHA, has any Relevant Interest in any TPG Shares or other TPG securities or any voting power in TPG.

Except for the consideration to be provided under the Scheme and as described in this Scheme Booklet, none of VHA, any of its Related Bodies Corporate or any of their respective Associates has provided or agreed to provide consideration for any TPG Shares or other TPG securities under any transaction during the period of four months before the date of this Scheme Booklet.

9.20 No pre-transaction benefits

During the four months before the date of this Scheme Booklet, none of VHA, any of its Related Bodies Corporate or any of their respective Associates have given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Scheme; or
- dispose of TPG Shares,

where the benefit was not offered to all TPG Shareholders.

SECTION 10

OVERVIEW OF THE MERGED GROUP

The Merged Group information contained in this Section 10 has been prepared by both TPG and VHA. TPG is responsible for any information regarding the TPG Group and otherwise VHA is responsible for this Section.

10.1 Overview of the Merged Group

The Scheme will combine the resources and strengths of two highly complementary businesses in TPG and VHA to create a sustainable, long-term fixed and mobile competitor to challenge major integrated fixed line and mobile suppliers, Telstra and Optus.

The businesses of TPG and VHA are highly complementary. VHA is predominantly a supplier of mobile telecommunications services, and also acquires wholesale capacity on the NBN and uses that capacity to offer fixed home broadband services to its customers under the Vodafone brand. TPG is predominantly a supplier of fixed broadband telecommunications services to consumer and corporate customers and also offers mobile telecommunications services as an MVNO. Each company holds resources which, when combined, drive efficiencies and economies of scale and scope which are larger than they are when fragmented in the hands of separate sub-scale businesses.

The Merged Group will have a combined market share across key markets of approximately 17% or more by subscriber numbers as shown in Table 20 with an opportunity to win market share from major competitors across mobile and fixed markets and consumer and enterprise customers.

Table 20: Merged Group's market share and customer base (based on VHA subscriber numbers as at 31 December 2019 and TPG subscriber numbers as at 31 January 2020)

	Merged Group
Mobile market share	~17%
Mobile subscribers	~5.8m
Fixed line broadband market share	~25%
Fixed line broadband subscribers	~2.1m

The Merged Group will also have an enhanced network with highly complementary assets across fixed broadband and mobile including:

- Australia's second largest fixed voice and data network with 27,000km+ of metropolitan and inter-capital fibre including a national voice network and regional HFC and VDSL networks;
- Australia-wide mobile network with approximately 5,613 sites including a 4G network covering 22 million Australians;
- long-term spectrum holdings across 700, 850, 1800, 2100, 2600 and 3600 MHz bands secured until 2028;
- 400+ national network points of presences;
- strong national distribution channels via call centres, online, mass and retail;
- connections to 121 NBN points of interconnect;
- thousands of on-net fibre buildings;
- 400+ DSLAM-enabled exchanges;
- Wi-Fi networks in 5 major cities;
- international mobile roaming agreements with many overseas countries;
- 7,000km submarine cable connecting Sydney to Guam; and
- international links into New Zealand, Singapore, Hong Kong, Japan and the US.

The Merged Group intends to pursue a multi-brand strategy, retaining both the brands of TPG and VHA. The Vodafone brand may be utilised under a licence to the Merged Group for a period of 10 years following Implementation.

In addition, the Merged Group intends to continue to provide products and services that are presently offered under TPG and VHA's respective brands, leveraging in particular TPG's presence in corporate and enterprise distribution channels and VHA's consumer retail presence.

Figure 9: Merged Group's complementary products and distribution channels

If the Scheme is Implemented, the Merged Group would have, on a pro forma basis:

- Merged total pro forma revenue of approximately $5,909 million;
- Merged pro forma EBITDA[1] of approximately $1,977 million, before significant items and synergies; and
- A diversified earnings mix across mobile, corporate fixed line services and consumer fixed line services and other telecommunication services.

10.2 Overview of potential synergies and efficiencies

The Merger is expected to generate cost and capital expenditure synergies. Synergies are anticipated to be realised in infrastructure, network and transmission savings, consolidation of overlapping functions of the two businesses and economies of scale. The Merged Group may also benefit from potential revenue synergies through cross-selling opportunities in the consumer and enterprise markets.

Such savings can be utilised for future network investments and cost savings for consumers, providing greater scope for the Merged Group to compete.

Table 21: Key synergies to be realised from the Merger

Infrastructure, network and transmission savings	The Merged Group will have a reduced need for duplicative network infrastructure investments. Currently, each party deploys its own infrastructure rather than leveraging the capacity of each other's complementary, fully deployed and higher capacity networks. Examples include: • **Spectral efficiency:** Combining both companies' spectrum holdings will improve network coverage and efficiency. For example, the Merged Group could leverage TPG's 700 MHz spectrum and TPG's share of the 3.6 GHz spectrum acquired by Mobile JV Pty Limited (an incorporated 50-50 joint venture between VHA and TPG) to improve capacity and coverage and provide 5G services on VHA's network, while complementary 1800 MHz spectrum holdings in different regions may facilitate greater capacity in regional areas. • **Transmission savings:** TPG currently provides dark fibre and fixed line backhaul to approximately 2,743 of VHA's approximately 5,630 mobile base stations. Future deployment of transmission to VHA's mobile network may be more efficient in the Merged Group as existing TPG fibre may be utilised. • **Fixed Line NBN:** VHA will have the ability to access TPG's experience and network infrastructure (including NBN points of interconnect, domestic and international transmission) to rationalise VHA's duplicative fixed line network spend and minimise VHA's investment required for Vodafone-branded NBN products. • **MVNO savings:** TPG will be able to utilise VHA's mobile network, saving on the payment of variable access charges it currently incurs as an MVNO.
Consolidation of overlapping functions	Rationalisation of costs of duplicated back-office functions and combined spend on marketing and branding.

1. Pro forma historical EBITDA calculated on a post-AASB 16 *Leases* basis.

Economies of scale	Reduction in overall corporate costs including procurement costs by leveraging multiple options for procurement (under global shareholder agreements and local options). Additional economies of scale are expected in relation to other external procurement such as marketing, both traditional and digital.
Cross-sell opportunities	The Merged Group will have opportunities to cross-sell products to both TPG and VHA's combined corporate and consumer customer bases. The Merged Group can leverage TPG's corporate distribution channels to sell mobile and bundled services, and leverage VHA's existing retail footprint and distribution capability to sell a wider range of Vodafone and TPG/iiNet branded products. Customer acquisition costs may be reduced and economies of scale and scope realised.

10.2.1 COVID-19

The COVID-19 global pandemic continues to evolve and may have effects on the operations of the Merged Group including reduced sales of services due to inability to access retail stores or reduced demand due to potential economic downturn, customers seeking lower cost services, increased bad debt risk, reduced outbound international and inbound visitor roaming revenue, reduced capacity to service through contact centres and delays in mobile network roll out.

In light of the challenging macroeconomic conditions and resultant market uncertainty caused by the COVID-19 pandemic, there is insufficient knowledge and insight to predict with certainty the effects that the COVID-19 pandemic will have on the Merged Group's business or future financial or other performance. As such, actual events and their impacts on the Merged Group's business and performance may be significantly different to those expressed in this Section 10.2.1.

10.3 Directors of the Merged Co following the Merger

It is intended that upon Implementation the Merged Co Board will comprise 10 directors, comprising the Chief Executive Officer of the Merged Co, the Chairman of the Merged Co, two additional appointees of TPG, four appointees of the VHA Shareholders and two independent directors.

David Teoh *Chairman*	David Teoh is the founder and Managing Director of the TPG Group. Mr Teoh has been the Chairman of TPG since 2008.
Iñaki Berroeta *Managing Director and CEO*	Iñaki Berroeta joined VHA as Chief Executive Officer in 2014. A 24-year veteran of the telecommunications industry, Mr Berroeta previously served as CEO of both Vodafone Romania and Vodafone Malta, and held various operational roles at Vodafone Spain, Global Star USA, AirTouch International Inc. (USA) and Airtile Moviles (Spain). Mr Berroeta holds a Master of Science in Telecommunications from Bilbao Superior School of Telecommunications Engineering, Spain, and a Master of Business Administration from Henley Management College, UK.
Canning Fok *Non-Executive Director*	Canning Fok has been an Executive Director and Group Co-Managing Director of CK Hutchison Holdings Limited since 2015. He has been a Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited since 1985 and 1984 respectively, both of which became wholly-owned subsidiaries of CK Hutchison Holdings Limited in 2015. Mr Fok has been a Director of VHA since 2001 and has been a Director of HTAL since 1999. Mr Fok is Chairman and a Non-Executive Director of Hutchison Telecommunications Hong Kong Holdings Limited and Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust. He is Chairman and an Executive Director of Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. He is also Co-Chairman of Husky Energy Inc. and an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.
Pierre Klotz *Non-Executive Director*	Pierre Klotz is the Vodafone Group plc Group Corporate Finance Director. He joined Vodafone in July 2011 and is responsible for the Vodafone Group's Mergers & Acquisitions and Treasury related activities. Previously, Mr Klotz held a number of senior executive positions at UBS Investment Bank and at HSBC Investment Bank. He holds a Master of Science in Business Administration from Gothenburg School of Economics and Commercial Law.

Diego Massidda *Non-Executive Director*	Diego Massidda is CEO of Vodafone Partner Markets, and a Director of Vodafone Sales & Services Limited. Mr Massidda joined Vodafone in 2007 as Group Director of Broadband and Online, and subsequently he was Group Director of Video and Connected Home. From 2011 to 2016, he served as CEO of Vodafone Hungary. Prior to joining Vodafone, Diego was CEO of the ISP Tiscali in South Africa and France, and of Telecom Italia wireline operations in France. He also spent 6 years with McKinsey & Company earlier in his career. He holds a degree in Hydraulic Civil Engineering from the Università di Cagliari, Italy, and a Master in Business Administration from INSEAD, France.
Robert Millner *Non-Executive Director*	Robert Millner has been a director of TPG since 2000 and is a member of the Audit & Risk and Remuneration Committees. Mr Millner is also a director of the following public companies: BKI Investment Company Ltd (2003-current), Apex Healthcare Berhad (Malaysia) (2000-current), Australian Pharmaceutical Industries Ltd (2000-current), Milton Corporation Ltd (1998-current), Brickworks Ltd (1997-current), New Hope Corporation Ltd (1995-current) and Washington H Soul Pattinson and Company Ltd (1984-current).
Dr Helen Nugent AO *Non-Executive Director* BA (Hons), PhD (Qld), MBA (Dist) (Harv), DUniv (Bond), Hon.D Bus (Qld)	Helen Nugent is the Chairman of Ausgrid and the National Disability Insurance Agency, and a Non-Executive Director of IAG. She has been a company director for over 20 years, and has over 40 years' experience in the financial services sector. This includes having been Chairman of Veda Group, Funds SA, and Swiss Re (Australia); a Non-Executive Director of Macquarie Group, Director of Strategy at Westpac Banking Corporation, and a Partner at McKinsey & Company. She has also been Chairman of Australian Rail Track Corporation and a Non-Executive Director of Origin Energy. Dr Nugent has given back to the community in education and the arts, having been Chancellor of Bond University; President of Cranbrook School; Chairman of the National Opera Review; Chairman of the Major Performing Arts Inquiry; and Deputy Chairman of Opera Australia. She is currently Chairman of the National Portrait Gallery of Australia. Dr Nugent is an Officer of the Order of Australia (AO) and received a Centenary Medal, as well as an Honorary Doctorate in Business from the University of Queensland and an Honorary Doctorate from Bond University.
Frank Sixt *Non-Executive Director*	Frank Sixt has been an Executive Director, Group Finance Director and Deputy Managing Director of CK Hutchison Holdings Limited since June 2015. Mr Sixt has been a Director of VHA since 2001 and has been a Director of HTAL since 1998. Since 1991, Mr Sixt has been a Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, both of which became wholly-owned subsidiaries of CK Hutchison Holdings in 2015. He is also the Non-Executive Chairman of TOM Group Limited, an Executive Director of CK Infrastructure Holdings Limited, a Director of Husky Energy Inc., and an Alternate Director to Director of HTAL, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Mr Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada.
Arlene Tansey *Non-Executive Director*	Arlene Tansey is currently a Non-Executive Director of Aristocrat Leisure Limited, Healius Limited, Infrastructure NSW and Lend Lease Real Estate Investments Limited. She is also a Board Member of the Australian National Maritime Museum Foundation and Council. She is a former Non-Executive Director of Adelaide Brighton Limited. Ms Tansey is a Member of Chief Executive Women and the International Women's Forum and a Fellow of the Australian Institute of Company Directors. She has a Juris Doctor (Law) from the University of Southern California and an MBA in finance and international business from New York University. Ms Tansey has worked in commercial and investment banking in Australia and the US. Her expertise covers a variety of disciplines including corporate advisory, M&A, commercial banking, capital management and business turnaround.

Shane Teoh *Non-Executive Director*	Shane Teoh was appointed to the board of TPG in 2012. Mr Teoh holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales. Mr Teoh is also a Non-Executive Director of Vita Life Sciences Limited and the Managing Director of Total Forms Pty Ltd, a leading developer of accounting and taxation software in Australia.

10.3.1 Remuneration

Prior to Implementation, VHA will adopt a constitution suitable for a publicly-listed company in substitution for its existing constitution (**Merged Co Constitution**). Under the Merged Co Constitution, the Merged Co Board decides the remuneration to which each director of the Merged Co is entitled for his or her services as a director. However, under the Merged Co Constitution and the Listing Rules, the total aggregate amount paid to all non-executive directors for their services as director must not exceed in any financial year the amount fixed by the Merged Co in general meeting. This amount has been fixed at $2.5 million per annum (including superannuation) and will apply to the Merged Co upon Implementation of the Scheme.

The annual non-executive director's fee currently agreed to be paid by VHA to each non-executive director (including superannuation) is $165,000 and for the non-executive Chairman (including superannuation) is $450,000. In addition, each non-executive director is entitled to be paid the following fees (including superannuation) depending on his or her appointment and role on any of the following Merged Co Board committees:

- $50,000 per annum for being the chairperson of the Audit & Risk Committee;
- $25,000 per annum for being a member of the Audit & Risk Committee, except for the non-executive Chairman who will be paid $20,000 per annum for being a member of the Audit & Risk Committee;
- $40,000 per annum for being the chairperson of the Governance, Remuneration & Nomination Committee; and
- $20,000 per annum for being a member of the Governance, Remuneration & Nomination Committee.

A non-executive director nominated by a shareholder may elect for their director's fees to be paid to their nominating shareholder.

Each of the non-executive directors have entered or will enter into appointment letters with VHA which, depending on when the non-executive director's appointment takes effect, will either commence on Implementation of the Scheme or from the date VHA is admitted to the official list of ASX. The appointment letters confirm the terms of each non-executive director's appointment, their roles and responsibilities and VHA's expectations of them as directors.

10.4 Merged Group intentions if the Scheme is Implemented

This Section 10.4 outlines the Merged Group's current intentions in relation to TPG, VHA and the Merged Group, including in relation to:

- the continuation of the business of TPG;
- any major changes to be made to the business of TPG, including any redeployment of the fixed assets of TPG; and
- the future employment of the present employees of TPG.

The statements of intention in this Section 10.4 have been formed on the basis of facts and information concerning TPG and the general business environment which are known to both TPG and VHA as at the date of this Scheme Booklet.

Final decisions on these matters will only be made by the Merged Co Board in light of all material information, facts and circumstances at the relevant time if the Scheme is Implemented. Accordingly, it is important to recognise that the statements set out in Section 10.4 are statements of TPG and VHA's current intentions only, which may change as new information becomes available or circumstances change, and which will be superseded by the intention, strategic focus, outlook and decisions of the Merged Co Board.

10.4.1 Operations of the Merged Group

Following Implementation, the Merged Group will review the scope and breadth of the current operations; however, it is intended that the Merged Group will continue to provide products and services that are presently offered under the TPG and VHA brands, leveraging in particular TPG's presence in corporate / enterprise distribution channels and VHA's consumer retail presence.

It is intended that the Merged Co will be called TPG Telecom Limited and that TPG's existing business units will be integrated into VHA's corporate structure. The registered address of the Merged Co will be in North Sydney.

Other than as described in this Scheme Booklet (including the Singapore Demerger described in Section 8.7), TPG and VHA have no intention as at the date of this Scheme Booklet to make significant changes to any part of TPG or VHA, nor redeploy any of TPG or VHA's fixed assets or transfer any of TPG or VHA's current business or material assets.

10.4.2 Board and management of the Merged Co

The Merged Co will be led by a highly experienced board of directors and senior executive team that will draw on the breadth of both TPG and VHA's skills and experience.

TPG's current CEO and Chairman, David Teoh, will become the Chair of the Merged Co.

VHA's current CEO, Iñaki Berroeta, will become the Managing Director and CEO of the Merged Co.

Upon Implementation, the Board of the Merged Co will comprise the people listed in Section 10.3.

The other members of the senior management of the Merged Co will be determined prior to Implementation.

JVCo Shareholders Agreement

As set out above in Section 9.17, VEBV and HTAL have agreed that if there is a dispute or deadlock between VEBV and HTAL or the board of JVCo in relation to voting by JVCo at a meeting of the shareholders of the Merged Co, that JVCo will appoint two proxies for that meeting so that each of VEBV and HTAL can direct JVCo (through its proxies) as to how it should vote at that meeting, such that 50% of the Merged Co Shares held by JVCo shall be voted as directed by VEBV and the other 50% of the Merged Co Shares held by JVCo shall be voted as directed by HTAL.

VEBV and HTAL have also agreed that, at any meeting of the shareholders of the Merged Co:

- each such proxy on any resolution relating to the appointment of directors of the Merged Co, shall be directed to vote in favour of the appointment of the directors nominated by VEBV and HTAL respectively; and
- they shall procure that each member of its group that holds shares in the Merged Co directly, at any meeting of the shareholders of the Merged Co on any resolution relating to the appointment of directors of the Merged Co, shall vote in favour of the appointment of the directors nominated by VEBV and HTAL respectively.

10.4.3 Employees of the Merged Group

The Merged Group will conduct a review of its operations and whilst the operations of both businesses are not expected to change materially, final decisions regarding the structure of the Merged Group and its employee requirements will be made as part of the integration process and review.

In circumstances where duplication of employee roles is identified, the present intention of the Merged Group, where practicable and possible to do so, is to seek to allocate alternative responsibilities to those affected employees within the Merged Group. However, it will not be possible for the Merged Group to offer suitable alternative roles in all instances. Where affected employees are unable to be allocated alternative responsibilities, those employees will receive payments and other benefits to which they are entitled on departure under their terms of employment.

10.4.4 Corporate Matters in relation to TPG

If the Scheme is Implemented, it is intended that current TPG Shares will cease to be quoted on the ASX shortly after the Implementation Date.

10.4.5 Dividends and Dividend Policy of the Merged Co and Franking Capacity

The Merged Co Board may pay dividends that, in its judgement, the financial position of the Merged Co justifies.

Following Implementation, it is currently intended that the dividend policy of the Merged Co will be to pay a dividend of at least 50% of net profit after tax, adding back one-off restructuring costs and certain non-cash items, being customer base intangible amortisation, spectrum amortisation and any non-cash tax expense, until the Merged Co Board determines otherwise.

TPG's franking balance on Implementation should be available to the Merged Co post Implementation. Subject to Merged Co Board approval, the Merged Co intends to frank any Merged Co dividends to the fullest extent possible. However, no assurances can be given in relation to the level of franking of any Merged Co dividends. The franking capacity of the Merged Co will depend upon the balance of the franking account at Implementation, the amount of tax paid in the future, and other factors. The timing of payment of dividends will depend on cash reserves and other relevant considerations.

10.4.6 Rights and liabilities attaching to Merged Co shares under the Merged Co Constitution

Some important features of the proposed Merged Co Constitution to be adopted by VHA prior to Implementation are summarised in the following sub-sections.

10.4.6.1 Voting at a general meeting

At a general meeting of the Merged Co, every Merged Co Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, or on a poll, one vote for each Merged Co Share held (with adjustments made for partly paid shares).

Merged Co Shareholders are also entitled to, if the Merged Co Board allows, submit direct votes – which may be by way of post, fax or other electronic means approved by the Merged Co Board.

10.4.6.2 Meeting of Merged Co Shareholders

Each Merged Co Shareholder is entitled to receive notice of, attend and vote at general meetings of the Merged Co. As noted above, votes may be cast by Merged Co Shareholders either by poll or show of hands, and Merged Co Shareholders are entitled to demand a poll.

Merged Co must give Merged Co Shareholders at least 28 days' written notice of a general meeting.

10.4.6.3 Transfer of Merged Co Shares

Subject to the Merged Co Constitution and to any restrictions attached to a Merged Co Shareholder's Merged Co Share, Merged Co Shares may be transferred by:

- a proper transfer executed in accordance with the requirements of, and regulated by, ASX Settlement Pty Limited; or
- a written transfer in any usual form or in any other form approved by the Merged Co Board.

The Merged Co Board may, in specific instances set out in the Merged Co Constitution, decline to register, or prevent registration of a transfer of Merged Co Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the Listing Rules.

10.4.6.4 Further issue of Merged Co Shares

Subject to the Merged Co Constitution, Corporations Act, and Listing Rules, the Merged Co Board may decide to issue, allot or grant options for, or otherwise dispose of, Merged Co shares on such terms, and subject to such restrictions, as the Merged Co Board determines.

The Merged Co may also issue preference shares, including preference shares which are, or are at the option of the Merged Co or Merged Co Shareholder, liable to be redeemed or convertible to ordinary shares.

10.4.6.5 Winding up of the Merged Co

If the Merged Co is wound up, subject to the Merged Co Constitution and the rights or restrictions attached to any share or class of shares on issue in Merged Co, Merged Co shareholders will be entitled to share in any surplus property of the Merged Co in proportion to the number of shares held by them once all the Merged Co debts, liabilities, costs and expenses are paid.

If the Merged Co is wound up, the liquidator may, with the sanction of a special resolution of the Merged Co shareholders, divide the property of the Merged Co among the Merged Co shareholders and decide how the property will be divided between the Merged Co shareholders.

10.4.6.6 Non-marketable parcels

In accordance with the Listing Rules, the Merged Co Board may sell Merged Co shares that constitute less than a marketable parcel by following the procedure described in the Merged Co Constitution.

10.4.6.7 Variation of class rights

On Implementation of the Scheme, there will only be one class of Merged Co shares on issue , being the Merged Co Shares.

Under the procedure set out in the Merged Co Constitution, the Merged Co may vary the rights attached to the Merged Co Shares. Under the Merged Co Constitution, subject to the requirements of the Corporations Act and the terms of issue of any class of shares, the rights attached to any class of shares may be varied:

- with written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of the shares of the class.

10.5 Corporate governance

10.5.1 Background

This Section 10.5 explains how the Merged Co Board will oversee the management of the Merged Co. The Merged Co Board will be responsible for the overall corporate governance of the Merged Co, and accordingly will be accountable for monitoring the Merged Co's business affairs and strategic direction, establishing policies and overseeing the Merged Co's operational and financial position and performance.

The Merged Co Board will seek to ensure that the Merged Group is properly managed to protect and enhance shareholder interests within an appropriate framework of risk assessment and management, and that the directors, officers, employees and consultants of the Merged Group operate in an appropriate environment of corporate governance.

Accordingly, the VHA Board has prepared a draft framework for managing the Merged Co, which includes adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Merged Co's business and which are designed to promote the responsible management and conduct of the Merged Co.

The VHA Board has designed the corporate governance policies and practices having regard to the fourth edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**) issued by the ASX Corporate Governance Council.

The ASX Recommendations in general are not prescriptions, but guidelines. However, as a listed entity, the Merged Co will be required to report annually the extent to which it has followed the ASX Recommendations in each financial year. Where the Merged Co does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Copies of the Merged Co's charters and corporate governance policies will be published on the Merged Co's website. The charters and policies will be periodically reviewed to ensure that they are operating effectively and to determine whether any changes are required.

10.5.2 Board Charter

Before the Merged Co is listed on ASX, the VHA Board will adopt a written Board Charter to provide a framework for the effective operation of the Merged Co Board.

The Board Charter, among other things, sets out:

- the primary functions of the Merged Co Board;
- the composition of the Merged Co Board and the responsibilities of the Chairperson of the Merged Co Board and the company secretary of the Merged Co; and
- the matters which may be delegated to committees, and the quorum requirements, of the Merged Co Board.

The primary functions of the Merged Co Board, as set out in the Board Charter, include:

- to demonstrate leadership and the highest standards of professional conduct in respect of the Merged Co's affairs and instil and continually reinforce a culture across the Merged Co of acting lawfully, ethically and responsibly;
- to oversee the implementation of appropriate risk management and reporting systems, and review and monitor compliance;
- the appointment and removal, determining the remuneration, and planning for the succession, of the Chief Executive Officer of the Merged Co and monitoring his/her performance;
- to review and approve the Merged Co's strategic business plans and financial objectives and agree with management appropriate performance indicators and monitor performance against the agreed plans, objectives and indicators; and
- the approval and monitoring of major capital expenditure, capital management and strategic acquisitions and divestitures.

The Board Charter allows the Merged Co Board to delegate powers and responsibilities to committees established by the Merged Co Board, unless those matters are specifically reserved for the Merged Co Board.

At any time while FIRB conditions apply to VHA, a quorum for any meeting of the Merged Co Board or a committee of the Merged Co Board must satisfy the following requirements:

- at least one of the independent directors on the board of Merged Co must be able to vote on the decision at the meeting; and
- no more than 50% of the members able to vote on the decision at the meeting are directors nominated or appointed by the VHA Shareholders.

10.5.3 Board committees

The Merged Co Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. In this regard, before the Merged Co is listed on ASX, the VHA Board will establish an Audit & Risk Committee and a Governance, Remuneration and Nomination Committee.

Other committees may be established by the Merged Co Board as and when required. Membership of the Merged Co Board committees will be based on the needs of the Merged Co, relevant legislative or other requirements and the skill and experience of individual directors.

10.5.3.1 Audit & Risk Committee

Before the Merged Co is listed on ASX, the VHA Board will establish an Audit & Risk Committee to assist in the oversight and review of the financial, operational and risk management of the Merged Co's activities.

The Audit & Risk Committee will have responsibility for ensuring the integrity of the financial reporting process, the risk management system, internal reporting and controls, management of strategic and major financial and operational risks, and the external audit process based on sound principles of accountability, transparency and responsibility.

The Audit & Risk Committee will be comprised of at least three non-executive directors. Two of the members will be independent directors, and the Committee will be chaired by an independent director. Upon Implementation of the Scheme, the Audit & Risk Committee will be comprised of Arlene Tansey and Dr Helen Nugent as independent directors of the Merged Co and the other member will alternate between Pierre Klotz and Frank Sixt who will hold the position for 12 month periods while the other will be an observer at the Audit & Risk Committee meetings. Pierre Klotz will be the member for the first 12 month period and Frank Sixt will be the observer. The chair of the Audit & Risk Committee will be Arlene Tansey.

10.5.3.2 Governance, Remuneration and Nomination Committee

Before the Merged Co is listed on ASX, the VHA Board will establish a Governance, Remuneration and Nomination Committee. This committee will assist the Merged Co Board in fulfilling its responsibilities for corporate governance and oversight of the Merged Co's nomination and remuneration policies and practices.

It will be responsible for:

- overseeing corporate governance practices within the Merged Co;
- considering the nomination of directors;
- considering the compensation paid to directors and the Merged Co's policies on compensation to employees and other human resources policies and procedures of the Merged Co; and
- making recommendations for senior executive remuneration to the Merged Co Board, and overseeing that the Merged Co's employee incentive plans from time to time are properly implemented.

The Governance, Remuneration and Nomination Committee will be comprised of at least 3 non-executive directors. The Committee will be chaired by an independent director. Upon Implementation of the Scheme, the Governance, Remuneration and Nomination Committee will be comprised of Arlene Tansey and Dr Helen Nugent as independent directors of the Merged Co and David Teoh, Canning Fok and Diego Massidda as non-executive directors of the Merged Co. The chair of the Governance, Remuneration and Nomination Committee will be Dr Helen Nugent.

10.5.4 Corporate governance policies

10.5.4.1 Code of Conduct

Before the Merged Co is listed on ASX, the VHA Board will adopt a Code of Conduct which establishes the ethical standards of conduct and behaviour expected of the directors, officers, employees and contractors of the Merged Co.

This ethical framework seeks to encourage an environment of professionalism where appropriate standards are maintained in the interests of the Merged Co and its shareholders.

The Code of Conduct is designed to:

- foster ethical and professional behaviour throughout the Merged Co;
- promote a fair, safe and productive environment, and equal opportunity, for all employees;
- ensure that individuals comply with laws and regulations that apply to the Merged Co; and
- ensure that there is an appropriate mechanism for employees to report conduct which breaches the Code of Conduct.

10.5.4.2 Securities Trading Policy

Before the Merged Co is listed on ASX, the VHA Board will adopt a Securities Trading Policy which will apply to the directors, senior executives, employees and consultants of the Merged Co.

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in securities of the Merged Co that is prohibited under the Corporations Act and establish procedures in relation to individuals dealing in securities of the Merged Co.

Subject to certain exceptions, including severe financial hardship, the Securities Trading Policy defines certain "window periods" during which trading in securities of the Merged Co is prohibited. Those window periods are currently defined as any of the following periods:

- the one month period following the release of the Merged Co's half yearly and annual results to the ASX;
- the one month period following the Merged Co's annual general meeting; and
- any other period that the chair of the Merged Co Board specifies from time to time.

Outside these window periods, directors and senior executives must obtain written acknowledgement for any proposed dealing.

The Securities Trading Policy further provides that directors and senior executives must not engage in short-term or speculative trading in securities of the Merged Co.

Any director or senior executive who enters into margin lending arrangements or otherwise encumbers their securities in the Merged Co is required to provide details of those arrangements to the designated officer of the Merged Co.

In all instances, dealing in securities of the Merged Co is not permitted at any time by any individual who possesses "inside information" (as that term is defined in the Corporations Act).

10.5.4.3 Market Disclosure Policy

Before the Merged Co is listed on ASX, the VHA Board will adopt a Market Disclosure Policy to help ensure that the Merged Co complies with its continuous disclosure requirements under the Listing Rules and the Corporations Act by the timely, accurate and balanced disclosure of material information to ensure an efficient and informed securities market.

In addition, the Market Disclosure Policy establishes responsibility and accountability for compliance by the Merged Co with its continuous disclosure requirements and defines the lines of communication necessary to support such compliance.

The Market Disclosure Policy also sets out procedures for communicating with shareholders, the media and the market. The Market Disclosure Policy requires that market-sensitive information is first disclosed to the ASX before being communicated to external parties.

10.5.4.4 Shareholder Communications Policy

Before the Merged Co is listed on ASX, the VHA Board will adopt a Shareholder Communications Policy to help ensure that communication with shareholders, other stakeholders and the investment community generally is timely, transparent, accurate and open. The Shareholder Communications Policy is designed to encourage and facilitate participation at the Merged Co's general meetings and to deal promptly with the enquiries of shareholders and other stakeholders.

All information disclosed to the ASX will be promptly made available to shareholders (and other stakeholders) on the Merged Co's website. Information will also be sent to shareholders electronically at their registered email address where they have not elected to receive such communications by post.

10.5.4.5 Diversity Policy

The Merged Co acknowledges that each workforce is made up of many different individuals with unique skills, values, backgrounds and experiences. The Merged Co values diversity and recognises the organisational strength, problem solving ability and innovative approach that diversity brings. In order to attract and retain a diverse workforce and customer base, the Merged Co is committed to providing an environment in which all employees are treated with fairness, respect and have equal access to opportunities available at work.

Before the Merged Co is listed on ASX, the VHA Board will adopt a Diversity Policy which outlines the Merged Co's commitment to encouraging and promoting diversity and facilitating a culture which encourages diversity.

10.5.5 FIRB governance conditions

FIRB and the Treasurer have provided VHA with a no objection notice in relation to the Scheme and the Restructure, subject to VHA, the VHA Shareholders and certain upstream shareholders of VHA including VOD and CKHH (collectively referred to in this Section 10.5.5 as the **Regulated Shareholders**) complying with certain conditions. Some conditions as they apply to VHA and the Regulated Shareholders impact on the governance of Merged Co and are summarised below:

- at least two members on the Merged Co Board must be independent directors and have no less than 5 years' experience in the telecommunications or information security sectors, or on audit committees or in board roles sufficient to enable them to assess risk;
- at least half of the members of the Merged Co Board must be either Australian citizens or Australian residents for tax purposes;
- directors on the Merged Co Board nominated or appointed by, or employees or officers of, a Regulated Shareholder group company (**Regulated Shareholder Director**) cannot comprise more than 50% of the Merged Co Board;
- an independent director must fulfil the role of 'senior independent director' at any time when the chair of the Merged Co Board is not an Australian citizen or is a Regulated Shareholder Director. The senior independent director's role includes being a voice for shareholders and independent directors to raise issues relating to the performance of the chair and executive management respectively, and fulfilling the role of chair of meetings of the Merged Co Board when the chair is conflicted;
- for a quorum to be taken to exist in relation to a meeting of the Merged Co Board:
  - at least one of the independent directors must be able to vote at the meeting;
  - Regulated Shareholder Directors cannot comprise more than 50% of the members of the Merged Co Board able to vote at the meeting; and
  - the chair of the meeting does not have a second or casting vote; and
- the Merged Co Board cannot delegate powers to:
  - a Regulated Shareholder group company:
  - any person who is a director, employee or representative of a Regulated Shareholder group company: or
  - a committee of the Merged Co Board unless independent directors comprise a majority, or Regulated Shareholder Directors comprise no more than 50% of the committee.

10.5.6 CFIUS governance and shareholding conditions

For the purpose of the approval from CFIUS in respect of the Merger, and in accordance with the terms of the NSA, CKHH has agreed that:

- at no time after Implementation, shall CKHH directly, or indirectly through its Affiliates and subsidiaries, hold in the aggregate equity or ownership interests in Merged Co that exceed 25.05% on a fully diluted basis; and
- it will not, and will procure that its subsidiaries and Affiliates do not:
  - nominate any CKHH Associate as a director on the Merged Co Board if the appointment of that nominee would result in CKHH Associates:
    - constituting more than 20% of the total number of directors on the Merged Co Board; or
    - having more than 20% of the aggregate number of votes on the Merged Co Board; and
  - vote its shares (if any) in Merged Co to approve the appointment of a CKHH Associate to the Merged Co Board if the appointment of such CKHH Associate would result in CKHH Associates exceeding 20% of the members, or 20% of the voting power, of the Merged Co Board.

The conditions imposed on CKHH referred to above will automatically terminate if the NSA is terminated in accordance with its terms or CKHH is no longer bound by the terms of the NSA.

10.6 Merged Group financing arrangements

As at the date of this Scheme Booklet, VHA has obtained binding conditional commitments from a syndicate of external lenders in relation to the new debt facilities for the Merged Group. The debt facilities will comprise a $2.57 billion three year term loan, a $1.72 billion five year term loan and a $960 million revolving loan facility and will be available to draw subject to satisfaction of customary conditions.

The facilities will be provided by a syndicate of Australian and international banks with Australia and New Zealand Banking Group Limited as the Facility Agent.

The facilities will be governed by a Syndicated Facility Agreement in a form that has been negotiated and agreed between VHA, TPG and the syndicate of banks (**2020 SFA**). The 2020 SFA will be entered into by the parties to it prior to the Second Court Date. In order for the VHA Group to complete the Restructure, VHA intends to make the first of two partial drawdowns under the 2020 SFA of $2,262.7 million (comprising the VHA Target Net Debt of $2,236 million plus upfront borrowing costs of approximately $26.7 million) following the Second Court Date and prior to Implementation of the Scheme. For further information regarding the pre-Implementation Restructure, see Section 9.16.

Immediately following Implementation of the Scheme, VHA (which at that time will be Merged Co) intends to make the second of two partial drawdowns under the 2020 SFA of an additional $2,508 million (comprising the TPG Target Net Debt) and use those funds to repay TPG's existing debt facilities.

The 2020 SFA will be supported by guarantees from certain of VHA's wholly-owned Subsidiaries. TPG and certain of its Subsidiaries are required to accede as guarantors under the facilities within a specified timeframe under the terms of the 2020 SFA. Otherwise, the facilities will be provided on an unsecured basis.

Under the terms of the 2020 SFA, various affirmative and negative covenants are imposed on the Merged Group, including restrictions on encumbrances and customary events of default, including a payment default, breach of covenants, cross-default and insolvency events.

In addition, the Merged Group is subject to certain customary financial covenants measured on a six-monthly basis commencing 30 June 2021.

Each entity that is a party to or has acceded to the 2020 SFA as a guarantor will, among other things, provide a guarantee and indemnity and assume joint and several liability for all amounts outstanding under such debt facilities, make certain representations and be bound by various positive and negative covenants included in those debt facilities.

10.7 Share capital and other securities of the Merged Co

10.7.1 Share capital

Prior to the Second Court Date, VHA will pass a resolution to undertake a share consolidation to ensure that, upon Implementation, Scheme Shareholders will hold 49.9% of the Merged Co and VHA Shareholders will hold 50.1% of the Merged Co.

If the Scheme is Implemented, VHA (which from Implementation is also described as the Merged Co) will issue 927,811,493 VHA Shares to Scheme Shareholders.

Immediately following Implementation, the number of Merged Co Shares on issue will be 1,859,341,669 and the Merged Co will have no other securities on issue.

The numbers of VHA Shares and Merged Co Shares referred to in this Section 10.7 are calculated on the basis that existing TPG Shares are transferred to the holders of the TPG Performance Rights and no new TPG Shares are issued (refer to Section 13.1.9 and Section 13.8).

10.7.2 Shareholder structure

Upon Implementation of the Scheme, Scheme Shareholders will own 49.9% of the Merged Co, with VHA Shareholders owning the remaining 50.1%.

Based on their respective shareholdings in VHA and TPG as at the Last Practicable Date and following the expected transfer of certain VHA Shares to JVCo shortly after Implementation of the Scheme, it is expected that the holders of 5% or more of the issued capital of the Merged Co will be:

Shareholder	% of capital controlled
Mr David Teoh and associates	17.12%
Washington H Soul Pattinson and Company Limited	12.61%
Entities associated with VOD and HTAL	50.1% as described in further detail below: • VOL (a wholly-owned Subsidiary of VOD): at least 5.55%[2] • H3GAH (a wholly-owned Subsidiary of HTAL): at least 5.55%[2] • JVCo: no more than 39%[2]

10.8 Merged Group Pro Forma Historical Financial Information

10.8.1 Overview

This Section 10.8 contains the following pro forma financial information in respect of the Merged Group:

- pro forma historical consolidated income statement of the Merged Group (**Merged Group Pro Forma Historical Income Statement**);
- pro forma historical consolidated statement of financial position of the Merged Group (**Merged Group Pro Forma Historical Statement of Financial Position**); and
- pro forma historical consolidated statement of cash flows of the Merged Group (**Merged Group Pro Forma Historical Statement of Cash Flows**),

(together, the **Merged Group Pro Forma Historical Financial Information**).

The Merged Group Pro Forma Historical Financial Information should be read together with the:

- basis of preparation as set out in Section 10.8.2;
- risk factors set out in Section 12;
- financial information of VHA and TPG as set out in Sections 9.13 and 8.12 respectively; and
- other information contained in this Scheme Booklet.

2. Depending on the outcome of the Restructure, the individual shareholdings of VOL, H3GAH and JVCo in the Merged Co described above may vary (see Section 9.16 for further detail on the Restructure). In any event:
   - VOD and its Subsidiaries will have a look-through economic interest of 25.05% in the Merged Co, because VOL will hold an interest in the Merged Co directly, and another wholly-owned Subsidiary of VOD will own 50% of JVCo; and
   - HTAL and its Subsidiaries will have a look-through economic interest of 25.05% in the Merged Co because H3GAH will hold an interest in the Merged Co directly and own 50% of JVCo.

   For completeness, the aggregate shareholding in the Merged Co of VOD (and its Subsidiaries), HTAL (and its Subsidiaries) and JVCo will, after Implementation and following completion of the Restructure and the expected transfer of certain VHA Shares to JVCo, be 50.1%.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

KPMG Transaction Services has been appointed as the Investigating Accountant to prepare an Investigating Accountant's Report in respect of the Merged Group Pro Forma Historical Financial Information, a copy of which is included in Annexure B.

10.8.2 Basis of preparation

The Merged Group Pro Forma Historical Financial Information set out in this Section 10.8 has been prepared for illustrative purposes to provide TPG Shareholders with an indication of the financial performance, financial position and cash flow of the Merged Group as if the Scheme had been implemented prior to 1 January 2019 in respect of the financial performance and cash flow, and prior to 31 December 2019 in respect of the financial position. The Merged Group Pro Forma Historical Financial Information does not reflect the actual financial performance, financial position or cash flow of the Merged Group at the time of Implementation. It has been prepared for illustrative purposes only for this Scheme Booklet.

The Merged Group Pro Forma Historical Financial Information presented in this Section 10.8 is based on the:

- audited or reviewed TPG historical financial information as at, and for the 12 months ended, 31 January 2020 (presented in Section 8.12);
- audited VHA historical financial information as at, and for the financial year ended, 31 December 2019 (presented in Section 9.13); and
- pro forma adjustments described in Sections 10.8.4, 10.8.7 and 10.8.10 (**Pro Forma Adjustments**).

The VHA historical financial information presented in this Section 10.8 has been derived from the consolidated financial statements of VHA for the financial year ended 31 December 2019. The consolidated financial statements of VHA for the financial year ended 31 December 2019 were audited by PwC in accordance with Australian Auditing Standards, and on which PwC provided an unqualified audit opinion. The historical financial information of VHA has been prepared in accordance with the significant accounting policies described in the consolidated financial statements of VHA for the financial year ended 31 December 2019.

The TPG historical financial information as at, and for the 12 months ended, 31 January 2020 presented in this Section 10.8 has been compiled and derived from the:

- reviewed consolidated financial statements of TPG for the half year ended 31 January 2020, including the comparative financial statements of TPG for the half year ended 31 January 2019; and
- audited consolidated financial statements of TPG for the financial year ended 31 July 2019.

The consolidated financial statements of TPG for the financial year ended 31 July 2019 were audited by KPMG in accordance with Australian Auditing Standards, and on which KPMG provided an unqualified audit opinion. The consolidated financial statements of TPG for the half year ended 31 January 2020 (including the comparative financial statements for the half year ended 31 January 2019) were reviewed by KPMG in accordance with Australian Auditing Standards, and on which KPMG provided an unqualified review opinion. The historical financial information of TPG has been prepared in accordance with the significant accounting policies described in the consolidated financial statements of TPG for the year ended 31 July 2019, with the exception of the adoption of AASB 16 *Leases* which only applied from 1 August 2019. See Section 10.8.2.3 for further details in respect of the treatment of AASB 16 for the purposes of the Merged Group Pro Forma Historical Financial Information.

It should be noted that the Merged Group Pro Forma Historical Financial Information reflects the aggregation of financial information from different periods (to 31 January 2020 for TPG and to 31 December 2019 for VHA), as VHA has a financial year end of 31 December whilst TPG has a financial year end of 31 July. In respect of the Pro Forma Adjustments relating to eliminations of intercompany transactions between VHA and TPG (intercompany eliminations), this timing difference does not have a material impact on the Merged Group Pro Forma Historical Financial Information.

The Merged Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, other than that it is presented on a pro forma basis as if Implementation of the Scheme had already occurred. The Merged Group Pro Forma Historical Financial Information is presented in abbreviated form and consequently does not contain all the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

In preparing the Merged Group Pro Forma Historical Financial Information, TPG and VHA have undertaken a review to identify significant accounting policy differences where the impact to the Merged Group is potentially material and could be reliably estimated. TPG and VHA have identified and estimated several accounting policy Pro Forma Adjustments as outlined in Sections 10.8.4, 10.8.7 and 10.8.10 to align TPG's policies with those of VHA. Other than these Pro Forma Adjustments, no material accounting policy differences that are able to be reliably estimated have been identified.

10.8.2.1 Basis of pro forma consolidation

From an accounting perspective VHA will gain control over TPG and therefore, under AASB 3 *Business Combinations* (**AASB 3**), the Merged Group will be required to recognise the identifiable net assets of TPG at fair value within the Merged Group's financial statements. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets of TPG will be recognised as goodwill.

Under AASB 3, the Merged Group will have 12 months from the date of VHA gaining control over TPG to undertake a purchase price allocation exercise to determine the fair value of goodwill and identifiable assets (including intangible assets) and liabilities related to the acquisition of TPG. As at the date of this Scheme Booklet, it is not possible to reliably determine the fair values of the acquired assets and liabilities of TPG. For the purposes of preparing the Merged Group Pro Forma Historical Statement of Financial Position, the difference between TPG's market capitalisation at the Last Practicable Date and TPG's net assets at 31 January 2020 has been reflected as a single pro forma adjustment to the "intangible assets" line. Subsequent to Implementation, the actual determination of the fair values of goodwill, and identifiable assets and liabilities acquired, may differ to those values presented in the Merged Group Pro Forma Historical Statement of Financial Position.

As the purchase price allocation exercise has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise, which has not been reflected in the Merged Group Pro Forma Historical Income Statement. The quantum of any additional amortisation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation exercise.

For the purpose of preparing the Merged Group Pro Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of the Merged Group's tax cost bases following the acquisition. However, it is likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Merged Group Pro Forma Historical Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Merged Group Pro Forma Historical Statement of Financial Position.

As at 31 December 2019, VHA had $4,356 million of carried forward tax losses, with a potential future tax benefit of $1,307 million (at an assumed tax rate of 30%). No deferred tax asset had been recognised in the VHA consolidated financial statements for the financial year ended 31 December 2019 in relation to these unused tax losses as testing is yet to occur to determine whether the tax losses will be able to be utilised in the future.

Subsequent to VHA obtaining control over TPG, it is anticipated that the Merged Group will derive taxable income in future years, and will therefore seek to utilise carried forward tax losses.

However, the ability to utilise these tax losses will be subject to confirmation that the Merged Group satisfies either the Continuity of Ownership Test (**COT**) or the Business Continuity Test (**BCT**) in the *Income Tax Assessment Act 1997* (Cth). As the satisfaction of COT and BCT will need to be tested at a future point in time when the Merged Group plans to utilise the tax losses, no deferred tax asset has been recognised, nor a resulting tax benefit assumed, for the purposes of preparing the Merged Group Pro Forma Historical Financial Information.

10.8.2.2 Items not reflected in the Merged Group Pro Forma Historical Financial Information

As detailed above, the Merged Group Pro Forma Historical Financial Information is provided for illustrative purposes only.

The Merged Group Pro Forma Historical Financial Information presented in this Section 10.8 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Merged Group.

It is likely that the actual financial performance, financial position and cash flows of the Merged Group in future periods will differ from the Merged Group Pro Forma Historical Financial Information presented in this Section 10.8. The factors which may impact the actual financial performance, financial position or cash flows of the Merged Group include but are not limited to:

- trading of TPG after 31 January 2020, and VHA after 31 December 2019, which is not reflected in the historical financial information of TPG and VHA;
- the risk factors set out in Section 12, including any financial impact of COVID-19;
- the ultimate timing of Implementation;
- finalisation of the acquisition accounting, including determining appropriate purchase price allocation, including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards;
- finalisation of the resetting of the tax cost bases of TPG following Implementation, including recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards;
- the impact of VHA tax losses that may potentially be available to the Merged Group;
- transaction costs incurred by VHA and TPG in relation to the Scheme (noting that the impact of capitalised up-front borrowing costs in relation to the new debt facilities are reflected in the Merged Group Pro Forma Historical Income Statement and the Merged Group Pro Forma Historical Statement of Financial Position);
- the ultimate timing and realisation of synergies and business improvements (and associated costs) arising from the combination of TPG and VHA; and
- current and future changes to accounting standards (see Section 10.8.2.3 below).

10.8.2.3 Changes to Accounting Standards

Three new accounting standards have recently been implemented by TPG and VHA as follows:

- AASB 15 *Revenue from Contracts with Customers* (**AASB 15**), effective for VHA from 1 January 2018 and TPG from 1 August 2018;
- AASB 9 *Financial Instruments* (**AASB 9**), effective for VHA from 1 January 2018 and TPG from 1 August 2018; and
- AASB 16 *Leases* (**AASB 16**), effective for VHA from 1 January 2019 and TPG from 1 August 2019.

Accordingly, the TPG historical financial information and VHA historical financial information, upon which the Merged Group Pro Forma Historical Financial Information in based, have been consistently prepared subsequent to the adoption of AASB 15 and AASB 9 in both cases.

In respect of AASB 16, VHA had adopted this new accounting standard for the year ended 31 December 2019. Whilst TPG had adopted AASB 16 for the half year ended 31 January 2020, the financial statements for the periods prior do not reflect the adoption of AASB 16. Accordingly, a pro forma adjustment has been made to TPG's historical financial information for the half year period to 31 July 2019 to present the Merged Group Pro Forma Historical Financial Information on a consistent post-AASB 16 basis (see Section 10.8.4).

10.8.3 Merged Group Pro Forma Historical Income Statement

The Merged Group Pro Forma Historical Income Statement is presented in Table 22 below.

Table 22: Merged Group Pro Forma Historical Income Statement

$m	TPG 12 months ended 31 January 2020[1]	VHA Year ended 31 December 2019	Intercompany eliminations[2] (A)	Capital structure[3] (B)	Other[4] (C)	Merged Group Pro Forma Historical Income Statement
Revenue[5]	2,488.1	3,523.4	(108.5)	–	5.9	5,908.9
Network, carrier and hardware costs	(1,300.0)	(1,796.7)	51.3	–	13.1	(3,032.3)
Employee benefits expense	(223.4)	(232.3)	–	–	1.9	(453.8)
Other expenses	(168.7)	(315.7)	–	0.1	38.2	(446.1)
EBITDA[6]	**796.0**	**1,178.7**	**(57.2)**	**0.1**	**59.1**	**1,976.7**
Impairment of spectrum and mobile assets	(9.4)	–	–	–	9.4	–
Depreciation of plant and equipment and right of use assets	(142.3)	(672.3)	39.2	–	(23.2)	(798.6)
Amortisation of intangibles	(183.9)	(349.0)	–	–	(15.4)	(548.3)
Results from operating activities	**460.4**	**157.4**	**(18.0)**	**0.1**	**29.9**	**629.8**
Net financing costs[7]	(70.3)	(436.7)	31.5	267.7	(1.5)	(209.3)
Profit before income tax	**390.1**	**(279.3)**	**13.5**	**267.8**	**28.4**	**420.5**
Income tax expense	(117.8)	–			(9.2)	(127.0)
Net profit/(loss) after tax	**272.3**	**(279.3)**				**293.5**
Net profit attributable to non-controlling interest[8]	1.8					1.8
Net profit/(loss) attributable to members of the company	**270.5**					**291.7**

1. The TPG income statement for the 12 months to 31 January 2020 includes pre-AASB 16 financial information for the half year to 31 July 2019 and post-AASB 16 financial information for the half year to 31 January 2020. This difference is the subject of a pro forma adjustment (see Section 10.8.4.3 below) to present the Merged Group Pro Forma Income Statement on a consistent post-AASB 16 basis.
2. Refer to Section 10.8.4.1 for an explanation of adjustment (A).
3. Refer to Section 10.8.4.2 for an explanation of adjustment (B).
4. Refer to Section 10.8.4.3 for an explanation of adjustment (C).
5. Total revenue excludes interest income which is presented within net financing costs above.
6. EBITDA is reported earnings/(losses), before interest income or expense, impairment, depreciation and amortisation and income tax expense.
7. Net financing costs include finance costs less interest income.
8. TPG holds a 60% interest in the 'The Tech2 Group Pty Limited' entity. In accordance with Australian Accounting Standards, TPG currently consolidates 100% of these results. The non-controlling interest represents the 40% of these results not owned by TPG.

10.8.4 Pro Forma Adjustments – Merged Group Pro Forma Historical Income Statement

10.8.4.1 Adjustment (A) – Intercompany eliminations

The adjustment reflects the impact of eliminating intercompany transactions between TPG and VHA as follows:

- **VHA Dark Fibre Agreement transactions:** TPG is contracted by VHA to provide VHA with fibre backhaul to approximately 3,000 VHA mobile network sites. Each link is leased by VHA for a period of 15 years. Each company applies a different accounting treatment to this contract, whereby TPG accounts for the arrangement as a service contract, and VHA accounts for the arrangement as a lease. The pro forma adjustment eliminates $57.2 million of revenue recognised by TPG, and $39.2 million of depreciation and $31.5 million of finance costs recognised by VHA;
- **MVNO transactions:** TPG has an MVNO agreement with VHA, whereby TPG sells mobile services to customers through the VHA mobile network. VHA generates revenue and TPG records expenditure in relation to the MVNO arrangement. This pro forma adjustment eliminates $49.4 million of VHA revenue with a corresponding elimination of $49.4 million of TPG network, carrier and hardware costs; and
- **Other:** this pro forma adjustment eliminates various other intercompany transactions (such as interconnect arrangements), resulting in a $1.9 million reduction in revenue and corresponding $1.9 million reduction in network, carrier and hardware costs.

10.8.4.2 Adjustment (B) – Capital structure

As part of the Implementation, the Merged Group's capital structure will change (see Section 10.8.7.2 in respect of the Merged Group Pro Forma Historical Statement of Financial Position). The capital structure pro forma adjustment in respect of the Merged Group Pro Forma Income Statement reflects the following:

- **Removal of standalone net financing costs of TPG and VHA:** this pro forma adjustment eliminates an aggregate $387.1 million in net financing costs historically incurred by TPG and VHA in relation to their respective standalone capital structures;
- **Removal of unrealised foreign exchange losses of VHA:** this pro forma adjustment eliminates $0.1 million in unrealised foreign exchange losses recognised in relation to VHA's existing capital structure; and
- **Addition of Merged Group net financing costs under the new capital structure:** the pro forma interest expense of $119.4 million is based on a Merged Group pro forma net debt position of $4,770.7[9] million (see Section 10.6) and an estimated interest rate of 2.52% per annum.

10.8.4.3 Adjustment (C) – Other

Other pro forma adjustments comprise the following:

- **Removal of TPG Singapore:** prior to Implementation, TPG intends to separate the TPG Singapore business from TPG by way of an in-specie dividend distribution of Singapore Co Shares to TPG Shareholders. Accordingly, Singapore Co and TPG Singapore will not form part of the Merged Group subsequent to Implementation. This pro forma adjustment removes $1.1 million of revenue, $0.3 million of network, carrier and hardware costs, $1.9 million of employee expenses, $2.2 million of other expenses, and $0.6 million of depreciation recognised by TPG in respect of the TPG Singapore operational results for the 12 months to 31 January 2020;
- **Alignment of certain accounting policies and practices:**
  - **AASB 16:** TPG adopted AASB 16 for the half year period to 31 January 2020. This pro forma adjustment adjusts the TPG financial information for the half year period to 31 July 2019 to present the Merged Group Pro Forma Historical Income Statement on a consistent post-AASB 16 basis. The pro forma adjustment recognises a $4.4 million decrease in network, carrier and hardware costs, a $5.9 million decrease in other expenses, a $9.4 million increase in depreciation and a $1.5 million increase in net financing costs; and

9. Pro forma net debt includes debt contribution to Merge Co as contemplated or agreed under the Scheme Implementation Deed, which includes $4.0bn of debt contribution (as announced on 30 August 2018) plus subsequent payments made by TPG and VHA to fund the acquisition of 700MHz and 3.6GHz spectrum payments. The anticipated pro forma drawn net debt at Implementation assumes a nil TPG Working Capital Adjustment and nil VHA Working Capital Adjustment, and is presented before the impact of any net cashflows of VHA and TPG between the Locked Box Date and Implementation.

- **Reclassification of amortisation of capitalised costs:** historically, TPG amortised specific capitalised costs through revenue and network, carrier and hardware costs. This pro forma adjustment reclassifies amortisation reflected in revenue and network, carrier and hardware costs to amortisation expense (below EBITDA) in line with VHA's accounting policy. This results in a $7.0 million increase in revenue, an $8.4 million decrease in network, carrier and hardware costs, and a corresponding $15.4 million increase in amortisation expense.

- **Impairment adjustment:** the following pro forma adjustments have been made for the purposes of the Merged Group Pro Forma Historical Income Statement:
  - **Reversal of impairment recognised by TPG:** this pro forma adjustment reflects the reversal of an impairment expense of $9.4 million in relation to mobile network assets ($8.7 million) and other intangibles ($0.7 million) recognised by TPG during the half year period ended 31 July 2019. This pro forma adjustment is recognised on the basis that the conditions that triggered the diminution of economic benefit and consequently the impairment charge in respect of these assets to TPG as a standalone entity would not have been applicable to the Merged Group; and
  - **Incremental depreciation charge:** this pro forma adjustment reflects the incremental depreciation in relation to the mobile network assets ($14.4 million) on the basis that, in the absence of any impairment, the Merged Group would have commenced use of the mobile network assets from the installation date;
- **Transaction costs:** the Merged Group Pro Forma Historical Income Statement has been prepared on the basis that Implementation and associated costs had occurred prior to the commencement of the period. Accordingly a pro forma adjustment has been made to exclude $30.1 million of transaction costs incurred in the period; and
- **Income tax expense:** an effective tax rate of 30% has been assumed for the purposes of the pro forma adjustments reflected in the Merged Group Pro Forma Historical Income Statement. Due to permanent differences that exist, the actual effective tax rate of the Merged Group subsequent to Implementation may be different to 30%.

10.8.5 Items not reflected in the Merged Group Pro Forma Historical Income Statement

The Merged Group Pro Forma Historical Income Statement has not been adjusted to reflect:

- the trading of TPG after 31 January 2020, or VHA after 31 December 2019;
- the ultimate timing and realisation of any potential synergies or business improvements (and associated costs) arising from the combination of TPG and VHA;
- transaction costs incurred by VHA and TPG in relation to the Scheme;
- any transaction costs incurred during the capital structure refinancing, including any potential costs associated with the termination of the existing debt financing arrangements or closing out of hedging arrangements entered into in relation to the current capital structure (noting that the amortisation of capitalised upfront borrowing costs in respect of the new debt facilities are reflected in the Merged Group Pro Forma Historical Income Statement);
- additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of Implementation of the Scheme and the finalisation of the purchase price allocation exercise; and
- any potential tax impact which may arise as a result of Implementation of the Scheme including finalisation of resetting of tax cost bases of assets, recognition of historical deferred tax assets not previously recognised by VHA, and the finalisation of the accounting for the acquisition.

10.8.6 Merged Group Pro Forma Historical Statement of Financial Position

The Merged Group Pro Forma Historical Statement of Financial Position is presented in Table 23 below.

Table 23: Merged Group Pro Forma Historical Statement of Financial Position

$m	TPG 31 January 2020	VHA 31 December 2019	Intercompany eliminations[1] (A)	Capital structure[2] (B)	Other[3] (C)	Merged Group Pro Forma Historical Income Statement of Financial Position
Cash and cash equivalents	76.0	733.6	–	(805.8)	(3.8)	–
Trade and other receivables	129.6	390.8	(18.3)	–	(2.4)	499.7
Deferred contract costs	5.9	–	–	–	–	5.9
Inventories	6.9	103.0	–	–	(0.1)	109.8
Derivative financial instruments[4]	0.7	129.4	–	(129.4)	–	0.7
Prepayments and other assets	23.3	64.4	–	17.4	–	105.1
Total current assets	**242.4**	**1,421.2**	**(18.3)**	**(917.8)**	**(6.3)**	**721.2**
Trade and other receivables	–	77.2	–	–	(0.7)	76.5
Investments	0.3	–	–	–	–	0.3
Deferred contract costs	6.5	–	–	–	–	6.5
Derivative financial instruments[4]	0.2	–	–	–	–	0.2
Property, plant and equipment	1,461.5	1,864.5	–	–	(169.1)	3,156.9
Right of use asset	84.6	1,453.8	(491.6)	–	–	1,046.8
Spectrum assets[5]	1,280.8	1,161.1	–	–	(144.4)	2,297.5
Goodwill and other Intangible assets	2,341.8	2,768.0	–	–	3,677.0	8,786.8
Deferred tax assets (net)	45.1	–	–	–	187.6	232.7
Prepayments and other assets	6.3	–	–	–	–	6.3
Total non-current assets	**5,227.1**	**7,324.6**	**(491.6)**	**–**	**3,550.4**	**15,610.5**
Total assets	**5,469.5**	**8,745.8**	**(509.9)**	**(917.8)**	**3,544.1**	**16,331.7**

1. Refer to Section 10.8.7.1 for an explanation of adjustment (A).
2. Refer to Section 10.8.7.2 for an explanation of adjustment (B).
3. Refer to Section 10.8.7.3 for an explanation of adjustment (C).
4. TPG derivative financial instruments balances ($0.7 million current and $0.2 million non-current) are presented within 'Prepayments and other assets' ($24.0 million current and $6.5 million non-current) in the TPG Historical Statement of Financial Position disclosed in Section 8.12.6.
5. VHA spectrum assets ($1,161.1 million), and VHA goodwill and other intangible assets ($2,768.0 million), are presented as 'Intangible assets' ($3,929.1 million) in the VHA Historical Statement of Financial Position disclosed in Section 9.13.8.

$m	TPG 31 January 2020	VHA 31 December 2019	Intercompany eliminations[1] (A)	Capital structure[2] (B)	Other[3] (C)	Merged Group Pro Forma Historical Income Statement of Financial Position
Trade and other payables	301.4	1,047.8	(18.3)	(80.0)	(10.4)	1,240.5
Loans and borrowings[6]	21.2	5,254.9	–	(5,274.4)	–	1.7
Lease liabilities	25.5	84.1	(27.9)	–	–	81.7
Current tax liabilities	10.4	–	–	–	–	10.4
Provisions[7]	41.0	24.5	–	–	–	65.5
Derivative financial instruments	–	0.8	–	–	–	0.8
Deferred income and other liabilities[8]	160.7	215.1	–	–	–	375.8
Total current liabilities	**560.2**	**6,627.2**	**(46.2)**	**(5,354.4)**	**(10.4)**	**1,776.4**
Loans and borrowings[9]	1,771.3	1,742.7	–	1,258.4	–	4,772.4
Lease liabilities	76.5	1,544.2	(547.0)	–	–	1,073.7
Provisions[7]	31.2	21.8	–	–	–	53.0
Deferred income and other liabilities	26.4	12.3	–	–	(0.2)	38.5
Total non-current liabilities	**1,905.4**	**3,321.0**	**(547.0)**	**1,258.4**	**(0.2)**	**5,937.6**
Total liabilities	**2,465.6**	**9,948.2**	**(593.2)**	**(4,096.0)**	**(10.6)**	**7,714.0**
Net assets	**3,003.9**	**(1,202.4)**	**83.3**	**3,178.2**	**3,554.7**	**8,617.7**
Share capital	1,465.2	6,046.9			8,348.6	15,860.7
Reserves	(51.5)	(0.8)			51.5	(0.8)
Retained earnings / (accumulated losses)	1,583.9	(7,248.5)			(1,583.9)	(7,248.5)
Equity attributable to owners of the company	**2,997.6**	**(1,202.4)**				**8,611.4**
Non-controlling interest[10]	6.3	–				6.3
Total equity	**3,003.9**	**(1,202.4)**				**8,617.7**

6. The $21.2 million current liability balance in respect of TPG loans and borrowings includes accrued interest ($5.3 million) presented separately in the TPG Historical Statement of Financial Position disclosed in Section 8.12.6.
7. TPG provisions balances (current and non-current) include 'Employee benefits' liabilities presented separately in the TPG Historical Statement of Financial Position disclosed in Section 8.12.6.
8. The current liabilities balance of $215.1 million in respect of VHA deferred income and other liabilities includes 'Contract Liabilities' ($122.3 million) and 'Other' liabilities ($92.8 million) presented separately in the VHA Historical Statement of Financial Position disclosed in Section 9.13.8.
9. The pro forma non-current loans and borrowings balance of the Merged Group comprise the expected aggregate amount of the two partial drawdowns of the new debt facility at Implementation ($4,770.7 million) and other loans ($1.7 million). The anticipated pro forma drawn net debt at Implementation assumes a nil TPG Working Capital Adjustment and nil VHA Working Capital Adjustment, a nil Leakage amount, and is presented before the impact of any net cashflows of VHA and TPG between the Locked Box Date and Implementation.
10. Relates to the 40% interest in the 'The Tech2 Group Pty Limited' entity not owned by TPG.

10.8.7 Pro Forma Adjustments – Merged Group Pro Forma Historical Statement of Financial Position

10.8.7.1 Adjustment (A) – Intercompany eliminations

The adjustment reflects the impact of eliminating intercompany balances between TPG and VHA as follows:

- **VHA Dark Fibre Agreement transactions:** under AASB 16 *Leases*, VHA recognises dark fibre links as a right of use asset with a corresponding lease liability, whilst TPG recognises these assets at net book value in its statement of financial position. On the basis that the lease arrangement will cease as a result of the Merger, this adjustment removes $491.6 million of the right of use asset, $27.9 million of current finance lease liabilities, and $547.0 million of non-current finance lease liabilities recognised by VHA.
- **Other:** this adjustment eliminates $18.3 million of trade receivables and trade payables in relation to various trading balances between TPG and VHA, including balances relating to the VHA Dark Fibre Agreement transactions referred to above.

10.8.7.2 Adjustment (B) – Capital structure

This pro forma adjustment reflects the impact of the new capital structure on the Merged Group Pro Forma Historical Statement of Financial Position as follows:

- **Payment of spectrum liabilities:** as at 31 December 2019, VHA's statement of financial position recognised a liability of $80 million (in trade and other payables) in relation to its scheduled spectrum licence payment. This spectrum payment was made in January 2020. A pro forma adjustment has been made to reflect this payment and settlement of the spectrum liability;
- **Removal of existing net debt balances of TPG and VHA:** this adjustment removes balances associated with TPG's and VHA's respective standalone capital structures. This adjustment reflects a $725.8 million reduction in cash and cash equivalents, elimination of $5,274.4 million of current loans and borrowings and $3,512.3 million non-current loans and borrowings (which includes an elimination of $25.2 million of TPG capitalised borrowing costs), elimination of $129.4 million in derivative financial instruments related to the borrowings, and a $9.3 million reduction in prepayments and other assets relating to VHA's capitalised borrowing costs; and
- **Addition of Merged Group net debt balances at Implementation:** this adjustment reflects the expected aggregate amount of two partial drawdowns of $4,770.7 million of the new debt facility at Implementation, comprising the aggregate of TPG Target Net Debt of $2,508 million and VHA Target Net Debt of $2,236 million plus upfront borrowing costs of $26.7 million (capitalised as prepayments and other assets in the Merged Group Pro Forma Historical Statement of Financial Position). This expected aggregate drawdown amount of $4,770.7 million includes $864.0 million (TPG: $704.0 million, VHA: $160.0 million) incremental debt incurred on payments of the spectrum liabilities (made in January 2019 and January 2020), and $264.0 million in relation to the payment for the 3.6 GHz spectrum licence acquired by Mobile JV Pty Ltd (a 50:50 joint venture company of VHA and TPG) in March 2020.

As detailed in Sections 7.3 and 7.4, the actual Merged Group net debt at Implementation will ultimately be subject to any TPG Working Capital Adjustment or VHA Working Capital Adjustment or the impact of any Leakage, pursuant to the terms of the Merger, and the cashflows generated by TPG and VHA between Locked Box Date and Implementation. For the purposes of the Merged Group Pro Forma Historical Statement of Financial Position, it has been assumed that the TPG Working Capital Adjustment and VHA Working Capital Adjustment are nil, and the impact of cashflows generated by TPG and VHA between the Locked Box Date and Implementation is excluded.

10.8.7.3 Adjustment (C) – Other

Other pro forma adjustments are comprised of the following:

- **Removal of TPG Singapore:** this adjustment removes TPG Singapore assets and liabilities from the Pro Forma Historical Statement of Financial Position. This adjustment decreases cash and cash equivalents by $3.8 million, inventories by $0.1 million, property, plant and equipment by $230.3 million, spectrum assets by $147.2 million, current trade and other receivables by $2.4 million, non-current trade and other receivables by $0.7 million, right of use assets by $0.8 million, deferred tax assets of $1.0 million, current trade and other payables by $4.6 million, lease liabilities by $0.8 million and non-current deferred income and other liabilities by $0.2 million;
- **Impairment adjustment:** this adjustment reflects the accounting entries required to present the Pro Forma Historical Statement of Financial Position as if the impairment recognised in the standalone accounts of TPG had never occurred. This adjustment comprises the following elements:
  - the recognition of $61.2 million of mobile network assets (property, plant and equipment), comprising $84.7 million relating to the reversal of impairment recognised in the standalone accounts of TPG ($8.7 million recognised in the 12 month period to 31 January 2020 and $76 million in the prior period), net of $23.5 million pro forma accumulated depreciation in relation to these assets;
  - the derecognition of $25.4 million deferred tax asset in relation to mobile network assets following the reversal of the impairment charge in relation to these assets referred to above; and
  - the recognition of $3.5 million of intangible assets comprising:
    - the reversal of impairment of $2.8 million relating to the estimated costs to sell of the 5G spectrum licences recognised in the 12 month period to 31 January 2019, and
    - the reversal of impairment of $0.7 million in relation to other intangibles recognised for TPG statutory purposes in the 12 month period to 31 January 2020;
- **Recognition of a deferred tax asset for VHA temporary tax differences**: this adjustment reflects temporary tax differences previously unrecognised in the standalone accounts of VHA. These temporary tax differences have not previously been recognised due to the uncertainty of the future profitability of VHA, however, due to the anticipated profitability of the Merged Group, this adjustment recognises a net deferred tax asset of $214.0 million. As detailed in Section 10.8.2.1, for the purposes of the Merged Group Pro Forma Historical Statement of Financial Position, no deferred tax asset has been recognised in relation to the historical VHA tax losses;
- **Acquisition accounting:** this pro forma adjustment reflects the recognition of incremental intangible assets as a result of VHA acquiring TPG (for accounting purposes). The amount of $3,676.3 million has been calculated as the difference between TPG's market capitalisation at the Last Practicable Date and TPG's net assets at 31 January 2020. As described in Section 10.8.2.1, the purchase price allocation exercise is yet to be undertaken, to determine the fair value of goodwill, identifiable assets (including intangible assets) and liabilities related to the acquisition of TPG. This adjustment also eliminates TPG equity balances (as VHA is the acquirer) and a corresponding increase in share capital to reflect the new shares that will be issued in VHA to current TPG Shareholders; and
- **Transaction costs:** the Merged Group Pro Forma Historical Financial Information has been prepared on the basis that Implementation of the Scheme and associated transaction costs had occurred prior to the commencement of the period, and accordingly $5.8 million of transaction costs payable recognised in trade payables have been eliminated from the Merged Group Pro Forma Historical Statement of Financial Position.

10.8.8 Items not reflected in the Merged Group Pro Forma Historical Statement of Financial Position

The Merged Group Pro Forma Historical Statement of Financial Position has not been adjusted to reflect:

- the trading of TPG after 31 January 2020, or VHA after 31 December 2019;
- the impact of VHA tax losses that may potentially be available to the Merged Group (see Section 10.8.2.1);
- finalisation of the acquisition accounting, including determining appropriate purchase price allocation, including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards; and
- resetting of the tax cost bases of TPG following Implementation, including recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards.

10.8.9 Merged Group Pro Forma Historical Statement of Cash Flows

The Merged Group Pro Forma Historical Statement of Cash Flows is presented in Table 24 below.

Table 24: Merged Group Pro Forma Historical Statement of Cash Flows

$m	TPG 12 months ended 31 January 2020	VHA Year ended 31 December 2019	Intercompany eliminations[1] (A)	Capital structure[2] (B)	Other[3] (C)	Merged Group Pro Forma Historical Statement of Cash Flows
EBITDA	**796.0**	**1,178.7**	**(57.2)**	**0.1**	**59.1**	**1,976.7**
Total movements in working capital	29.0	98.5	–	(0.1)	(28.6)	98.8
Tax paid	(111.3)	–	–	–	(53.5)	(164.8)
Net cash generated from operating activities	**713.7**	**1,277.2**	**(57.2)**	**–**	**(23.0)**	**1,910.7**
Cash flow from investing activities						
Acquisition of property, plant and equipment	(333.6)	(315.3)	–	–	106.3	(542.6)
Acquisition of spectrum assets[4]	(352.4)	(75.8)	–	–	16.4	(411.8)
Acquisition of other intangible assets[4]	(20.6)	(226.8)	–	–	2.4	(245.0)
Transaction costs	(12.1)	–	–	–	12.1	–
Net cash flows from investing activities	**(718.7)**	**(617.9)**	**–**	**–**	**137.2**	**(1,199.4)**
Cash flow from debt financing activities						
Payment of lease liabilities[5]	(15.6)	(109.6)	25.7	–	(9.9)	(109.4)
Proceeds from borrowings	332.0	–	–	(332.0)	–	–
Repayment of borrowings[5]	(185.0)	(171.3)	–	356.3	–	–
Finance costs paid[6]	(57.7)	(287.5)	31.5	129.7	(16.4)	(200.4)
Net cash flows from debt financing activities	**73.7**	**(568.4)**	**57.2**	**154.0**	**(26.3)**	**(309.8)**
Net cash flow before equity distributions	**68.7**	**90.9**	**–**	**154.0**	**87.9**	**401.5**

1. Refer to Section 10.8.10.1 for an explanation of adjustment (A).
2. Refer to Section 10.8.10.2 for an explanation of adjustment (B).
3. Refer to Section 10.8.10.3 for an explanation of adjustment (C).
4. Cash flows in relation to the VHA acquisition of spectrum assets ($75.8 million) and VHA acquisition of other intangible assets ($226.8 million) are presented as a single line item in 'Payments for intangible assets' ($302.6 million) in the VHA Historical Statement of Cash Flow disclosed on Section 9.13.6.
5. Cash flows in relation to the VHA payment of lease liabilities ($109.6 million) and VHA repayment of borrowings ($171.3 million) are presented as a single line item in 'Net repayment of borrowings' ($280.9 million) in the VHA Historical Statement of Cash Flow disclosed in Section 9.13.6.
6. TPG finance costs paid ($57.7 million) are presented net of interest received of $0.9 million.

10.8.10 Pro Forma Adjustments – Merged Group Pro Forma Historical Statement of Cash Flows

10.8.10.1 Adjustment (A) – Intercompany eliminations

The pro forma adjustments in respect of intercompany eliminations do not have a net cash flow impact on the Merged Group Pro Forma Historical Statement of Cash Flows, however, they reflect the impact of eliminating the offsetting operating and financing cash flows recognised by TPG and VHA respectively in relation to the Dark Fibre Agreement transactions.

10.8.10.2 Adjustment (B) – Capital structure

This pro forma adjustment in respect of the Merged Group Pro Forma Historical Statement of Cash Flows reflects the pro forma impact of the new capital structure on the Merged Group net financing costs, as follows:

- **Removal of existing financing cash flows of TPG and VHA:** this pro forma adjustment eliminates the $332.0 million of proceeds from, and $356.3 million of repayments of, borrowings recognised by TPG and VHA respectively during the period in respect of the existing debt facilities, as well as an elimination of net finance costs paid of $242.5 million on these existing facilities; and
- **Merged Group financing costs under the new capital structure:** this pro forma adjustment reflects the recognition of finance costs to be paid under the new debt agreement. The pro forma finance costs paid in relation to the new capital structure of $112.8 million comprises $107.8 million in relation to bank interest and $5.0 million in relation to commitment fees. The difference between pro forma finance costs paid of $200.4 million and pro forma net financing costs recognised in the Merged Group Pro Forma Historical Income Statement of $209.3 million primarily relates to the amortisation of capitalised upfront borrowing costs relating to the new financing structure.

10.8.10.3 Adjustment (C) – Other

Other pro forma adjustments are comprised of the following:

- **Removal of TPG Singapore:** this pro forma adjustment removes TPG Singapore cash outflows of $112.2 million from the Merged Group Pro Forma Historical Statement of Cash Flows. The adjustment comprises $106.3 million in relation to payments made by TPG Singapore for property, plant and equipment, $2.4 million of payments for intangible assets, $0.4 million in relation to the repayment of a lease liability and $3.1 million in relation to cash generated from operating activities;
- **Alignment of certain accounting policies:** these adjustments do not have a net cash flow impact on the Merged Group Pro Forma Historical Statement of Cash Flows, however reflect the classification impact of the accounting policy alignment pro forma adjustments between EBITDA, working capital movements, investment cash flows and financing cash flows;
- **Tax payment impacts:** a pro forma adjustment has been made to reflect the pro forma incremental tax payments for the Merged Group, resulting from the change in capital structure and taking into account the tax attributes of VHA (excluding the potential tax benefit of unused VHA tax losses that may be available to the Merged Group in the future – see Section 10.8.2.1); and
- **Transaction costs:** the Merged Group Pro Forma Historical Financial Information has been prepared on the basis that Implementation of the Scheme and associated transaction costs paid had occurred prior to the commencement of the period, and accordingly $29.2 million of transaction costs paid have been eliminated from the Merged Group Pro Forma Historical Statement of Cash Flows.

10.8.11 Items not reflected in the Merged Group Pro Forma Historical Statement of Cash Flows

The Merged Group Pro Forma Historical Statement of Cash Flows has not been adjusted to reflect:

- the operating cash flows of TPG after 31 January 2020, or VHA after 31 December 2019;
- transaction costs incurred by VHA and TPG in relation to the Scheme (see Section 10.8.2.1);
- the impact of VHA tax losses that may potentially be available to the Merged Group;
- the cash flow relating to the repayment of the existing debt facilities and the proceeds from the new debt facilities, which have been assumed to have occurred prior to the period to which the Merged Group Pro Forma Statement of Cash Flows relates;
- any transaction costs incurred during the capital structure refinancing, including any potential costs associated with the termination of the existing debt financing arrangements or closing out of hedging arrangements entered into in relation to the current capital structure;
- transaction costs incurred by VHA and TPG in relation to the Scheme;
- the cash outflows relating to the payment of dividends. The intended initial dividend payout ratio of the Merged Group is 50% of NPAT adjusted for one-off restructuring costs and certain non-cash items; and
- any potential tax impact which may arise as a result of Implementation of the Scheme and the finalisation of the accounting for the acquisition.

SECTION 11

TAX IMPLICATIONS

11.1 Introduction

The following is a general description of the Australian tax consequences of the Scheme (assuming it is Implemented) for TPG Shareholders. It does not constitute tax advice and should not be relied upon as such.

The description is based upon the Australian tax law and administrative practice in effect at the date of this Scheme Booklet. It is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of a TPG Shareholder. TPG Shareholders are advised to seek their own independent professional tax advice in relation to their own particular circumstances.

The comments set out below are relevant only to those TPG Shareholders who hold their TPG Shares on capital account. The description does not address the Australian tax consequences for TPG Shareholders who:

- hold their TPG Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock);
- acquired their TPG Shares pursuant to an employee share, option or rights plan;
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their TPG Shares; or
- are non-residents of Australia who hold their TPG Shares in carrying on a business at or through a permanent establishment in Australia.

TPG Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law. These comments relate to Australian tax law only.

This tax summary is based on Australian tax law and relevant regulations, rulings or judicial or administrative interpretations of such tax laws as at the date of this Scheme Booklet.

11.2 ATO Class Ruling

TPG has applied to the ATO requesting a class ruling to confirm the key tax implications of the Scheme, the TPG Special Dividend and the Singapore Dividend for TPG Shareholders as noted below (**Class Ruling**).

The ATO may not issue the Class Ruling in a form that is binding until after Implementation of the Scheme. Although it is not expected to be the case, when the binding Class Ruling is issued by the ATO it may express a view contrary to that set out below.

When the final Class Ruling is published by the ATO, it will be available on the ATO website at www.ato.gov.au. Scheme Shareholders should review the final Class Ruling when it is issued by the ATO.

11.3 Australian resident shareholders

If the Scheme is Implemented, VHA will acquire all of the TPG Shares from TPG Shareholders. Eligible Shareholders will receive the Scheme Consideration of one Merged Co Share for each TPG Share held on the Scheme Record Date.

As discussed in more detail below, the disposal of TPG Shares to VHA under the Scheme will give rise to a capital gains tax (**CGT**) event for TPG Shareholders. Subject to the comments in Section 11.3.3, an Australian tax resident TPG Shareholder who would otherwise make a capital gain on the disposal of their TPG Shares under the Scheme should be eligible to choose scrip for scrip roll-over relief.

11.3.1 Capital Gains Tax

The disposal of TPG Shares by TPG Shareholders to VHA under the Scheme will constitute a CGT event A1 (for Australian CGT purposes).

The time of the CGT event will be when the TPG Shareholders transfer their TPG Shares to VHA under the Scheme (i.e. the Implementation Date).

11.3.2 Calculation of capital gain or capital loss (apart from scrip for scrip roll-over relief)

TPG Shareholders will make:

- a capital gain to the extent that their capital proceeds from the disposal of their TPG Shares are more than the cost base of those TPG Shares; or
- a capital loss to the extent that the capital proceeds are less than the reduced cost base of those TPG Shares.

Subject to choosing scrip for scrip roll-over relief (discussed below), a TPG Shareholder who makes a capital gain on disposal of their TPG Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain or net capital loss. Any net capital gain is included in assessable income and is subject to income tax. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains. Specific loss rules apply to TPG Shareholders that are companies. These rules limit the ability to offset capital losses in a current or later income year.

11.3.2.1 Cost base of TPG Shares

The cost base of the TPG Shares of a TPG Shareholder will generally include the amount paid, and the market value of any property given, to acquire the TPG Shares, plus certain incidental costs of acquisition and disposal (e.g. brokerage fees and stamp duty) that are not otherwise deductible to the TPG Shareholder. The reduced cost base of the TPG Shares of a TPG Shareholder will be similarly determined.

11.3.2.2 Capital proceeds

The capital proceeds for the disposal of the TPG Shares of a TPG Shareholder will be the Scheme Consideration. The amount of the capital proceeds should be the market value of the Merged Co Shares received by a TPG Shareholder under the Scheme.

The TPG Dividends paid to TPG Shareholders should not be included as capital proceeds for the disposal of TPG Shares under the Scheme.

For CGT purposes, the market value of the Merged Co Shares will be taken to be the VWAP of the Merged Co Shares for the first five trading days starting from the date of the commencement of trading of Merged Co Shares on ASX (including on a conditional and deferred settlement basis). As such, the market value of the Merged Co Shares will not be known until after Implementation. It will be made available to TPG Shareholders on the TPG website following Implementation of the Scheme.

11.3.2.3 CGT discount

Individuals, complying superannuation entities or trustees that have held their TPG Shares for at least 12 months may be entitled to benefit from the CGT discount to reduce the amount of the capital gain (after application of capital losses) from the disposal of their TPG Shares by:

- 50% in the case of individuals and trusts (for trustees, the ultimate availability of the discount for the beneficiaries of a trust will depend on the particular circumstances of the beneficiaries); or
- $33\frac{1}{3}$% for complying superannuation entities.

The CGT discount will not be available to a TPG Shareholder that is a company.

11.3.3 Choosing scrip for scrip roll-over relief

TPG Shareholders who make a capital gain on disposal of their TPG Shares under the Scheme may choose to apply scrip for scrip roll-over relief.

If scrip for scrip roll-over relief is available and chosen by a TPG Shareholder, the capital gain that would otherwise arise will be disregarded.

VHA will not make a choice under section 124-795(4) of the ITAA 1997 to deny scrip for scrip roll-over relief.

TPG Shareholders must make a choice to apply scrip for scrip roll-over relief before lodging their income tax return for the income year in which the Implementation Date occurs. A TPG Shareholder will provide sufficient evidence of having chosen scrip for scrip roll-over relief by the way they prepare their income tax return (i.e. by excluding the disregarded capital gain from assessable income). There is no need to lodge a separate notice with the ATO.

Roll-over is not available to a TPG Shareholder if a capital loss arises on the disposal of their TPG Shares under the Scheme.

Where a TPG Shareholder has chosen scrip for scrip roll-over relief, the first element of the cost base of the Merged Co Share received as Scheme Consideration should be equal to the cost base of their original TPG Shares.

Where scrip for scrip roll-over relief has been chosen by a TPG Shareholder, the Merged Co Shares will be taken to be acquired at the time their TPG Shares were originally acquired, for the purpose of any subsequent disposal of the Merged Co Shares and the application of the CGT discount.

The benefit of choosing scrip for scrip roll-over relief will depend upon the individual circumstances of each TPG Shareholder.

11.3.4 Where scrip for scrip roll-over relief is not chosen or available

Where scrip for scrip roll-over relief is not chosen or is not available in relation to a TPG Shareholder's disposal of TPG Shares under the Scheme:

- the capital gain or capital loss from the disposal of the TPG Shareholder's TPG Shares will be taken into account in calculating the TPG Shareholder's net capital gain for the income year in which the Implementation Date occurs; and
- the first element of the cost base of each Merged Co Share (i.e. the Scheme Consideration) received should be an amount equal to the market value of the TPG Share given in respect of acquiring the Merged Co Share, determined on the Implementation Date.

The acquisition date of the Merged Co Share will be the Implementation Date. This date will be relevant for any future application of the CGT discount with respect to CGT events occurring in respect of the Merged Co Share.

11.3.5 Implications of holding Merged Co Shares

As a consequence of participating in the Scheme, a TPG Shareholder will cease to be a shareholder of TPG and will become a shareholder of the Merged Co.

Dividends (and any attached franking credits) received by an Australian tax resident shareholder of the Merged Co would generally be required to be included in the assessable income of such a shareholder.

11.3.6 Singapore Dividend – Demerger tax relief

Demerger tax relief will not be available to TPG Shareholders who receive the Singapore Dividend due to the nexus of the Singapore Dividend to the Merger. This means that the Singapore Dividend will not be a demerger dividend for Australian income tax purposes and therefore will be assessable income for Australian tax resident TPG Shareholders.

11.3.7 Tax consequences of the TPG Dividends

TPG Shareholders who are Australian tax residents and who receive the TPG Dividends must include the amount of the TPG Dividends received in their assessable income. In relation to the Singapore Dividend, the amount of the dividend will be the market value of the Singapore Co Shares received by the TPG Shareholder determined as at the date of payment of the Singapore Dividend. It is expected that the TPG Dividends will be fully franked.

If the requirements outlined below are met, the TPG Shareholders who receive the TPG Dividends will be:

a) required to include the amount of the attached franking credits in their assessable income; and

b) entitled to a tax offset equal to the amount of the franking credits attached to the TPG Dividends.

The relevant requirements are that:

- the TPG Shareholder must be a 'qualified person' in relation to the TPG Dividends; and
- certain franking integrity measures do not apply.

In order for a TPG Shareholder to be a 'qualified person' in respect of the TPG Dividends, they must hold their TPG Shares 'at-risk' for a continuous period of not less than 45 days (not including the day of the share's acquisition or disposal) during a prescribed period. The prescribed period is expected to be from 18 May 2020 to 6 July 2020 (inclusive).[1]

1. These dates are on the current assumption that the TPG Special Dividend Record Date and the Singapore Dividend Record Date will be Wednesday, 1 July 2020 and the Scheme Record Date will be Tuesday, 7 July 2020.

The franking integrity measures are designed to, among other things, discourage trading in and streaming of franking credits.

The Class Ruling will outline in further detail the ATO's views as to:

- when a TPG Shareholder will satisfy the relevant holding period test with respect to the TPG Dividends; and
- the application of the franking integrity measures.

If you are an individual or complying superannuation fund and your tax liability for the income year is less than the amount of the franking credits attached to the TPG Dividends, you may be entitled to a refund for the excess franking credits. This does not extend to companies.

11.4 Non-resident shareholders

11.4.1 Capital Gains Tax

For TPG Shareholders who are not Australian tax residents (including Ineligible Foreign Shareholders), the disposal of their TPG Shares should have no CGT consequences if the TPG Shares are not "taxable Australian property".

The TPG Shares will only be "taxable Australian property" for non-resident TPG Shareholders who:

- hold their TPG Shares in carrying on a business at or through a permanent establishment in Australia; or
- are individuals who made an election to disregard a CGT event I1 capital gain or capital loss in respect of their TPG Shares when they ceased to be an Australian tax resident.

For other TPG Shareholders who are not Australian tax residents, no component of the TPG Shares should be taxable Australian property as their underlying value is not principally derived from Australian real property.

11.4.2 Tax consequences of the TPG Dividends

TPG Shareholders who are not residents of Australia should not be subject to income tax in Australia in respect of the TPG Dividends, provided they do not hold the TPG Shares through an Australian permanent establishment. As the TPG Dividends are expected to be fully franked, such shareholders should be free of any Australian dividend withholding tax obligations.

11.5 Stamp duty

No stamp duty should be payable by TPG Shareholders in relation to the disposal of their TPG Shares to VHA under the Scheme.

11.6 Goods and services tax

TPG Shareholders should not be liable to GST in respect of a disposal of their TPG Shares.

TPG Shareholders may be charged GST on costs (such as adviser fees relating to their participation in the Scheme) that relate to the Scheme. TPG Shareholders may be entitled to input tax credits for such costs, but should seek independent professional tax advice in relation to their individual circumstances.

SECTION 12

RISK FACTORS

12.1 Introduction

The Scheme presents a number of potential risks that TPG Shareholders should consider when deciding how to vote on the Scheme.

TPG Shareholders are currently exposed to various risks as a result of their investment in TPG. If the Scheme proceeds, TPG will seek to merge its business operations with that of VHA, and Eligible Shareholders will receive shares in the Merged Co. As a consequence, those TPG Shareholders who receive shares in the Merged Co will be exposed to certain additional risks relating to the Merged Co and the integration of TPG, VHA and their respective corporate groups. In a number of cases, those risks are different from, additional to or greater than, those faced by TPG Shareholders currently. This change in risk profile may be perceived as a disadvantage by some TPG Shareholders.

This Section 12 discusses the risk factors relating to TPG, VHA and, if the Scheme proceeds, the Merged Group. These risks include risks relating to:

- TPG and its existing business;
- VHA and its existing business;
- if the Scheme proceeds, the Merged Group;
- holding shares generally; and
- risks if the Scheme does not proceed.

12.1.1 Qualifications and limitations

This Section 12 provides a summary of some of the key risks, although it does not contain a complete and exhaustive list, of investment in the Merged Group.

While TPG, VHA and the Merged Group have in place a number of strategies to minimise the exposure to, and mitigate the effects of, some of these risks, there can be no assurance that such arrangements will protect TPG, VHA or the Merged Group fully. In addition, certain risks will remain outside the control of each of TPG, VHA and the Merged Group.

This Scheme Booklet does not take into account the investment objectives, financial situation, or the particular needs or risk profiles of individual TPG Shareholders. You should carefully consider the following risks, as well as the other information contained in this Scheme Booklet, and seek independent professional advice before deciding whether to vote on the Scheme.

12.2 Merged Group operational risks

The following risks are relevant to each of TPG and VHA as standalone entities, unless otherwise identified. Accordingly, they will also be relevant to the Merged Group after Implementation of the Scheme.

12.2.1 Sustainability and growth

The continued strong growth in sales and profitability of the Merged Group will be dependent on a number of factors, including winning new customers on a sufficiently profitable basis, and retaining and increasing revenue from existing customers. Customer revenue growth is particularly dependent upon the provision of consistently high quality customer service and continued satisfaction of sales objectives. If these growth factors were to be impaired, the financial performance and reputation of Merged Group would be adversely affected.

12.2.2 Competitive industry

The telecommunications industry in Australia is competitive and subject to significant change. The success of the Merged Group's business depends on its ability to attract and retain customers. The effect of increasingly competitive market conditions, including any decline in the purchase and use of the Merged Group's products and services, may adversely impact the Merged Group's earnings and assets.

In particular:

- competition in the Australian telecommunications market could cause the Merged Group to lose market share and reduce prices and profits. The Merged Group is vulnerable to losing market share and revenue if it does not continually adapt to changes in the industry and competitive landscape;
- the Merged Group could be unable to invest sufficiently to meet the rapid increase in data growth rates or other factors requiring the Merged Group to increase its mobile network capacity, and its market position and revenues could be damaged by failing to provide the services that customers want at an acceptable price; and
- innovation and disruptive technologies may cause market discontinuity, which adversely impacts on business models where there is failure to transition and adapt quickly.

To compete in an increasingly crowded market and grow its customer base, the Merged Group may have to increase its marketing expenditure, which could have adverse implications for the Merged Group's future financial performance by reducing its operating margins. Alternatively, if the Merged Group is unable to suitably distinguish itself from its competitors, it may lose market share, resulting in reduced revenue and profits.

12.2.3 Impact of the NBN

A particular factor impacting the competitive landscape of the telecommunications industry is the Australian government's NBN, the rollout of which is due for completion in mid-2020. The NBN is intended to increase industry competition by providing all retail telecommunication service providers with equivalent access to acquiring wholesale services on the NBN. These industry changes could lead to the NBN having an adverse impact on the Merged Group's future financial performance.

The NBN may also have an adverse impact upon the Merged Group's financial performance in future as the profit margins from delivering NBN services are lower than the profit margins earned on the ADSL services they are replacing. As at 31 January 2020, 20% of TPG's residential broadband customers were still on ADSL services. The migration of these remaining ADSL services to the NBN will likely reduce the Merged Group's profits.

There are uncertainties whether the Merged Group will be able to offset these NBN margin headwinds.

12.2.4 Changes in technology

As a telecommunications business, the Merged Group will be potentially vulnerable to a number of problems relating to technological and software infrastructure performance. The telecommunications industry is particularly susceptible to rapid change, especially owing to technological innovation and rapidly evolving industry practices. The introduction of new practices and technology may have significant implications for the Merged Group's current infrastructure and business model. As such, the Merged Group's success will be dependent upon its ability to develop, adopt and integrate the latest technologies into its existing infrastructure.

12.2.5 Information communication technology

Both TPG and VHA's businesses are heavily dependent on information communication technology for the delivery of its various services, across large geographic distance, and they have each invested significantly in technology to maximise the efficiency of their operations. Should these systems not be adequately maintained, secured and updated, or the Merged Group's disaster recovery processes not be adequate, system failures may negatively impact the Merged Group's performance.

In particular, TPG and VHA have undertaken IT transformation programs in recent years. These IT transformation programs, which are still in progress, may cause unexpected disruptions, fail to provide anticipated benefits or otherwise be unsuccessful. A significant implementation and migration failure could result in a major impact on the Merged Group's customer retention, revenues, costs and reputation.

12.2.6 Damage and interruption to network and technical infrastructure

Each of TPG and VHA's businesses are exposed to the risk of interruptions to its operations, as it relies on its infrastructure technology to provide high quality services to customers. Failures across the Merged Group's network, caused by human error, accidental damage, power loss, weather conditions, natural disasters including bush fires, physical or electronic breaches, or vandalism, could cause significant disruption to the Merged Group's business, resulting in financial loss or increased customer attrition.

In particular, the Merged Group will operate across a large geographical area and access to parts of that area may be difficult or restricted following natural disasters such as bush fires. This not only exacerbates the possibility of these risks beyond the Merged Group's control but also raises the cost of, or reduces the efficiency with which, any repairs or maintenance are conducted.

Disruption to the Merged Group's services could also result in business interruption, monetary losses, and possible legal liability. As above, cessation of the Merged Group's services could have negative financial implications for the business and the Merged Group may be subject to liability for accidents, outages or system failure or corruption which may not be possible or desirable to insure against, or in amounts which exceed the policy limits.

12.2.7 Security and data protection

Protection of company, customer, employee and third party data is critical to the Merged Group's ongoing business and any breaches of this could have significant negative financial ramifications. The Merged Group retains a significant amount of sensitive customer, employee and third party information, including on its customer database. Customers, employees and third parties have high expectations regarding the protection of this personal information. Additionally, the legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. Failures or breaches of data protection systems can result in reputational damage, regulatory impositions (such as for breaches of the *Privacy Act 1988* (Cth)) and financial loss, including claims for compensation by customers or penalties by telecommunications regulators or other authorities.

The Merged Group may be adversely affected by malicious third party applications that interfere with or exploit security flaws in its products and platforms. It is possible that the measures taken by the Merged Group will not be sufficient to prevent unauthorised access to, or disclosure of, confidential and proprietary information about the Merged Group, its customers, employees or third parties. Any such disclosure, whether accidental or intentional, may subject the Merged Group to reputational damage, claims from those affected, loss of customers, legal action and increased regulatory scrutiny.

Additionally, any cyber-attack on the Merged Group's network or technical infrastructure may also result in failures, disruptions in the Merged Group's operations or network, and leakage and unauthorised dissemination of sensitive information about the Merged Group and its customers.

If, as a consequence, the Merged Group is unable to provide services to its customers, it may experience loss of market share, damage to reputation and brand, customer compensation claims and regulatory action. This may result in the Merged Group incurring significantly increased expenses or suffering reduced revenue.

12.2.8 Bandwidth and network requirements

A key aspect of the delivery of the Merged Group's services will be providing sufficient fixed line broadband and mobile network bandwidth for customers. In particular, the Merged Group's ability to operate a competitive telecommunications business is dependent upon its access to sufficient spectrum and network infrastructure. If the Merged Group were unable to acquire, renew or otherwise secure sufficient spectrum at an acceptable price or deploy sufficient network infrastructure, it would be less able to provide its services to its customers economically and efficiently, which may limit revenue growth and profitability.

Further, an unexpected increase in the amount of demand for bandwidth, such as that which is currently being experienced as a result of the COVID-19 pandemic, or economic pressures on government may lead to changes in the spectrum licensing framework which impose higher costs or burdensome conditions, adversely affect the ability to retain or renew existing spectrum, or require deployment of additional cells in high demand locations or new technology. These changes may be unachievable in the short term, or may involve significant and unplanned costs or impacts for the Merged Group, which could have a material impact upon the Merged Group's financial position.

In addition, further regulatory intervention may result in the Merged Group incurring additional 5G deployment costs and delays in rolling out 5G mobile services, which in turn could result in financial loss and increased customer attrition.

12.2.9 Professional reputation and customer loyalty

The Merged Group's success will be heavily reliant on its positive reputation, and particularly its customer satisfaction, in relation to its operating brands. The occurrence of any unforeseen issue or event which impacts the performance of the Merged Group's services may result in a diminution of customer satisfaction and loyalty, and place the reputation of the Merged Group's brands at risk. These implications bear a risk of adversely impacting the financial performance of the Merged Group's business.

VHA's business is reliant on licences to sell services, especially the current Vodafone, Lebara and Kogan brands. Currently, VHA is reliant on the existing Brand Licence Agreement with VSSL, and from Implementation of the Scheme the Merged Group will be reliant on the Trade Mark Licence Agreement with VSSL as described in Section 13.3.1, to continue to sell services under the Vodafone brand.

The Merged Group cannot be assured that it will continue to be provided with brand licences. If the Merged Group were to not have a licence for the Vodafone, Lebara and Kogan brands, its ability to attract customers or provide attractive offerings could be negatively affected, which in turn could have a material adverse effect on its business, financial condition and results of operations of the Merged Group.

12.2.10 Regulatory matters

The Merged Group will operate in a highly regulated environment, with strong penalties for non-compliance, including undertakings or the imposition of substantial civil and criminal penalties. Possible changes to existing regulation may impose substantial risks to both TPG and VHA's respective businesses and increased compliance costs. Neither TPG nor VHA is able to predict the nature or impact of future policies and any such changes are beyond both parties' control, which could impose a range of risks upon the Merged Group going forward. Both State and Commonwealth governments in Australia have been instituting broad regulatory changes in response to the COVID-19 pandemic. Depending on the nature of these changes, there could be an impact on the Merged Group's business or financial position.

The key risks to the Merged Group's business as a result of unexpected regulatory policies, outcomes or decisions, will be:

- increased regulation by regulators empowered to regulate the telecommunications sector, including the ACCC and ACMA, and the possibility, in certain circumstances, of large fines being imposed for contraventions of relevant laws;
- an increase in compliance costs and delays in having to seek additional, or variations to, government approvals – this is particularly pertinent given the importance of the Merged Group being able to obtain maintain, renew and obtain licences to conduct its business; and
- changes to regulations or government policies governing the telecommunications sector, such as the government's recently legislated Telecommunications Sector Security Reform (and related policy) which may adversely impact upon the Merged Group's ability to continue with existing suppliers from foreign countries. In particular, the Merged Group may be subject to additional 5G deployment costs and delays due to the Telecommunications Sector Security Reform legislation to the extent it is prevented from using Huawei as its supplier for 5G network infrastructure.

More generally, the Merged Group will operate under the terms of various statutory licences and face ongoing changes in regulation, law and policy. Significant adverse changes, for example as to spectrum pricing or availability, could impact the Merged Group's profitability.

Changes imposed by a regulator such as ACMA to the Merged Group's apparatus licences or spectrum licences could result in the Merged Group having to acquire new or additional spectrum to maintain business continuity, requiring additional capital expenditure.

12.2.11 Litigation and claims

In the course of its operations, the Merged Group may be involved in disputes, including through industry complaints schemes, litigation and investigations, whether by regulatory bodies or other third parties. Litigation, disputes and investigations may be with or without merit. The costs of defending and resolving such claims and proceedings can be substantial, even with respect to claims which have no merit. A risk exists that material or costly disputes, litigation or investigations could affect the financial performance of the Merged Group and the price or value of Merged Co Shares. There is also a risk that the Merged Group's reputation may suffer due to the profile of, and public scrutiny surrounding, any regulatory investigation, litigation or dispute, regardless of the outcome.

12.2.12 Availability of equipment and support

As noted above, the Merged Group will be dependent upon third party suppliers for IT and network infrastructure and, in some cases, licences, services, equipment and content from parties over whom the Merged Group may have no direct operational or financial control. If any of these third party providers fail to maintain their products, solutions, services or offerings properly or fails to respond and adapt quickly to any of TPG, VHA or the Merged Group's requirements, customers may experience service interruptions.

The dependence on these third party suppliers for support and delivery of certain core business functions means that things like the impact of the COVID-19 pandemic, regulatory changes or issues with the Merged Group's supply chain could have a significant adverse impact on the timeliness or cost of building or maintaining the Merged Group's network.

In particular, VHA relies on continued maintenance and supply services from manufacturers of telecommunications equipment including Huawei, which has in recent years provided a significant portion of its telecommunications network equipment and Nokia as VHA's supplier of 5G network equipment.

Relatedly, VHA also relies on agreements with suppliers of handsets and devices (including Apple, Samsung, Huawei, Oppo and Google) and providers of IT services. VHA does not have any direct operational or financial control over its key suppliers and has limited influence with respect to the manner in which these key suppliers conduct their businesses.

There is also a risk that third party suppliers may provide services or products with defects, which may lead to network underperformance or other impacts on customers. This could, in turn, adversely affect the Merged Group's market share or revenue.

12.2.13 Market trends

The following factors and trends may also affect the Australian mobile telecommunications market in which the Merged Group will operate, and may impact the results of the Merged Group's operations in the future.

Products and services

- Data consumption is expected to grow rapidly, supported by customer demand, more prevalent unlimited data plans, the transition to 5G and the availability of new 5G applications.
- The supply of mass market 5G handsets started in 2019, with mass market penetration expected to continue in 2020.
- The supply of electronic SIM hardware has emerged through smartwatches, tablets and smartphones, which is expected to become more prevalent.
- The 'Internet of Things' market continues to grow, fuelled by advances in hardware and networking, along with increased adoption.
- Customer expectations for digital channels, capabilities and services are increasing, with telecommunications operators continuing to announce progress against their digital transformation programs.
- Downwards pressure on ARPU and upwards pressure on data inclusions are likely to intensify due to competition.

Network and capital expenditure

- Launch and rollout of 5G networks by telecommunications operators to service the widespread rollout of 5G capable devices.
- Capital expenditure will be influenced by spectrum sufficiency and availability and competition with other operators, particularly for new 5G and existing 4G.
- The NBN expects to complete its rollout by 2021, which will expand the Merged Group's NBN customer base.
- Government security regulation may continue to reduce the flexibility of MNOs to contract with chosen suppliers which may result in additional costs.

12.2.14 Contract risk

Some contracts to which TPG, VHA or their respective Subsidiaries are party may contain change of control or deemed assignment provisions that could be triggered by the Merger (including by entry into the Scheme Implementation Deed, implementation or changes to the composition of the board of directors). If such a provision is triggered, this may allow the counterparty to review, adversely modify, exercise rights under or terminate the contract. If a counterparty to any such contract were to do so, this may have an adverse effect on the Merged Group, depending on the relevant contract.

12.2.15 Servicing existing debt

The Merged Group will carry debt from its inception, as discussed in Section 10.6.

The Merged Group's ability to service its debt depends upon its financial performance and cash flows which to some extent are subject to general economic, financial, regulatory and other factors beyond the control of the Merged Group. A risk is that if the Merged Group is unable to generate sufficient cash flow to meet specific debt repayment obligations, it may face additional financial penalties, higher interest rates or difficulty obtaining further funding in future.

12.2.16 Ability to refinance debt or access debt and equity capital markets

Both TPG and VHA obtain significant funding from banks. The Merged Group is subject to the risk that it may not be able to refinance its bank facilities when they fall due or that the terms (including in relation to pricing) on refinancing will be less favourable than the existing terms. If there is a deterioration in the level of debt market liquidity, this may prevent the Merged Group from being able to refinance some or all of its debt.

In addition, the Merged Group may in the future require additional debt or equity capital in order to fund growth strategies, in particular for acquisition opportunities that may arise from time to time. There is a risk that the Merged Group may be unable to access debt or equity funding from the capital markets on favourable terms, or at all.

12.2.17 Insurance

Both TPG and VHA seek to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sector. However, some liabilities could exceed policy limits or certain risks could be excluded. The Merged Group may also decide not to insure against certain risks due to various commercial considerations. Any future increase in the cost of such insurance policies or the inability to purchase adequate policy limits and coverage could adversely affect the Merged Group's business, financial condition and operational results.

12.2.18 Inability to pay dividends or make distributions

The payment of dividends (if any) by the Merged Group will be determined by the Merged Co Board from time to time at its discretion, and will be dependent upon factors including the profitability and cash flow of the Merged Group's business at the relevant time. Further information about the Merged Group's dividend policy is set out in Section 10.4.5 of this Scheme Booklet.

12.2.19 Shareholder concentration

Following Implementation of the Scheme, the Merged Co substantial shareholders, as set out in Section 10.7.2, will control 79.83% of the Merged Co Shares.

Accordingly, these parties will continue to be in a position to exert significant influence over matters relating to the Merged Co, including the makeup of the Merged Co Board. Although the interests of the Merged Co, the Merged Co substantial shareholders and other Merged Co Shareholders are likely to be aligned in most cases, there may be instances where their respective interests diverge. The sale of Merged Co Shares in future by the Merged Co substantial shareholders, or the perception that such sales might occur, could adversely affect the market price of the Merged Co Shares. However, each of Mr David Teoh, and VOL and H3GAH will enter into escrow agreements which limit their right to dispose of Merged Co Shares for 24 months post Implementation. Details of these escrow arrangement are set out in Section 13.6.

12.2.20 Shareholder dilution

While the Merged Co does not currently have any planned offerings of securities, and does not expect to require any equity funding in the near term, the Merged Co may undertake offerings of securities in the future. The increase in the number of securities may have the effect of depressing the price of the Merged Co securities already on issue. In addition, the issue of additional securities by the Merged Co may result in the dilution of the voting rights of existing holders of Merged Co securities.

12.2.21 Messaging and Paging

Some of VHA's customers utilise the services within VHA's messaging and paging business to manage their health and safety obligations. Under certain circumstances, a system outage that affects the delivery of messaging and paging services could result in an individual sustaining serious injury or harm. In addition to the serious consequences of this, such outcomes could have significant ramifications for the reputation and profitability of the Merged Group, as well as its exposure to a range of additional costs.

12.3 Specific risks relating to the Scheme and the creation of the Merged Group

12.3.1 Integration risk and realisation of synergies

There is a risk that the Merged Group's success and profitability could be adversely affected if TPG's business is not integrated effectively with VHA's business. The integration of TPG and VHA into the Merged Group may encounter unexpected challenges or issues.

There is a risk that integration could take longer or cost more than anticipated, including as a result of the COVID-19 pandemic and applicable physical separation requirements, or that the expected benefits and synergies of the Merger may be less than estimated. Any failure to achieve expected synergies may impact on the financial performance and position of the Merged Group and the future price of Merged Co Shares. Potential factors that may influence a successful integration include:

- disruption to the ongoing operations of both businesses;
- higher than anticipated integration costs;
- unforeseen costs relating to integration of infrastructure, IT platforms, network capabilities, management information systems and financial and accounting systems of both businesses; and
- unintended loss of key personnel or expert knowledge or reduced employee productivity due to uncertainty arising as a result of the Merger.

12.3.2 Change in risk and investment profile

After Implementation of the Scheme, Eligible Scheme Shareholders who currently hold TPG Shares will be exposed to additional risks relating to VHA and certain additional risks relating to the Merged Group and integration of the two businesses.

While the operations of TPG and VHA are similar in a number of ways, there will be differences between the size, capital structure, infrastructure and clients of the Merged Group and TPG currently.

12.3.3 Tax consequences for Scheme Shareholders

If the Scheme proceeds, there may be tax consequences for Scheme Shareholders. Scheme Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme.

Further information on the tax consequences of the Scheme is set out in Section 11.

12.4 General risks relating to the Merged Group

12.4.1 Securities market fluctuations

There are various risks associated with investing in any form of business and with investing in listed entities generally. As with any entity listed on the ASX, the value of TPG Shares is influenced by a variety of factors, including macroeconomic factors or broader social occurrences which are beyond TPG's ability to control or predict. The events relating to the COVID-19 pandemic have recently resulted in significant market falls and volatility including in the prices of securities trading on ASX. The value of Merged Co Shares following Implementation of the Scheme will depend upon general share market and economic conditions, which are uncertain and subject to fluctuation, as well as the specific performance of the Merged Group. There is no guarantee of profitability, dividends, return of capital, or the price at which VHA Shares will trade on the ASX. The past performance of TPG Shares is not necessarily an indication as to future performance as the trading price of shares can go down or up in value.

Additionally, there is currently no public market for VHA Shares (and none has previously existed). There can be no assurance as to the price at which VHA Shares will trade on ASX on Implementation of the Scheme, or that an active market for VHA Shares will develop or, if developed, that such a market will be sustained.

12.4.2 General economic conditions

The financial performance of the Merged Group and the value of the Merged Co Shares may fluctuate due to various factors, including movements in the Australian and international capital markets, recommendations by brokers and analysts, interest rates, exchange rates, inflation, Australian and international economic conditions, change in international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities, global health pandemics and acts of terrorism, investor perceptions and other factors that may affect the Merged Group's financial position and earnings. In the future, these factors may affect the Merged Group and may cause the price of Merged Co Shares to fluctuate and trade below current prices.

In light of recent global macroeconomic events, including the impact of COVID-19, Australia may experience an economic recession or downturn of uncertain severity and duration which could impact the Merged Group's ability to attract and retain customers, to invest sufficiently to develop, adopt and integrate the latest technologies into existing infrastructure, and to secure and maintain third party suppliers for IT and network infrastructure over whom the Merged Group may have no direct operational or financial control. These economic disruptions may adversely impact the Merged Group's earnings and assets, as well as the value of the Merged Co Shares.

12.4.3 COVID-19

The escalation of the outbreak of the COVID-19 virus into a global pandemic is impacting global economic markets. The severity and duration of the COVID-19 pandemic and the effect on the performance of the Merged Group remain unknown. The Merged Group may be impacted both by deterioration in macroeconomic conditions generally and specifically in relation to its operations.

Many of the operational and general risks relating to the Merged Group highlighted in this Section 12 are likely to be heightened due to the impacts of the COVID-19 pandemic. There is continued uncertainty as to the further impacts of COVID-19, including in relation to governmental action, lockdown, quarantines, customer behaviour, employee availability, travel restrictions and the general impact on the Australian global economy and share markets.

In addition, the COVID-19 global pandemic may specifically impact the operations of the Merged Group, including customers seeking lower cost services, increased bad debt risk, reduced revenue, including outbound international and inbound visitor roaming revenue, customers not being able to access retail stores, and delays in mobile network roll out. If any of these risks were to materialise, this could negatively impact the operating and financial performance of the Merged Group and hinder its capacity to meet its business objectives.

12.4.4 Tax

A change to the current tax regime may affect TPG, VHA or the Merged Group, and Scheme Shareholders. Any changes to the current rate of company income tax may impact shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and shareholder returns. Personal tax liabilities are the responsibility of each individual Scheme Shareholder. TPG, VHA and the Merged Group are not responsible for tax or penalties incurred by Scheme Shareholders.

12.4.5 Change in accounting or financial reporting standards

AAS are set by the Australian Accounting Standards Board. Changes to accounting standards issued by the Australian Accounting Standards Board could materially adversely affect the financial performance and position reported in the financial statements of TPG, VHA or the Merged Group. Any change in AAS is beyond the control of TPG, VHA or the Merged Group despite potentially having an adverse impact on the Merged Group's reported financial performance.

12.4.6 Force majeure events

Events may occur within or outside Australia that could impact upon the global, Australian economy, the operations of the Merged Group and the price of the Merged Co's shares. These events include but are not limited to acts of terrorism, a global health pandemic such as the current COVID-19 pandemic, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for the Merged Group's services and its ability to conduct business. The Merged Group has only a limited ability to insure against some of these risks.

12.4.7 Electromagnetic emissions

Electromagnetic emissions (**EME**) from wireless networks, handsets and devices present a risk to the Merged Group. Despite the consensus of scientific opinion to the contrary, the possibility of an adverse health finding relating to EME cannot be completely excluded. The absence of certainty in relation to EME has the potential to adversely affect the Merged Group and subject the Merged Group to legal liability from the public, reputational damage, financial loss, and increased regulation.

12.4.8 Other risks

Additional risks and uncertainties not currently known to TPG or VHA may also have a material adverse effect on TPG, VHA or the Merged Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting TPG, VHA or the Merged Group.

12.5 Risks if the Scheme does not proceed

If the Scheme does not proceed and no other acceptable proposal is received, TPG will continue on as a standalone basis and TPG Shareholders will retain their TPG Shares. In these circumstances the price at which TPG Shares may trade on the ASX is uncertain. Also the TPG Board may not resolve to pay or authorise the TPG Dividends.

TPG Shareholders will also remain exposed to the normal risks inherent in the TPG business if the Scheme and Merger do not proceed.

Further, TPG will have incurred significant transaction costs in relation to the proposed Scheme even if it does not proceed. These costs may include paying a break fee of $50 million (excluding GST) to VHA in certain circumstances, as set out in Section 13.1.5.

The TPG Directors believe that the Scheme is likely to deliver benefits to TPG Shareholders greater than other alternatives which have been considered, including TPG continuing as a standalone entity and using its existing financial resources to pursue its growth and diversification strategies.

SECTION 13

ADDITIONAL INFORMATION

13.1 Key terms of the Scheme Implementation Deed

13.1.1 Overview

On 30 August 2018, VHA and TPG (together with certain of VHA's upstream shareholders, VOL, HTAL and HWL) entered into the Scheme Implementation Deed. The key terms of the Scheme Implementation Deed are summarised below.

A copy of the full Scheme Implementation Deed is available on the ASX website at www.asx.com.au and on TPG's website at www.tpg.com.au.

13.1.2 Conditions Precedent

Implementation of the Scheme Implementation Deed is subject to the Conditions Precedent which must be satisfied or waived (as applicable).

For details of the Conditions Precedent, see Section 7.5 of this Scheme Booklet and clause 3.1 of the Scheme Implementation Deed.

13.1.3 Exclusivity arrangements

The Scheme Implementation Deed contains certain customary exclusivity arrangements in favour of VHA.

These exclusivity arrangements are set out in clause 13 of the Scheme Implementation Deed.

In summary, TPG has granted the following exclusivity rights in favour of VHA during the Exclusivity Period:

- **No shop** – TPG must not, and must ensure that each of its Related Persons and Related Bodies Corporate and the Related Persons of those Related Bodies Corporate does not solicit, invite, encourage or initiate any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal, or communicate an intention to do so.
- **No talk** – TPG must not, and must ensure that each of its Related Persons and Related Bodies Corporate and the Related Persons of those Related Bodies Corporate does not:
  - participate in, or continue, negotiations or discussions or provide information about the TPG Group that may lead to an actual, proposed or potential Competing Proposal, or communicate an intention to do so; or
  - negotiate, accept or agree to enter into any arrangement regarding an actual, proposed or potential Competing Proposal or offer or agree or communicate an intention to do so,

  unless the TPG Board forms the opinion in good faith, after receiving written advice from its external legal advisers that failing to do so would, or would be likely to, constitute a breach of its fiduciary or statutory duties.
- **Notification of approaches** – during the Exclusivity Period, TPG must within 24 hours notify VHA in writing if it is approached, or if it becomes aware that any of its Related Persons have been approached, in connection with an actual or potential Competing Proposal.
- **Cease discussions** – TPG must, and must procure that its Related Bodies Corporate, cease any discussions or negotiations relating to any actual, proposed or potential Competing Proposal or any transaction that would, or would reasonably be expected to, reduce the likelihood of success of the Merger.
- **Matching right** – TPG must not enter into any agreement, arrangement or understanding in connection with a Competing Proposal, and must use its best endeavours to procure that none of its directors change their recommendation in favour of the Merger to recommend such Competing Proposal or recommend against the Merger unless:
  - the Competing Proposal is a Superior Proposal;
  - TPG has given VHA written notice of the key terms and conditions of the Competing Proposal (including the consideration under the Competing Proposal);
  - TPG has given VHA 5 Business Days to provide a matching or superior proposal; and
  - VHA has not announced a matching or superior proposal by the expiry of the 5 Business Day period.

- **VHA counterproposal** – where VHA provides a matching or superior proposal within the 5 Business Day period for it to do so which the TPG Board determines would provide an equivalent or superior outcome for TPG Shareholders as the Competing Proposal:
  - TPG and VHA must use their best endeavours to agree the amendments to the Scheme Implementation Deed and, if applicable, the Scheme necessary to reflect the VHA counterproposal; and
  - TPG must use its best endeavours to procure that each of the TPG Directors continues to recommend the Scheme.

13.1.4 Change in recommendation

TPG has agreed in the Scheme Implementation Deed to use reasonable endeavours to procure that no TPG Director changes, withdraws or modifies their recommendation to vote in favour of the Scheme at the Scheme Meeting unless:

- the Independent Expert provides a report to TPG (including either the Independent Expert's Report or any update of, or any revision, amendment or supplement to, that report) that concludes the Scheme is not in the best interests of TPG Shareholders;
- TPG receives a Superior Proposal; or
- the TPG Board has determined, after receiving written legal advice, that it is required to change, withdraw or modify its recommendation, by virtue of the directors' duties of the TPG Directors.

13.1.5 Break fee payable to VHA

TPG has agreed to pay VHA a break fee of $50 million (excluding GST) if certain specified events occur, including:

- **Competing Proposal** during the Exclusivity Period, a Competing Proposal is announced by a Third Party or any TPG Director recommends, promotes or otherwise endorses a Competing Proposal and within 12 months of the announcement that Third Party or its Associate:
  - completes a Competing Proposal; or
  - acquires more than 50% of TPG.
- **Change of recommendation** change of recommendation to vote in favour of the Scheme by a TPG Director, other than:
  - where TPG is permitted to terminate the Scheme Implementation Deed for a material breach by VHA, HTAL or VOL, or for the occurrence of a VHA Regulated Event or VHA Prescribed Occurrence; or
  - where the Independent Expert concludes that the Scheme is not in the best interests of TPG Shareholders (other than where the reason for that conclusion is a Competing Proposal).
- **VHA termination** VHA validly terminating the Scheme Implementation Deed for a material breach by TPG or the occurrence of a TPG Regulated Event or TPG Prescribed Occurrence where the relevant breach or occurrence of the relevant event permitting VHA to terminate was not caused by actions or events outside of TPG's control.

The TPG break fee arrangements are set out in clause 14 of the Scheme Implementation Deed.

13.1.6 Break fee payable to TPG

VHA has agreed to pay TPG a break fee of $50 million (excluding GST) if certain specified events occur, including:

- **Restructure** subject to certain conditions, TPG or VHA terminating the Scheme Implementation Deed on the basis that all other Conditions Precedent (other than approval of the Scheme by the Court) are satisfied but the Restructure Condition Precedent or a Regulatory Approvals Condition Precedent in relation to the Restructure has not been satisfied.
- **TPG termination** TPG validly terminating the Scheme Implementation Deed for a material breach by VHA or the occurrence of a VHA Regulated Event or VHA Prescribed Occurrence where the relevant breach or occurrence of the relevant event permitting TPG to terminate was not caused by actions or events outside of VHA's control.

The VHA break fee arrangements are set out in clause 14 of the Scheme Implementation Deed.

13.1.7 Representations and warranties

VHA has given to TPG, and TPG has given to VHA, customary representations and warranties, including in relation to:

- its power and authority to execute the Scheme Implementation Deed;
- its capital structure;
- in the case of VHA, the Merged Co Shares to be issued to Scheme Shareholders on the Implementation Date;
- it and its Subsidiaries not being insolvent;
- in the case of VHA, its related party arrangements; and
- that entry into the Scheme Implementation Deed will not cause a breach of its constitution or any other agreement to which it is a party.

13.1.8 Termination rights

Broadly, each of TPG and VHA may terminate the Scheme Implementation Deed by written notice to the other party if:

- the other is in material breach of the Scheme Implementation Deed (including for any representation and warranty not being true and correct), and TPG or VHA has given notice to the other setting out the relevant circumstances and the relevant circumstances continue for 5 Business Days; or
- the Effective Date has not occurred, or will not occur, on or before the End Date.

Broadly, VHA may terminate the Scheme Implementation Deed if:

- there is a TPG Regulated Event or TPG Prescribed Occurrence;
- the TPG Board or a majority of the TPG Board fails to recommend the Scheme, or withdraws or adversely modifies their recommendation, or makes a public statement indicating that they no longer recommend the Merger or recommend another alternative transaction; or
- TPG enters into a legally binding agreement to give effect to a Competing Proposal.

Broadly, TPG may terminate the Scheme Implementation Deed if:

- there is a VHA Regulated Event or VHA Prescribed Occurrence; or
- the TPG Board or a majority of the TPG Board has changed, withdrawn or modified its recommendation because the Independent Expert has concluded the Scheme is not in the best interests of TPG Shareholders or after receiving a Superior Proposal or after receiving written advice from its external legal advisers, that it is required to change, withdraw or modify its recommendation by virtue of the directors' duties of the TPG Directors.

The termination rights are set out in clause 16 of the Scheme Implementation Deed.

13.1.9 TPG Performance Rights

VHA has agreed that the TPG Board may determine that the TPG Performance Rights will vest and convert into TPG Shares prior to the Scheme Record Date so that TPG Performance Rights holders may participate in the Scheme in respect of TPG Shares transferred to the holder on conversion of the TPG Performance Rights.

TPG must procure that there are no TPG Performance Rights on or after the Scheme Record Date.

13.2 Scheme Deed Poll

VHA has entered into the Deed Poll pursuant to which it has undertaken in favour of each Scheme Shareholder to procure that each Scheme Shareholder is provided the Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective.

The Deed Poll may be relied upon by any Scheme Shareholder despite the fact that they are not a party to it and each Scheme Shareholder appoints TPG as its agent to enforce their rights under the Deed Poll against VHA.

A copy of the Deed Poll is contained in Annexure D.

13.3 Summary of related party arrangements

The VHA Group has entered into a number of arrangements with its shareholders and their affiliates.

13.3.1 Vodafone brand

VHA entered into a Brand Licence Agreement on 9 June 2009 with Vodafone Ireland Marketing Limited, later transferred to Vodafone Sales & Services Limited (**VSSL**), under which VHA has the non-exclusive right to use the Vodafone brand in Australia.

VSSL is a wholly-owned indirect Subsidiary of VOD.

On Implementation of the Scheme, the existing Brand Licence Agreement will terminate and the Merged Co and VSSL will enter into a new Trade Mark Licence Agreement (**TMLA**) under which VHA will continue to have the non-exclusive right to use the Vodafone brand in Australia for a 10 year term.

Under the new TMLA, the Merged Co will be required to pay a $27.5 million annual fee and is subject to various undertakings relating to its use of the Vodafone brand.

VSSL may terminate the TMLA for unremedied breach by Merged Co, insolvency, or (subject to an 18 month run-off period) if VOD's shareholding of VHA falls below 10%.

The Merged Co provides an indemnity for the benefit of VSSL and VOD in relation to loss from VHA or its sub-licensees' use of the Vodafone brand. Each party's liability is limited other than in respect of death or personal injury.

13.3.2 Procurement

VHA entered into an amended and restated VPC Inter-Company Procurement Agreement with Vodafone Procurement Company S.à.r.l (**VPC**) on 30 June 2016 under which VPC provides products and services and other telecommunications systems, services and materials to the VHA Group.

VPC is a wholly-owned indirect Subsidiary of VOD.

This agreement also allows the VHA Group to participate (where eligible) in certain global arrangements on favourable terms for goods and services negotiated by VPC with third parties. One such arrangement is a licence agreement between VPC and Oracle Corporation UK Limited, which the VHA Group participates in and under which it sublicenses Oracle software products.

On Implementation of the Scheme, the existing VPC Inter-Company Procurement Agreement will terminate and the Merged Co and VPC will enter into a new VPC Inter-Company Procurement Agreement under which the Merged Co will continue to have access to certain products and services provided by VPC, and the ability to participate in global arrangements between VPC and third parties.

Under the new VPC Inter-Company Procurement Agreement, the Merged Co will be required to pay a fixed $5 million annual fee to have access to an agreed scope of services, and additional variable fees for services outside of this scope.

The term of the new VPC Inter-Company Procurement Agreement continues until terminated by a party. After expiry of an initial period of 12 months, either party may terminate the agreement by providing 12 months' notice.

13.3.3 Corporate services

VHA entered into an Inter-Group Agreement with VSSL and VOD dated 26 March 2012 (as amended and supplemented in 2012 and 2015).

VSSL is a wholly-owned indirect Subsidiary of VOD.

Under this agreement, VGPLC and VSSL provide various products and services to the VHA Group including back office services (in India and Egypt primarily), software development and electronic SIM technology.

This agreement also allows the VHA Group to participate (where eligible) in certain global arrangements for goods and services negotiated by VOD with third parties.

On Implementation of the Scheme, the existing Inter-Group Agreement will terminate and the Merged Co, VOD and VSSL will enter into a new Corporate Services Agreement (**New CSA**) under which the Merged Co will continue to have access to the products and services provided under the existing Inter-Group Agreement.

Under the New CSA, the Merged Co will be required to pay:

- a fixed annual fee of $13.64 million paid quarterly in arrears; and
- additional variable fees for services provided by VGPLC or VSSL, or services arranged on behalf of the Merged Group by VGPLC or VSSL and provided to the Merged Group by a third party.

Each party's liability is limited other than in respect of:

- an indemnity for act or omission resulting personal injury, sickness or death;
- breach of the privacy or confidentiality provisions; or
- fraud or wilful misconduct.

The term of the New CSA continues until terminated by a party. Each party may terminate the agreement for cause or without cause by providing 12 months' notice.

13.3.4 International roaming

VOD affiliates

Roaming Hub Services Agreement

VHA, VNPL and VAPL entered into a Roaming Hub Services Agreement with Vodafone Roaming Services S.à.r.l (VRS) effective 1 September 2010.

VRS is a wholly-owned indirect Subsidiary of VOD, which maintains an international roaming hub platform through which it provides connection, testing and signalling telecommunications services (**VRS Hub**).

Under this agreement, VRS provides various telecommunications services to VHA relating to international roaming. This agreement also sets out the arrangements governing the provision of international roaming services by VRS to the VHA Group, and the commercial arrangements governing the reciprocal provision of international roaming services facilitated by the VRS Hub by VHA and certain overseas telecommunications network operators to each other's customers.

The fees charged by VRS are variable and depend on the services provided by it to the VHA Group and the volume of international roaming on VHA's mobile network and by VHA's customers on other networks.

Each party's liability is limited other than in respect of a tax indemnity, and each party may terminate the agreement for cause.

Roaming Discount Relationship Agreement

VHA and VAPL entered into a Roaming Discount Relationship Agreement with Vodafone Group Services Limited (**VGSL**) in 2010.

VGSL is a wholly-owned indirect Subsidiary of VOD.

This agreement establishes the contractual framework that allows, and contains the general terms and conditions that apply to, the participation of the VHA Group (where eligible) in international roaming arrangements between affiliates of VOD (other than members of the VHA Group) and overseas telecommunications network operators.

The fees payable by the VHA Group are variable and depend on the volume of international roaming on VHA's mobile network and by VHA's customers on the networks of the overseas telecommunications network operators.

The term of this agreement continues until terminated by either party. Either party may terminate the agreement for cause, or without cause by providing 60 days' notice.

Framework Agreement for Roaming IOT Discounts

VHA, VNPL, VAPL and VPL entered into a Framework Agreement for Roaming IOT Discounts with VRS on 19 August 2010 (as amended).

VRS is a wholly-owned indirect Subsidiary of VOD.

This agreement establishes the contractual framework and general terms and conditions that apply to the supply of international roaming services between eligible members of the VHA Group and certain affiliates of VRS. Specific terms including pricing that relate to international roaming traffic between a member of the VHA Group and an affiliate of VRS are set out in separate agreements between the same parties.

The fees payable by the VHA Group under both the Framework Agreement for Roaming IOT Discounts and the underlying separate pricing agreements are variable and depend on the volume of international roaming on VHA's mobile network and by VHA's customers on the networks of the VRS affiliates.

The term of this agreement continues until terminated by either party. Each party may terminate the agreement for cause, including for a change of control of the other party (which is not triggered by the Merger). The fixed term of this agreement expired 31 March 2020. The parties are currently negotiating an amendment to this agreement, which, if signed, would extend the term until 31 March 2022 unless terminated earlier.

CKHH affiliates

Group International Roaming Discount Agreement

VHA entered into a Group International Roaming Discount Agreement with Hutchison Whampoa 3G IP S.à.r.l (**Luxco**) with effect on 1 April 2018.

Luxco is a wholly-owned indirect Subsidiary of CKHH.

This agreement establishes the contractual framework and general terms and conditions that apply to the supply of international roaming services between members of the VHA Group and certain affiliates of Luxco. Specific terms including pricing that relate to international roaming traffic between a member of the VHA Group and an affiliate of Luxco are set out in separate agreements.

The fees payable by the VHA Group under both the Group International Roaming Discount Agreement and the underlying separate pricing agreements are variable and depend on the volume of international roaming on VHA's mobile network and by VHA's customers on the networks of the Luxco.

The term of this agreement continues until 31 March 2022, unless terminated earlier by either party.

Each party's liability is limited other than in respect of wilful misconduct or gross negligence, and each party may terminate the agreement for cause.

Addendum to International GSM Roaming Agreement

VNPL entered into an Addendum to International GSM Roaming Agreement with Hutchison Telephone Company Limited (**HTC**) and Hutchison Telephone (Macau) Company Limited (**HTM**), effective 1 July 2018.

HTC and HTM are non wholly-owned indirect Subsidiaries of CKHH.

This agreement contains the specific terms including pricing that relate to international roaming traffic on VHA and HTC's mobile networks and on VHA and HTM's mobile networks by their respective customers.

The fees payable by the VHA Group are variable and depend on the volume of international roaming on VHA's mobile network and by VHA's customers on HTC's and HTM's networks.

The term of this agreement continues until terminated by either party.

13.3.5 Telecommunication services

VHA entered into an International Telecommunications Services Agreement with Vodafone Limited, later transferred to Vodafone Enterprise Global Limited (**VEGL**) on 1 September 2015.

VEGL is a wholly-owned indirect Subsidiary of VOD.

Under this agreement (as amended), VEGL provides various international traffic steering, interconnect and signalling services to the VHA Group, including international call termination, VoIP (internet based) telephony, interconnection and Vodafone SMS messaging hub services.

The fees charged by VEGL are variable and depend on the services provided by it to the VHA Group.

Each party's liability is limited other than in respect of death or personal injury, fraud, non-payment or liability that cannot be excluded by law.

The term of this agreement continues until terminated by either party. Either party may terminate the agreement for cause, or without cause by providing three months' notice.

13.3.6 Transmission Services

VHA entered into a Bandwidth Connect Agreement with Vodafone Enterprise Australia Pty Limited (**VEAPL**) in 2014.

VEAPL is a wholly-owned indirect Subsidiary of VOD.

Under this agreement, VEAPL provides data transmission services to the VHA Group.

The fees charged by VEAPL are variable and depend on the services provided by it to the VHA Group.

Each party's liability is limited other than in respect of death or personal injury, fraud, non-payment or liability that cannot be excluded by law.

The term of this agreement continues until terminated by either party. Either party may terminate the agreement for cause.

13.3.7 M2M

VHA entered into a Machine to Machine (**M2M**) Services Agreement with VRS effective on 1 February 2012.

VRS is a wholly-owned indirect Subsidiary of VOD which maintains an international M2M platform through which it provides provisioning, control, management and reporting for global SIMs (**M2M Hub**).

Under this agreement, VHA provides the use of its mobile network for global SIM traffic, and VRS provides various services to the VHA Group including providing connectivity to the M2M Hub, M2M traffic signalling, support functions, and management and reporting for global SIMs.

The fees charged by VRS are variable and based on a percentage of the fees relating to the M2M traffic generated by global SIMs utilising the M2M Hub.

The term of this agreement continues until terminated by either party. Either party may terminate the agreement for cause.

13.3.8 Accounting support services

VHA and HTAL are parties to an existing arrangement under which VHA provides accounting support services to HTAL and its Subsidiaries.

See Section 10.7.2 for information regarding HTAL's interests in the Merged Co.

On Implementation of the Scheme, the existing arrangement will be replaced by a new Services Agreement between HTAL and the Merged Co. Under the new Services Agreement, the terms of the existing arrangement will be extended and the Merged Co will continue to provide accounting and tax support services to HTAL, its Subsidiaries and joint ventures (including H3GAH, JVCo and VHF).

Under the new Services Agreement, the Merged Co will charge HTAL variable fees on a time and materials basis, depending on the services provided by it to HTAL.

The term of the new Services Agreement will be for an initial period of four years from the Implementation Date, and will automatically renew for additional one year terms. After the initial period, either party may terminate the agreement by providing three months' notice.

13.4 Agreements relating to the Singapore Demerger

13.4.1 Separation Deed

TPG and Singapore Co will enter into a Separation Deed to provide for the separation of Singapore Co from the TPG Group, subject to and with effect from the date of the distribution of the Singapore Dividend. Under the Separation Deed, Singapore Co will form a separate corporate group with TPG Singapore, operating on a standalone basis, and other TPG Subsidiaries, assets and liabilities which do not relate to the Singapore business will continue to be held by the TPG Group.

Under the Separation Deed, each of TPG and Singapore Co provide an indemnity in favour of the other that:

- Singapore Co will have the entire economic benefit and risk of the Singapore business, and will assume all liabilities of that business (including all debt and guarantees provided by the TPG Group related to the Singapore business), as if Singapore Co had owned and operated that business at all times; and
- the TPG Group (excluding the demerged Singapore Co) will have the entire economic benefit and risk of the TPG Group business (excluding the Singapore business) and will assume all liabilities of that TPG Group business as if it had operated and owned that business at all times.

In addition:

- Singapore Co will indemnify TPG against any loss whatsoever in connection with the Singapore Demerger (including any taxes, duties and tax costs, grossed up for any taxes payable by TPG on any such indemnity payment); and
- neither party will be liable for consequential or indirect losses or for any amount included (or otherwise taken account of or reflected in) the TPG working capital or net debt calculations pursuant to the Scheme Implementation Deed.

13.4.2 Transitional Services Agreement

TPG and Singapore Co will also enter into the Transitional Services Agreement.

Under the Transitional Services Agreement:

- TPG will provide certain services to Singapore Co on a transitional basis, for up to three years from the date of the Singapore Demerger, pending replication of those services by Singapore Co; and
- TPG will grant Singapore Co a non-exclusive, royalty-free licence of the TPG brand and logo for up to two years from the date of the Singapore Demerger, pending rebranding of the Singapore business by Singapore Co.

The services to be provided by the TPG Group to Singapore Co under the Transitional Services Agreement include:

- provision of third party software;
- IT software and hardware support and maintenance;
- network services such as design, operation and access control configuration;
- value-added services support; and
- corporate telephony support services.

Singapore Co is required to pay TPG fees for the transitional services, intended to cover TPG's costs in providing those services.

The Transitional Services Agreement will commence upon implementation of the Singapore Demerger and will continue until terminated in accordance with its terms. The agreement can be terminated by either of TPG and Singapore Co in a number of circumstances, including for:

- material breach of the agreement which is not rectified within a specified period;
- insolvency of the other party; or
- convenience by Singapore Co only, by 30 days' written notice to TPG.

13.4.3 IP Deed

TPG and Singapore Co will also enter into the IP Deed.

The purpose of the IP Deed is to permit TPG and Singapore Co to share software and related documents, which was developed prior to the Separation Date by one party, which is used in the business of the other party, to ensure both TPG and Singapore Co have continued access to such software and documents.

Under the IP Deed, each of TPG and Singapore Co (and certain Related Bodies Corporate of TPG who hold the relevant intellectual property rights) assign, or agree to procure assignment of, certain intellectual property rights in software hold as co-owners following the Singapore Demerger.

No fees are payable by either party for the mutual assignment under the IP Deed and neither party has material continuing obligations under the IP Deed.

13.5 Shareholder deed poll

The composition of the Merged Co Board, which includes independent directors and appointees of TPG as well as VHA, is set out in Section 10.3 above.

The shareholders of VHA, being VOL and H3GAH, will enter into the Shareholder Deed Poll prior to Implementation under which they will commit that for a period of 3 years after Implementation, they and their Related Bodies Corporate and Associates will not vote on the appointment or removal of a director of the Merged Co, other than in respect of the directors appointed by the VHA Shareholders, the Managing Director and the independent directors, or to vote against a resolution appointing a director where, because Merged Co's constitution sets a maximum of 10 directors, that is necessary so that the board includes four directors nominated by the VHA Shareholders and two independent directors. This restriction will fall away if VOL, H3GAH and their Related Bodies Corporate and Associates cease to hold an aggregate Relevant Interest in the Merged Co of at least 40%.

13.6 Escrow arrangements

The major shareholders of TPG and VHA remain committed to the long-term value creation opportunities available to the Merged Co. Therefore, in accordance with the Scheme Implementation Deed, the following voluntary escrow agreements will be entered into prior to Implementation:

- Mr David Teoh and his associates will enter into an escrow agreement under which they must not dispose of, subject to certain exceptions, more than 20% of their aggregate shareholding in the Merged Co after Implementation for a period of 24 months; and
- the shareholders of VHA, being VOL and H3GAH (together with HTAL, VEBV and VOD) will enter into an escrow agreement under which they must not dispose of, subject to certain exceptions, any of their shareholding in the Merged Co after Implementation for a period of 24 months.

After completion of the Restructure and the Implementation of the Scheme:

- Mr David Teoh and his associates will hold in aggregate a 17.12% shareholding in the Merged Co (assuming that they do not transfer any of their current shareholding in TPG prior to Implementation); and
- H3GAH, VOL and JVCo (which will be 50% owned by H3GAH and 50% owned by a wholly-owned Subsidiary of VOD) will hold in aggregate a 50.1% shareholding in the Merged Co.

The above escrow agreements will give the Merged Co power over disposal of the Merged Co Shares subject to the escrow. Therefore, as a technical matter, on Implementation, the Merged Co will have a Relevant Interest in 63.80% of the Merged Co Shares, being the aggregate of the shareholdings subject to the escrow that Mr David Teoh and his associates, and VOL and H3GAH (together with HTAL, VEBV and VOD), will hold in the Merged Co. Given the Relevant Interest that the Merged Co will hold in its own shares, the Merged Co will need to ensure it does not breach the takeover provisions of Chapter 6 of the Corporations Act in circumstances where it proposes to acquire Merged Co Shares.

13.7 Interests of TPG Directors

13.7.1 Securities in TPG held by, or on behalf of, TPG Directors

Except as set out in this Section 13.7:

- there are no marketable securities of TPG owned by or on behalf of TPG Directors as at the date of this Scheme Booklet;
- no TPG Director owns, or has any interest in, marketable securities of VHA or any other member of the VHA Group; and
- there has been no dealing by any of the TPG Directors in any marketable securities of TPG or VHA or any other member of the VHA Group in the 4 months preceding the Last Practicable Date.

13.7.2 Interests of TPG Directors in marketable securities of TPG

The following table shows the marketable securities of TPG owned by, or on behalf of, each TPG Director as at the Last Practicable Date:

Table 25: Interest of TPG Directors in marketable securities of TPG

TPG Director	TPG Shares
David Teoh	318,315,608
Denis Ledbury	85,109
Robert Millner	8,300,009
Joseph Pang	103,231
Shane Teoh	133,258

13.8 Treatment of TPG Performance Rights

As at the date of this Scheme Booklet, there were 557,825 TPG Performance Rights issued under TPG's long-term equity incentive plans. The TPG Performance Rights are all held by TPG employees at the date of this Scheme Booklet. No TPG Performance Rights are held by any TPG Director.

It is proposed that the TPG Performance Rights will vest and convert into TPG Shares after the Scheme becomes Effective but prior to the Scheme Record Date. This will allow TPG Performance Rights holders to participate in the Scheme in respect of TPG Shares transferred to them on conversion of their TPG Performance Rights.

13.9 ASX waivers and confirmations

ASX has confirmed, for the purpose of Listing Rule 1.1, condition 3, that on receipt of an application by VHA for admission to the official list of ASX, ASX would be likely to grant confirmations and waivers such that VHA may issue an information memorandum if it complies with the information memorandum requirements of Listing Rule 1.4 and if the information memorandum incorporates this Scheme Booklet, rather than a prospectus for the purpose of VHA's admission to ASX. ASX has also confirmed that it is likely to grant waivers and confirmations in respect of other matters incidental to the proposed listing of VHA on ASX.

ASX has also granted a waiver to TPG in respect of Listing Rule 6.23.3, allowing TPG to vest and convert the TPG Performance Rights, in accordance with clause 4.5 of the Scheme Implementation Deed (described in Section 13.1.9).

13.10 Fees

TPG estimates that it will incur between $45 million and $48 million in external transaction costs related to the Scheme, which includes advisory, legal and valuation fees of between $42.5 million and $45.5 million, fees of the Independent Expert of around $700,000 and fees of the Investigating Accountant of around $1.2 million and Court fees, registry costs, printing and mailing costs of less than $500,000. Of this, approximately $12 million will be incurred regardless of whether the Scheme becomes Effective or not.

13.11 Lodgement of Scheme Booklet

The Scheme Booklet was given to ASIC on 28 April 2020 in accordance with section 411(2)(b) of the Corporations Act. ASIC takes no responsibility for the content of this Scheme Booklet.

13.12 Consents and Disclaimers

VHA has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is so named and to the inclusion of the information attributed to it in this Scheme Booklet in the form and context in which such information is included in this Scheme Booklet. VHA has not caused or authorised the issue of this Scheme Booklet, and, other than any reference to its name and the aforementioned information, takes no responsibility for any other part of this Scheme Booklet other than the VHA Information.

Computershare Investor Services Pty Limited (**Computershare**) has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is so named. Computershare has not made any statement that is included in the Scheme Booklet or any statement on which a statement in this Scheme Booklet is based. Computershare has not caused or authorised the issue of this Scheme Booklet, and, other than any reference to its name, takes no responsibility for any other part of this Scheme Booklet.

Lonergan Edwards has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is so named and to the inclusion of its Independent Expert's Report contained in Annexure A. Lonergan Edwards has not caused or authorised the issue of this Scheme Booklet, and, other than any reference to its name and the Independent Expert's Report contained in Annexure A, takes no responsibility for any other part of this Scheme Booklet.

KPMG Transaction Services has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is so named and to the inclusion of its Investigating Accountant's Report contained in Annexure B. KPMG Transaction Services has not caused or authorised the issue of this Scheme Booklet, and, other than any reference to its name and the Investigating Accountant's Report contained in Annexure B, takes no responsibility for any other part of this Scheme Booklet.

KPMG has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is so named. KPMG has not made any statement that is included in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based. KPMG has not caused or authorised the issue of this Scheme Booklet, and, other than any reference to its name, takes no responsibility for any other part of this Scheme Booklet.

PwC has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is so named. PwC has not made any statement that is included in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based. PwC has not caused or authorised the issue of this Scheme Booklet, and, other than any reference to its name, takes no responsibility for any other part of this Scheme Booklet.

Macquarie Capital (Australia) Limited (**Macquarie Capital**) has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is so named. Macquarie Capital has not made any statement that is included in the Scheme Booklet or any statement on which a statement in the Scheme Booklet is based. Macquarie Capital has not caused or authorised the issue of this Scheme Booklet, and, other than any reference to its name, takes no responsibility for any other part of this Scheme Booklet.

Herbert Smith Freehills (**HSF**) has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet in the form and context in which it is so named. HSF has not made any statement that is included in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based. HSF has not caused or authorised the issue of this Scheme Booklet, and, other than any reference to its name, takes no responsibility for any other part of this Scheme Booklet.

13.13 Foreign selling restrictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. TPG disclaims all liabilities to such persons. TPG Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Merger in any jurisdiction outside of Australia.

This Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). VHA is entitled to offer Merged Co Shares to TPG Shareholders in New Zealand pursuant to the New Zealand Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Scheme Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

13.14 No other material information

Except as disclosed elsewhere in this Scheme Booklet, so far as the TPG Directors are aware, there is no other information that is:

- material to the making of a decision by a TPG Shareholder whether or not to vote in favour of the Scheme; and
- known to any TPG Director at the date of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to TPG Shareholders.

13.15 Supplementary information

TPG will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet is materially false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

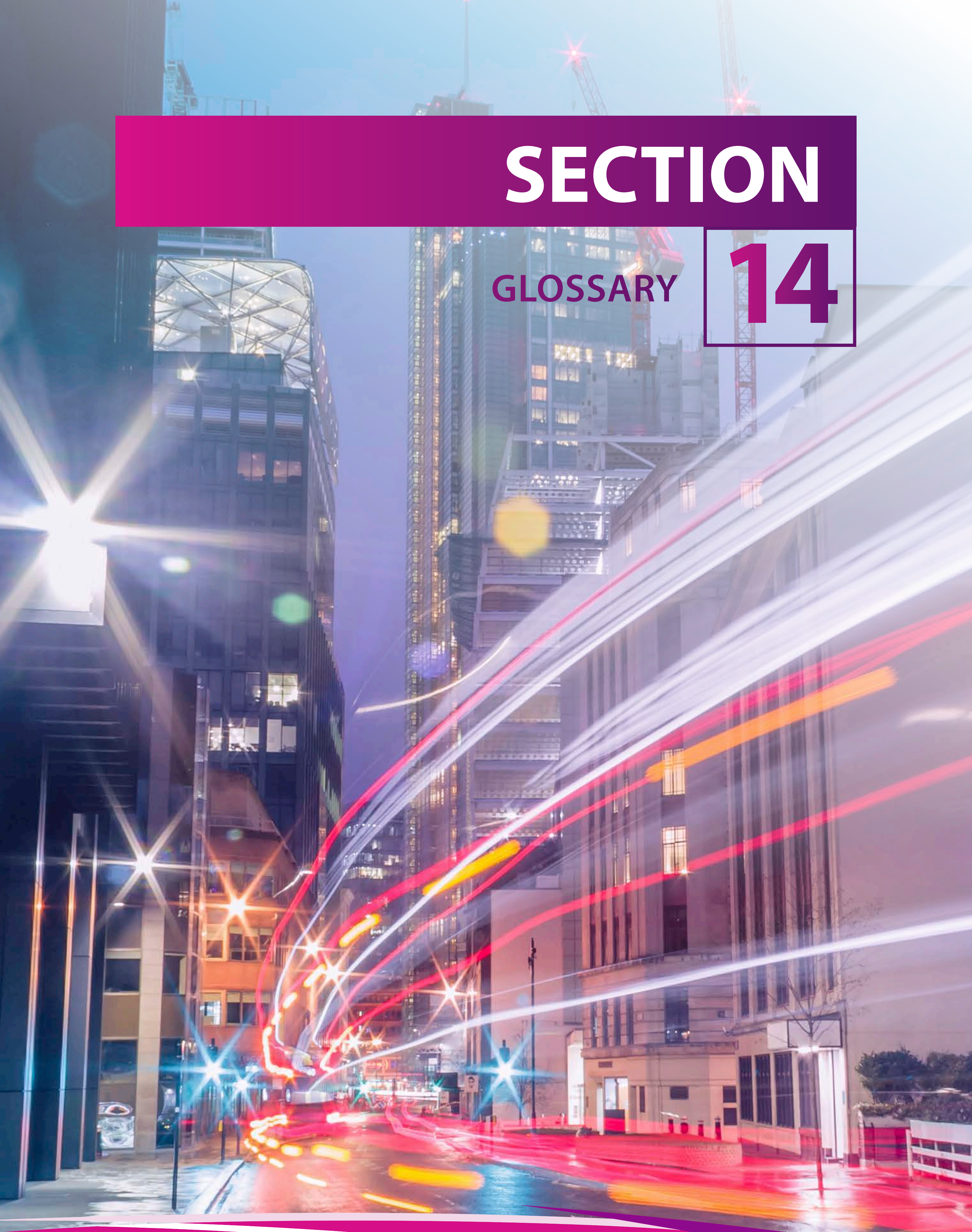
Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, TPG may circulate and publish any supplementary document by:

- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on TPG's website at www.tpg.com.au; or
- making an announcement to ASX,

as TPG, in its absolute discretion, considers appropriate.

SECTION 14

GLOSSARY



14.1 Definitions

Term	Meaning
2020 SFA	has the meaning given in Section 10.6.
3G	third generation wireless mobile telecommunications technology.
4G	fourth generation wireless mobile telecommunications technology.
5G	fifth generation wireless mobile telecommunications technology.
AAS	the Australian Accounting Standards.
AASB	the Australian Accounting Standards Board.
ACCC	the Australian Competition and Consumer Commission.
ACMA	the Australian Communications and Media Authority.
Affiliate	any person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person.
ARPU	average revenue per user.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given in section 12 of the Corporations Act, as if subsection 12(1) of the Corporations Act includes a reference to this Scheme Booklet and TPG was the designated body.
ASX	ASX Limited or the securities market which it operates, as the context requires.
ATO	the Australian Taxation Office.
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney.
CFIUS	the Committee on Foreign Investment in the United States.
CKHH	CK Hutchison Holdings Limited, a Cayman Islands public limited company.
CKHH Associate	any person employed by or who are officials of CKHH, or who were previously employed by or were officials of CKHH, within the five years prior to the date of the NSA, and the nominee or appointee of such person.
Competing Proposal	the combination of any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate) would: • acquire Control of TPG or a Relevant Interest of 30% or more of the issued TPG Shares; • directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of TPG's business or assets or the business or assets of the TPG Group; or • otherwise directly or indirectly acquire or merge with TPG, whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.
Condition Precedent	each of the conditions set out in clause 3.1 of the Scheme Implementation Deed.
Control	has the meaning given in section 50AA of the Corporations Act.
Controlled	when used in the context of Shares Controlled by a TPG Director, means TPG Shares that a TPG Director Controls or which that TPG Director has a Relevant Interest in.
Corporations Act	the *Corporations Act 2001* (Cth).
Court	the Supreme Court of New South Wales.
Dark Fibre Agreement	the Network Unit Agreement between PIPE Networks Pty Limited and VHA dated September 2015 relating to the supply of dark fibre links.
Deed Poll	the deed poll executed by VHA under which VHA covenants in favour of the Scheme Shareholders to perform the obligations attributed to VHA under the Scheme.
DSLAM	Digital Subscriber Line Access Multiplexer.

Term	Meaning
EBITDA	reported earnings before interest income or expense, depreciation and amortisation, impairment expense, and income tax expense.
Effective	when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
EGM	the meeting of TPG Shareholders to be convened by TPG under section 157 of the Corporations Act in respect of the change of name of TPG.
EGM Proxy Form	the proxy form for the EGM to be held on Wednesday, 24 June 2020 at 10.30am (Sydney time) or as soon after that time as the Scheme Meeting has concluded, which accompanies this Scheme Booklet.
EGM Resolution	the resolution to be put to the EGM as set out in the Notice of EGM in Annexure F which must be approved by at least 75% of the total number of votes cast at the EGM by TPG Shareholders entitled to vote on the resolution.
Eligible Shareholder	a Scheme Shareholder (other than an Ineligible Foreign Shareholder).
End Date	31 August 2020.
Exclusivity Period	the period from and including 30 August 2018 to the earlier of: • the date of termination of the Scheme Implementation Deed; • the End Date; and • the Effective Date.
FIRB	the Foreign Investment Review Board.
Financial Year	the 12 month period ended: • in relation to TPG, 31 July 2017, 31 July 2018 or 31 July 2019 (as the context requires); • in relation to VHA, 31 December 2017, 31 December 2018 or 31 December 2019 (as the context requires); or • in relation to the Merged Group, 31 December 2017, 31 December 2018 or 31 December 2019 (as the context requires).
First Court Date	the first day on which an application is made to the Court for an order under section 411(1) convening the Scheme Meeting, as set out in the indicative timetable in Section 3.
First Court Hearing	the Court hearing on the First Court Date.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
H3GAH	Hutchison 3G Australia Holdings Pty Limited ACN 096 549 423.
HTAL	Hutchison Telecommunications (Australia) Limited ACN 003 677 227.
HWL	Hutchison Whampoa Ltd, a company incorporated in Hong Kong.
IFRS	International Financial Reporting Standards.
Implement	the issuing and payment (as applicable) of the Scheme Consideration to Scheme Shareholders and the transfer of all TPG Shares to VHA pursuant to the Scheme. A reference to **Implemented, Implementing, Implementation** or **Implementation of the Scheme** has a corresponding meaning.
Implementation Date	Monday, 13 July 2020, or such other date as TPG and VHA agree in writing.
Independent Expert or **Lonergan Edwards**	Lonergan Edwards & Associates.

Term	Meaning
Independent Expert's Report	the report of the Independent Expert, as set out in Annexure A.
Ineligible Foreign Shareholder	a Scheme Shareholder whose address shown in the Register on the Scheme Record Date is a place outside Australia (and its external territories) and New Zealand, unless VHA and TPG (each acting reasonably) determine that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Merged Co Shares when the Scheme becomes Effective.
Investigating Accountant or **KPMG Transaction Services**	KPMG Transaction Services, which is a division of KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215.
Investigating Accountant's Report	the report of the Investigating Accountant set out in Annexure B in relation to the Merged Group Pro Forma Historical Financial Information, as included in Section 10.8.
IMDA	the Infocomm Media Development Authority of Singapore.
IP Deed	an agreement to be entered into by TPG and Singapore Co, under which of TPG and Singapore Co assigns, or procures assignment of, certain intellectual property rights in software to each other to hold as co-owners following the Singapore Demerger, a description of which is set out in Section 13.4.3.
ITAA 1997	the *Income Tax Assessment Act 1997* (Cth).
JVCo	a company incorporated in the UK as a 50-50 joint venture between wholly-owned Subsidiaries of VOD and HTAL.
KPMG	the Australian professional advisory and accounting practice of KPMG ABN 51 194 660 183.
Last Practicable Date	12 May 2020, being the last practicable trading day prior to the date of this Scheme Booklet.
Leakage	any of the following: • in the case of VHA, any actions undertaken for the Restructure which would have increased the absolute value of the VHA Adjustment Amount (that is, if it would have resulted in VHA needing to reduce its debt by a greater amount) had the action been undertaken prior to the Locked Box Date; • in the case of TPG, any actions undertaken for the Singapore Demerger (or in relation to any member of the demerged group) which would have decreased the absolute value of the TPG Special Dividend Amount (that is, if it would have resulted in TPG being allowed to pay a lower TPG Special Dividend) had the action been undertaken prior to the Locked Box Date; • any payment or distribution of any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital made by VHA or TPG to its members (whether in cash or in specie), or anything else agreed by VHA and TPG, but does not include: • in the case of TPG, the declaration or payment of the TPG Special Dividend (or the incurrence of financial indebtedness to fund the TPG Special Dividend); • any matter to the extent included as (or otherwise taken account of or reflected in) an account included in the Locked Box Date calculations of the relevant party; • any action which is approved in writing by TPG (in the case of an action by VHA) or VHA (in the case of an action by TPG); or • any transaction which would otherwise constitute Leakage, to the extent that the amount of that Leakage is actually repaid or reimbursed to the TPG Group or the VHA Group (as applicable) prior to the Implementation Date, including by way of an adjustment to the TPG Special Dividend Amount or the VHA Adjustment Amount.
Listing Rules	the official listing rules of ASX.
Locked Box Date	30 April 2020, being the month end prior to the date on which the Conditions Precedent described as 'FIRB', 'Competition approval' and 'Other regulatory approvals' in Section 7.5 have all been satisfied or waived.
Merged Co	VHA following Implementation of the Scheme.
Merged Co Board	the board of directors of VHA post Implementation of the Scheme.
Merged Co Share	a fully paid ordinary share in the Merged Co.

Term	Meaning
Merged Co Shareholder	a person who holds a Merged Co Share.
Merged Group	the combination of the VHA Group and the TPG Group, as comprised by VHA and its Subsidiaries following Implementation of the Scheme.
Merged Group Pro Forma Historical Statement of Cash Flows	the pro forma historical operating and investing cash flows of the Merged Group set out in Section 10.8.9.
Merged Group Pro Forma Historical Financial Information	the Merged Group Pro Forma Historical Income Statement, Merged Group Pro Forma Historical Statement of Financial Position and Merged Group Pro Forma Historical Statement of Cash Flows in Section 10.8.
Merged Group Pro Forma Historical Income Statement	the pro forma historical income statement of the Merged Group set out in Section 10.8.3.
Merged Group Pro Forma Historical Statement of Financial Position	the pro forma historical statement of financial position of the Merged Group set out in Section 10.8.6.
Merger	the proposed acquisition combination of the VHA Group and the TPG Group, as comprised by VHA and its Subsidiaries following Implementation of the Scheme.
MNO	mobile network operator.
MVNO	mobile virtual network operator.
NBN	the national broadband network constructed by NBN Co Limited.
New VHA Shares	the additional VHA Shares issued to VOL and H3GAH as part of the Restructure.
NPAT	net profit after tax.
NSA	the National Security Agreement between VHA, TPG, PPC 1 and CKHH on the one hand and the US government, represented by the Departments of Defense, Homeland Security, Justice and the Treasury, on behalf of CFIUS, on the other, dated 19 March 2020.
PPC 1	PPC 1 (US) Inc, a wholly-owned indirect Subsidiary of TPG incorporated in Delaware, USA.
Pro Forma Adjustments	the pro forma adjustments described in Sections 10.8.4, 10.8.7 and 10.8.10.
Proxy Forms	the Scheme Meeting Proxy Form and the EGM Proxy Form.
PwC	PricewaterhouseCoopers.
Register	the register of members of TPG maintained by or on behalf of TPG in accordance with section 168(1) of the Corporations Act.
Registered Address	in relation to a TPG Shareholder, the address of the TPG Shareholder as shown in the Register.
Regulatory Approvals Condition Precedent	each of the following Conditions Precedent described in Section 7.5: • ASX approval for listing of the Merged Co; • ASIC and ASX; and • Restraints.
Related Bodies Corporate	has the meaning given in section 50 of the Corporations Act.
Related Person	each director, officer, employee, adviser, agent or representative of an entity.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.

Term	Meaning
Requisite Majority	in relation to the Scheme Resolution, a resolution passed by: • a majority in number (more than 50%) of TPG Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or, in the case of corporate TPG Shareholders, corporate representative); and • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by TPG Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or, in the case of corporate TPG Shareholders, corporate representative). The Court has the discretion to waive the first of these two requirements if the Court considers it appropriate to do so.
Restructure	the restructure described in Section 9.16.
Restructure Condition Precedent	the 'Restructure' Condition Precedent described in Section 7.5.1.
Sale Agent	the person nominated by TPG to sell the Merged Co Shares that are attributable to Ineligible Foreign Shareholders under the Scheme.
Sale Proceeds	the proceeds of the sale of the Merged Co Shares issued to the Sale Agent (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges).
Scheme	the scheme of arrangement between TPG and the Scheme Shareholders as set out in Annexure C.
Scheme Booklet	this scheme booklet in relation to a proposal from VHA for the acquisition of TPG Shares.
Scheme Consideration	the consideration payable to Scheme Shareholders under the Scheme, being for: • Eligible Shareholders, one Merged Co Share; or • Ineligible Foreign Shareholders, the Sale Proceeds, for each TPG Share owned by a Scheme Shareholder as at the Scheme Record Date.
Scheme Implementation Deed	the Scheme Implementation Deed dated 30 August 2018 between VHA and TPG relating to Implementation of the Scheme, among other things, as announced to the ASX on the same date.
Scheme Meeting	the meeting of TPG Shareholders to be convened by the Court under section 411(1) of the Corporations Act in respect of the Scheme.
Scheme Meeting Proxy Form	the proxy form for the Scheme Meeting to be held on Wednesday 24 June 2020 at 10.30am, which accompanies this Scheme Booklet.
Scheme Record Date	7.00pm on 6 July 2020, or such other time and date as TPG and VHA agree in writing.
Scheme Resolution	the resolution to be put to the Scheme Meeting to approve the Scheme.
Scheme Shareholder	each person registered in the Register as the holder of a TPG Share as at the Scheme Record Date and, where the context requires, the Sale Agent.
Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard, as set out in the indicative timetable in Section 3.
Second Court Hearing	the Court hearing on the Second Court Date.
Shareholder Deed Poll	the deed poll executed by VOL, H3GAH and VEBV described in Section 13.5.
Singapore Co	Tuas Limited ACN 639 685 975.
Singapore Co Information Memorandum	the Singapore Co information memorandum sent to TPG Shareholders with this Scheme Booklet.
Singapore Co Share	a fully paid ordinary share in Singapore Co.
Singapore Demerger	the demerger of Singapore Co and TPG Singapore from TPG via the Singapore Dividend.
Singapore Demerger Costs	the costs of implementing the Singapore Demerger, including equity funding (other than the equity funding to be included in the Locked Box Date calculations, as detailed in Section 7.10), and any applicable taxes or duties.

Term	Meaning
Singapore Dividend	the in-specie dividend of Singapore Co Shares to TPG Shareholders.
Singapore Dividend Record Date	7.00pm on 1 July 2020, or such other time and date as TPG and VHA agree in writing.
Subsidiary	has the same meaning as in section 46 of the Corporations Act.
Superior Proposal	a bona fide Competing Proposal not resulting from a breach by TPG of any of its obligations under clause 13 of the Scheme Implementation Deed, that the TPG Board, acting in good faith, and after receiving written legal advice from its external legal advisers, determines would, if completed substantially in accordance with its terms, be reasonably likely to be more favourable to TPG Shareholders (as a whole) than the Scheme, in each case taking into account all terms and conditions and other aspects of the Competing Proposal (including any timing considerations, any conditions precedent, the identity of the proponent or other matters affecting the probability of the Competing Proposal being completed) and of the Scheme.
Third Party	a person other than TPG, VHA and each of their Related Bodies Corporate and Associates.
TPG	TPG Telecom Limited ACN 093 058 069.
TPG Board	the board of directors of TPG.
TPG Directors	the directors of TPG, being, as at the date of this Scheme Booklet, the individuals listed in Section 8.8.
TPG Dividends	the TPG Special Dividend and the Singapore Dividend.
TPG Group	TPG and each of its Subsidiaries, and a reference to a **TPG Group Member** or a **member of the TPG Group** is to TPG or any of its Subsidiaries.
TPG Information	the information contained in this Scheme Booklet other than the VHA Information, the Independent Expert's Report and the Investigating Accountant's Report.
TPG Performance Rights	the performance rights issued under the long-term equity incentive plan of TPG.
TPG Prescribed Occurrence	has the meaning given in the Scheme Implementation Deed.
TPG Regulated Event	has the meaning given in the Scheme Implementation Deed.
TPG Share	a fully paid ordinary share in TPG.
TPG Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277.
TPG Shareholder	each person who is registered as the holder of a TPG Share in the Register from time to time.
TPG Singapore	TPG Telecom Pte. Ltd., a company incorporated in Singapore, which will be wholly owned by Singapore Co.
TPG Special Dividend	the cash special dividend described in Section 7.3.
TPG Special Dividend Amount	the total quantum of the TPG Special Dividend.
TPG Special Dividend Record Date	7.00pm on 1 July 2020, or such other time and date as TPG and VHA agree in writing.
TPG Target Net Debt	a liability of $2,508,312,000.
TPG Target Working Capital	$317,732,000.
Transitional Services Agreement	an agreement to be entered into by TPG and Singapore Co, under which TPG will provide certain services to Singapore Co and grant a licence to Singapore Co over the use of the TPG brand and logo by TPG Singapore for a period following the Singapore Demerger, a description of which is set out in Section 13.4.2.
VAPL	Vodafone Australia Pty Limited ACN 056 161 043.

Term	Meaning
VEBV	Vodafone Europe B.V., a company incorporated in the Netherlands.
VHA	Vodafone Hutchison Australia Pty Limited ACN 096 304 620.
VHA Board	the board of directors of VHA, as comprised from time to time.
VHA Group	VHA and its Subsidiaries.
VHA Information	the information regarding the VHA Group and the Merged Group provided by VHA to TPG for inclusion in this Scheme Booklet, being: • the letter from the CEO of VHA; • information contained in Section 9; • any information regarding the Merged Group (other than any information regarding the TPG Group contained in the information regarding the Merged Group); and • the summary of related party arrangements in Section 13.3
VHA Prescribed Occurrence	has the meaning given in the Scheme Implementation Deed.
VHA Regulated Event	has the meaning given in the Scheme Implementation Deed.
VHA Shareholders	H3GAH (which is a wholly-owned Subsidiary of HTAL) and VOL (which is a wholly-owned Subsidiary of VOD), and, once the New VHA Shares are transferred to JVCo shortly after Implementation of the Scheme, includes JVCo as well.
VHA Share	a fully paid ordinary share in VHA.
VHA Target Net Debt	a liability of $2,235,534,000.
VHA Target Working Capital	$322,606,000.
VHF	Vodafone Hutchison Finance Pty Limited ACN 154 350 375.
VNPL	Vodafone Network Pty Limited ACN 081 918 461.
VOD	Vodafone Group plc, a public company incorporated in England and Wales.
VOL	Vodafone Oceania Ltd, a company incorporated in England and Wales.
VPL	Vodafone Pty Limited ACN 062 954 554.
VSSL	Vodafone Sales & Service Limited, a company incorporated in England and Wales.

14.2 Interpretation

In this Scheme Booklet, unless the context otherwise appears:

a) words and phrases have the same meaning if any) given to them in the Corporations Act, unless inconsistent with the meaning given in Section 14.1;

b) words importing a gender include any gender;

c) words importing the singular include the plural and vice versa;

d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

e) a reference to a Section or annexure is a reference to a Section of and an annexure to this Scheme Booklet as relevant;

f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;

h) a reference to time is a reference to time in Sydney, Australia;

i) a reference to writing includes facsimile transmissions; and

j) a reference to dollars, $, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

ANNEXURE A

INDEPENDENT EXPERT'S REPORT

LONERGAN EDWARDS
& ASSOCIATES LIMITED

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The Directors
TPG Telecom Limited
63-65 Waterloo Road
Macquarie Park NSW 2113

19 May 2020

Subject: Proposed merger of TPG and Vodafone Hutchison Australia

Dear Directors

Introduction

1 On 30 August 2018, TPG Telecom Limited (TPG) and Vodafone Hutchison Australia Pty Ltd (VHA) announced that they had signed a Scheme Implementation Deed (SID) under which the two companies will merge (the Merger). The Merger will be implemented via a TPG Scheme of Arrangement (Scheme), with the merged group to be listed on the Australian Securities Exchange (ASX) and renamed TPG Telecom Limited (Merged Group)[1].

2 Implementation of the Merger (which requires regulatory and shareholder approval[2]) was initially delayed due to the statement by the Australian Competition & Consumer Commission (ACCC) on 13 December 2018 that it had preliminary competition concerns in relation to the Merger.

3 Subsequently, on 8 May 2019 the ACCC stated that it would oppose the Merger due to competition concerns. TPG and VHA filed legal action in relation to the ACCC decision, and on 13 February 2020 the Federal Court found that the Merger would not, and was not likely to, substantially lessen competition. As a result, TPG and VHA announced that they would work together to complete the Merger as soon as possible.

TPG and VHA

4 TPG is a provider of consumer, small to medium enterprise (SME), government, corporate and wholesale telecommunications services including fixed internet, voice, mobile and data services. It owns Australia's second largest fixed voice and data network, with over 27,000 kilometres (km) of metropolitan and inter-capital fibre, as well as end-to-end infrastructure including over 400 DSLAM[3] enabled telephone exchanges and the international submarine cable connecting Australia and Guam, with onwards connectivity to the United States of America (US) and Asia.

1 Pursuant to the Scheme, VHA will acquire all of the ordinary shares in TPG. Following completion, VHA will then be renamed TPG Telecom Limited.

2 And is subject to a number of other conditions (which are set out in Section I and the Scheme Booklet).

3 Digital subscriber line access multiplexers (DSLAM).

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5 At the date of the Merger announcement in August 2018, TPG was also in the process of constructing and developing a geographically limited 4G mobile network in Australia and a mobile network in Singapore. Whilst the Singapore network is nearing completion, on 29 January 2019, TPG advised that it had decided to cease the rollout of its Australian mobile network due to (inter-alia) the prohibition by the Australian Government of Huawei equipment in 5G networks[4].

6 VHA provides wireless communications and multimedia services in Australia and operates both 3G and 4G cellular networks. It is the third largest Australian mobile network operator (MNO), with 5.7 million customers as at 31 December 2019, and a 4G mobile network covering 22 million Australians. The ultimate parent entities of VHA are Vodafone Group Plc (Vodafone Group) and Hutchison Telecommunications (Australia) Limited (HTA), which each own 50%.

7 If the Merger is implemented, the Merged Group will own and operate highly complementary telecommunications network infrastructure, including more than 27,000 km of metropolitan and inter-capital fibre networks, a leading mobile network with 5,163 sites, international transit capacity and a strategic portfolio of spectrum assets.

Merger terms

8 If the Scheme is approved and implemented, TPG shareholders will receive one share in the Merged Group for each TPG share held[5]. Following completion of the Merger, TPG shareholders will own 49.9% of the Merged Group with VHA shareholders owning the remaining 50.1%.

Separation and proposed listing of TPG Singapore

9 Prior to implementation of the Merger, TPG intends to separate its Singapore mobile operations by way of an in-specie distribution of Tuas Limited (which will be the Australian holding company for TPG Telecom Pte Limited (TPG Singapore)) shares to existing TPG shareholders. It is intended that Tuas shares will be listed on the ASX.

Potential special dividend and net debt

10 Pursuant to the terms of the Merger, both TPG and VHA have agreed on the level of net debt which will exist in their respective companies at the Scheme implementation date (Implementation Date).

11 TPG's actual net debt balance is expected to be below the agreed level of $2,508 million[6]. As a result, TPG expects to declare a fully franked special dividend prior to implementation of the Merger (Special Dividend), which will be paid to TPG shareholders. This Special Dividend will be equal to the extent to which TPG's net debt is below the agreed level of

4 The principal equipment vendor selected by TPG for its Australian network was Huawei.

5 Subject to rounding for fractional entitlements. TPG shareholders who are "Ineligible Foreign Shareholders" (as defined in the Scheme Booklet) will not be entitled to receive Merged Group shares and will instead receive cash proceeds from the sale, by a nominee, of the Merged Group shares they would have otherwise received.

6 Inclusive of TPG's spectrum payment of $352.4 million, which was paid on 31 January 2020, and the spectrum payment of $131.7 million, which was paid in March 2020.

$2,508 million, subject to certain adjustments as described in section 7.3 and 7.10 of the Scheme Booklet[7].

12 VHA is also required to reduce its net debt to the agreed level of $2,236 million at the Implementation Date. As VHA's current net debt is significantly higher than this amount, it is proposed that an entity jointly owned by Vodafone Group and HTA will assume the net debt of VHA in excess of the agreed amount.

13 Based on the above agreement, the net debt of the Merged Group on the Implementation Date is expected to be $4,744 million[8] [9].

Conditions precedent

14 The SID contains customary terms and conditions on which TPG and VHA will implement the Merger. Conditions precedent include TPG shareholder approval, the completion of the VHA restructuring, entering into binding arrangements for financing of the Merged Group, approval for listing of the Merged Group on the ASX, and court and regulatory approvals, including Foreign Investment Review Board approval. Further details on these conditions are set out in Section I of this report and the Scheme Booklet.

Purpose of report

15 There is no regulatory requirement for an independent expert's report (IER) to be prepared for TPG shareholders pursuant to the *Corporations Act 2001* (Cth) (Corporations Act) or the ASX Listing Rules. However, the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of TPG shareholders.

16 In addition, the Directors' recommendation of the Scheme is provided on the basis that there is no superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of TPG shareholders.

17 Accordingly, the Directors of TPG have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Scheme is in the best interests of TPG shareholders and the reasons for that opinion. LEA is independent of TPG and VHA and has no other involvement or interest in the proposed Scheme.

Summary of opinion

18 In our opinion the Scheme is in the best interests of TPG shareholders, in the absence of a superior proposal. We have formed this opinion for the reasons detailed below.

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7 As at 31 January 2020, TPG's net debt was approximately $1,742 million.

8 Inclusive of TPG's spectrum payment of $352.4 million, which was paid on 31 January 2020, and the spectrum payment of $131.7 million, paid by both TPG and VHA in March 2020.

9 Whilst this is the expected net debt number, it should be noted that the actual net debt figure on the Implementation Date may vary from this amount due to (a) working capital adjustments and (b) cash flows between the Locked Box Date (as defined in the SID) and the Implementation Date.

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Basis of assessment

19 The Scheme is not structured as a change of control transaction and there is no intention for the Merger terms to deliver a control premium to TPG (or VHA) shareholders. Furthermore, ownership of the Merged Group will be shared between each group of shareholders (49.9% by TPG and 50.1% by VHA) as will operational control, with key executive and Board positions being sourced from both companies.

20 Accordingly, LEA has assessed the Scheme as a merger rather than a change of control transaction. In the circumstances, the key issues in respect of the Merger from the perspective of TPG shareholders are whether:

(a) TPG shareholders obtain a collective ownership interest in the Merged Group that is consistent with (or greater than) the relative value they contribute to the Merged Group

(b) from a value perspective, TPG shareholders are likely to be better off if the Merger proceeds

(c) the advantages of the Merger outweigh the disadvantages.

Relative value contribution

21 As stated above, in assessing a merger, a key consideration is whether the value contributed by each of the merger parties is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing a merger, it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value. This is consistent with Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111), which states that where there is a "*merger of entities of equivalent value when control of the merged entity will be shared between the 'bidder' and 'target' … the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'*."

22 Given the above, LEA has compared TPG shareholders' aggregate interest in the Merged Group (i.e. 49.9%) with the relative value contributed to the Merged Group by TPG shareholders.

23 LEA has assessed the underlying value of 100% of TPG and VHA on a minority interest basis in Sections VII and VIII of this report. Our analysis of the relative value contribution by each entity is as follows:

Relative value contribution – LEA's assessment of underlying value

	Paragraph	Low $m	High $m
TPG equity value contribution to Merged Group	331	4,292	4,992
VHA equity value contribution to Merged Group	399	4,414	5,064
Relative value contribution – TPG		49.3%	49.6%
Relative value contribution – VHA		50.7%	50.4%

4

24 Based upon the above underlying valuation analysis, TPG shareholders will have a collective interest in the Merged Group (49.9%) that is slightly higher than their assessed relative contribution to underlying value. Accordingly, in our view, the terms of the Merger are fair to TPG shareholders.

Position before and after implementation of the Merger

25 As set out in Section IX, neither the management of TPG or VHA have quantified the level of synergy benefits expected to arise from the Merger. As a result, we do not have sufficient information to enable us to quantify the value of potential synergy benefits.

26 However, in order to assess whether the Merger is in the best interests of TPG shareholders we have considered (inter-alia):

(a) the nature of the synergies identified by TPG and VHA management (which are discussed in Section IX)

(b) broker estimates of the potential synergies expected to arise as a result of the Merger

(c) the potential for revenue synergies arising from the opportunity to cross-sell products across both the TPG and VHA customer bases

(d) the trading in TPG shares following the announcement of the Merger.

27 As set out in Section IX, investment analyst estimates of the annual synergies expected to arise from the Merger are around $200 million per annum[10]. The realisation of such synergies would be significantly earnings accretive for TPG shareholders, as demonstrated below (based on EBITDA[11]):

Impact of synergies on TPG EBITDA	EBITDA $m
TPG pre-Merger	735(1)
TPG share of EBITDA post Merger and realisation of potential synergies(2)	
TPG pre-Merger	735(1)
VHA pre-Merger	1,037(3)
Annual synergies	200
Total	1,972
49.9% thereof	984
Potential uplift in EBITDA for TPG shareholders	249(4)
Potential EBITDA uplift (%)	34%(5)

10 The investment analysts generally expect the synergy benefits to be realised in full in FY23 or FY24. As these synergy benefits are expected to be realised progressively over a number of years, and integration costs will also be incurred, it should be noted that the synergy benefits achieved in the shorter term are likely to be materially lower than the full year synergy estimates.

11 Earnings before interest, tax, depreciation and amortisation (EBITDA) excludes the impact of Australian Accounting Standards Board (AASB) 16 – *Leases* (AASB 16) for the reasons discussed in the TPG profile section as well as the valuation sections.

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Note:
1 Being the level of EBITDA adopted by LEA in its capitalisation of EBITDA approach (in Section VII). Comprises Consumer division ($355 million) and Corporate division ($380 million).
2 Assuming realisation of $200 million in annual synergies.
3 Calendar year (CY) 2019 result (refer Section VIII). Note, this is prior to the impact of the 2019 novel coronavirus (COVID-19) pandemic which will adversely impact profitability in the short term.
4 Being $984 million less $735 million.
5 Being $249 million divided by $735 million.

28 It should be noted that the potential synergy benefits will take a number of years to realise and may be less than investment analyst estimates. However, given the complementary nature of the TPG and VHA businesses it is clear that some synergy benefits will be realised. The realisation of such synergies should be value accretive for both TPG and VHA shareholders.

Advantages versus disadvantages

29 We summarise below the likely advantages and disadvantages for TPG shareholders if the Merger proceeds:

Advantages

(a) the Merger of TPG and VHA is expected to result in significant synergies arising from:

(i) the combination of their complementary networks, rationalisation of duplicated costs and economies of scale

(ii) the opportunity to cross-sell products across both TPG's and VHA's combined corporate and consumer customer bases

(b) as a result of expected synergies, in our opinion, the Merger is significantly value accretive for TPG shareholders

(c) TPG shareholders should note that the initial market reaction to the announcement of the Merger has been very positive

(d) TPG shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. Further, the larger scale of the Merged Group should assist it to compete against Telstra Corporation (Telstra) and Singtel Optus Pty Limited (Optus)

Disadvantages

(e) some TPG shareholders may not want to acquire an economic interest in the VHA business. However, these TPG shareholders have an opportunity to sell their TPG shares prior to the implementation of the Merger, or their Merged Group shares after implementation of the Merger.

Conclusion

30 Given the above, in our view, the advantages of the Merger significantly outweigh the disadvantages from the perspective of TPG shareholders. Accordingly, we consider the Merger to be in the best interests of TPG shareholders, in the absence of a superior proposal.

General

31 In preparing this report we have considered the interests of TPG shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

32 TPG shareholders should note that the listed market price of shares in the Merged Group is subject to daily fluctuation. The price at which shares in the Merged Group may be sold subsequent to the implementation of the Merger may therefore be greater or less than our assessed value range. TPG shareholders should also note that any decision to hold shares in the Merged Group beyond the short term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold shares in the Merged Group should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. TPG shareholders should therefore seek independent professional advice specific to their individual circumstances if required.

33 The impact of approving the Merger on the tax position of TPG shareholders depends on the individual circumstances of each investor. TPG shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Merger.

34 The ultimate decision whether to approve the Merger should be based on each TPG shareholder's assessment of their own circumstances. If TPG shareholders are in doubt about the action they should take in relation to the Merger or matters dealt with in this report, shareholders should seek independent professional advice.

35 For our full opinion on the Merger and the reasoning behind our opinion, we recommend that TPG shareholders read the remainder of our report.

Yours faithfully

Craig Edwards
Authorised Representative

Julie Planinic
Authorised Representative

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Appendices

I Key terms of the Scheme

36 On 30 August 2018, TPG and VHA announced that they had signed a SID under which the two companies will merge (the Merger). The Merger will be implemented via a TPG Scheme of Arrangement (Scheme), with the merged group to be listed on the ASX and renamed TPG Telecom Limited (Merged Group)[12].

37 Implementation of the Merger (which requires regulatory and shareholder approval[13]) was initially delayed due to the statement by the ACCC on 13 December 2018 that it had preliminary competition concerns in relation to the Merger.

38 Subsequently, on 8 May 2019, the ACCC stated that it would oppose the Merger due to competition concerns. TPG and VHA filed legal action in relation to the ACCC decision, and on 13 February 2020 the Federal Court found that the Merger would not, and was not likely to, substantially lessen competition. As a result, TPG and VHA announced that they would work together to complete the Merger as soon as possible.

Merger terms

39 If the Scheme is approved and implemented, TPG shareholders will receive one share in the Merged Group for each TPG share held[14]. Following completion of the Merger, TPG shareholders will own 49.9% of the Merged Group with VHA shareholders owning the remaining 50.1%.

Separation and proposed listing of TPG Singapore

40 Prior to implementation of the Merger, TPG intends to separate its Singapore mobile operations by way of an in-specie distribution of Tuas Limited (which will be the Australian holding company for TPG Telecom Pte Limited) shares to existing TPG shareholders. It is intended that Tuas shares will be listed on the ASX.

Potential special dividend and net debt

41 Pursuant to the terms of the Merger, both TPG and VHA have agreed on the level of net debt which will exist in their respective companies at the Implementation Date.

42 TPG's actual net debt balance is expected to be below the agreed level of $2,508 million[15]. As a result, TPG expects to declare a fully franked special dividend prior to implementation of the Merger (Special Dividend), which will be paid to TPG shareholders. This Special Dividend will be equal to the extent to which TPG's net debt is below the agreed level of

12 Pursuant to the Scheme, VHA will acquire all of the ordinary shares in TPG. Following completion, VHA will then be renamed TPG Telecom Limited.

13 And is subject to a number of other conditions (which are set out in this section and the Scheme Booklet).

14 Subject to rounding for fractional entitlements. TPG shareholders who are "Ineligible Foreign Shareholders" (as defined in the Scheme Booklet) will not be entitled to receive Merged Group shares and will instead receive cash proceeds from the sale, by a nominee, of the Merged Group shares they would have otherwise received.

15 Inclusive of TPG's spectrum payment of $352.4 million, which was paid on 31 January 2020, and the spectrum payment of $131.7 million, which was paid in March 2020.

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$2,508 million[16] (subject to certain adjustments as described in section 7.3 of the Scheme Booklet).

43 VHA is also required to reduce its net debt to the agreed level of $2,236 million at the Implementation Date. As VHA's current net debt is significantly higher than this amount, it is proposed that an entity jointly owned by Vodafone Group and HTA will assume the net debt of VHA in excess of the agreed amount.

44 Based on the above agreement, the net debt of the Merged Group on the Implementation Date is expected to be $4,744 million[17] [18].

Conditions

45 The Scheme is subject to the satisfaction or waiver of a number of conditions precedent, including the following which are outlined in the SID between TPG and VHA dated 30 August 2018:

(a) all required "Regulatory Approvals" (as defined in the SID) are obtained by 5.00pm on the business day before the Second Court Date. These regulatory approvals include (inter-alia) approval for the listing of the Merged Group shares on the ASX, and Foreign Investment Review Board approval

(b) TPG shareholder approval by the requisite majorities at the Scheme meeting under the Corporations Act

(c) an independent expert issues a report which concludes that the Scheme is in the best interests of TPG shareholders

(d) Court approval of the Scheme in accordance with s411(4)(b) of the Corporations Act is obtained

(e) no temporary, preliminary or final order, injunction, decision or decree issued by any court of competent jurisdiction or other Government Agency, or other material legal restraint or prohibition, and no action or investigation is announced, commenced or threatened by any Government Agency[19], which restrains, prohibits or otherwise materially adversely affects (or could reasonably be expected to restrain, prohibit or otherwise materially adversely affect) the Scheme or completion of the transaction, is in effect at 8.00am on the Second Court Date

(f) VHA and TPG have entered into binding arrangements to put in place new financing for the Merged Group, on terms acceptable to each of VHA and TPG (acting reasonably), before 8.00am on the Second Court Date

(g) before 8.00am on the Second Court Date, VHA and the relevant Upstream Holders (being Vodafone Group and HTA):

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16 As at 31 January 2020, TPG's net debt was approximately $1,742 million.

17 Inclusive of TPG's spectrum payment of $352.4 million, which was paid on 31 January 2020, and the spectrum payment of $131.7 million, paid by both TPG and VHA in March 2020.

18 Whilst this is the expected net debt number, it should be noted that the actual net debt figure on the Implementation Date may vary from this amount due to (a) working capital adjustments and (b) cash flows between the Locked Box Date (as defined in the SID) and the Implementation Date.

19 For example, ASIC or the ACCC.

(i) completing each step of the Restructure (as defined in the SID) which are scheduled to be taken prior to 8.00am on the Second Court Date; and

(ii) otherwise being in a position to complete the Restructure on or prior to the Implementation Date.

In summary, the Restructure requires VHA to reduce its net debt by the Implementation Date of the Merger to $2,236 million. This debt reduction cannot arise due to VHA disposing of any asset (other than cash, securities or promissory notes). Given VHA's high debt levels, it is therefore expected that a significant proportion of VHA's current net debt will not remain in the Merged Group but will be assumed by an entity jointly owned by Vodafone Group and HTA.

46 The above is a summary of the conditions precedent only. Further detailed information on these conditions is set out in the Scheme Booklet.

Exclusivity

47 In addition, during the "Exclusivity Period" (as defined in the SID), TPG has agreed that it will not:

(a) solicit, invite, encourage or initiate any "Competing Proposal" (as defined in the SID)

(b) participate in any discussions or negotiations which may reasonably be expected to lead to a Competing Proposal

(c) negotiate, accept or enter into any agreement, arrangement or understanding in relation to a Competing Proposal

(d) provide any material non-public information to a third party with a view to obtaining, or which would reasonably be expected to encourage, or lead to receipt of, a Competing Proposal

(e) communicate to any person an intention to do anything referred to in the preceding paragraphs.

48 The "no-talk" exclusivity obligations set out in paragraphs 47(b), (c) and (d) above are subject to a fiduciary carve-out in circumstances where in the opinion of the TPG Board, formed in good faith after receiving written legal advice from its external legal advisers, compliance with the no-talk obligations constitutes or would be reasonably likely to constitute a breach of any of the fiduciary or statutory duties of the directors of TPG, provided that the Competing Proposal was not directly or indirectly brought about or facilitated by a breach of the "no-shop" obligation summarised in paragraph 47(a) above.

49 In addition, during the Exclusivity Period, TPG must notify VHA in writing within 24 hours after it becomes aware of any approach in connection with an actual or potential Competing Proposal[20].

20 As at the date of this report no approach in connection with an actual or potential Competing Proposal has been received.

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50 A notification described in paragraph 49 above must include, to the extent known by TPG, the identity of the person making or proposing the Competing Proposal as well as material terms and conditions of the actual, proposed or potential Competing Proposal.

51 TPG may not enter into or agree to enter into any legally binding agreement with a third party to give effect to a Superior Proposal or to publicly recommend a Superior Proposal unless TPG has given VHA at least five business days to provide a matching or superior proposal.

Break fee

52 A break fee of $50 million (excluding goods and services tax (GST)) is payable either by TPG to VHA or by VHA to TPG in certain circumstances as specified in the SID. For example, the break fee is payable by TPG to VHA if a Competing Proposal is announced for TPG by a third party during the Exclusivity Period and within 12 months of that announcement, that third party or its associate either completes the Competing Proposal or acquires more than 50% of TPG.

Resolution

53 TPG shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the Notice of Meeting accompanying the Scheme Booklet.

54 If the resolution is passed by the requisite majorities and the relevant conditions precedent are satisfied or waived, TPG must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Scheme becomes effective, it will become binding on all TPG shareholders who hold TPG shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

Escrow arrangements

55 The TPG Chairman (Mr David Teoh) and certain of his associates, and the shareholders of VHA (Vodafone Group and HTA) have also advised that they will enter into the following voluntary escrow arrangements regarding their shares in the Merged Group:

(a) the shareholders of VHA have agreed to a 24 month escrow period in relation to their entire shareholding in the Merged Group, commencing from the Implementation Date; and

(b) Mr David Teoh and his associates have also agreed to a 24 month escrow period in relation to 80% of their interest in the Merged Group from implementation of the Scheme.

II Scope of our report

Purpose

56 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.

57 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER that states whether the proposed scheme is in the best interests of shareholders and the reasons for that opinion.

58 VHA has no current shareholding in TPG and has no representation on the TPG Board. Accordingly, there is no regulatory requirement for TPG to obtain an IER, under either the Corporations Act or the ASX Listing Rules. However, the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of TPG shareholders.

59 In addition, the Directors' recommendation of the Scheme is provided on the basis that there is no superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of TPG shareholders.

60 Accordingly, the Directors of TPG have requested LEA prepare an IER stating whether, in our opinion, the Scheme is in the best interests of TPG shareholders and the reasons for that opinion.

61 This report has been prepared by LEA for the benefit of TPG shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to TPG shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is in the best interests of TPG shareholders.

62 The ultimate decision whether to approve the Scheme should be based on each TPG shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt within this report, shareholders should seek independent professional advice.

Basis of assessment

RG 111

63 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, including, in particular, RG 111, which outlines the approaches which should be used in IERs when opining on public company transactions (such as the Scheme).

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64 Under RG 111, the fairness of a control transaction (such as a takeover offer) is required to be assessed by comparing the value of the consideration offered with the full underlying value of the target company assuming 100% ownership (inclusive of a control premium). Where the consideration comprises scrip in the offeror (i.e. bidder), the value of that consideration must be assessed on a minority interest (or portfolio) basis, reflecting the minority interest nature of the shares to be issued as consideration.

Mergers

65 However, having regard to the commercial considerations below, in our opinion, the Scheme should be evaluated as a merger rather than a change of control transaction. This is because:

(a) the Scheme has not been structured as a change of control transaction and there is no intention for the Merger terms to deliver a control premium to TPG shareholders (or VHA shareholders, for that matter)

(b) VHA shareholders will, in aggregate, own approximately 50.1% of the Merged Group and TPG shareholders will, in aggregate, own the remaining 49.9% (and share in the expected synergy benefits in these proportions)

(c) the consideration under the Scheme comprises scrip only

(d) no single shareholder will beneficially own more than 30% of the shares in the Merged Group[21]

(e) the Board of the Merged Group will comprise three members from the current TPG Board, the current Chief Executive Officer (CEO) of VHA (who will also be the CEO of the Merged Group), two nominees of Vodafone Group, two nominees from HTA and two new independent directors

(f) the key executive positions are being sourced from both companies[22].

66 Accordingly, LEA has assessed the Scheme as a merger. In a merger, a key consideration is whether the value contributed by each of the merger partners is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing a merger, it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value.

67 This is consistent with RG 111, which states that where there is a "*merger of entities of equivalent value when control of the merged entity will be shared between the 'bidder' and 'target' ... the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'*".

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21 The largest shareholders in the Merged Group will be Vodafone Group and HTA, which will each beneficially own 25.05%.

22 The proposed Chairman of the Merged Group is currently the Chairman of TPG and the proposed Managing Director of the Merged Group is the current Managing Director of VHA.

Assessment criteria

68 In assessing the Scheme, we have therefore considered:

(a) the relative value of TPG and VHA shares in comparison with the Merger terms. For this purpose, we have primarily had regard to relative value contributions based upon our estimate of underlying value on a minority interest basis, as well as share market trading in TPG shares. In order for the Merger terms to be fair to TPG shareholders (based on the guidelines set out in RG 111), the relative value contribution by TPG to the Merged Group must be consistent with or less than the collective ownership interests of TPG shareholders in the Merged Group (i.e. 49.9%)

(b) a comparison of the position of TPG shareholders before and after implementation of the Scheme taking into account the value of operational cost savings and other synergies that are expected to be generated should the Scheme proceed. This comparison has determined whether TPG shareholders are better off in value terms as a result of the Merger, and has been performed on a like-with-like basis by comparing:

(i) the minority interest value of the TPG business (net of debt) being contributed to the Merged Group (i.e. after paying the Special Dividend and excluding TPG Singapore); with

(ii) the value of TPG shareholders' 49.9% collective interest in the Merged Group (which has also been assessed on a minority interest basis)

(c) the other advantages and disadvantages of the Merger from the perspective of TPG shareholders, including (inter-alia):

(i) the likely market price of TPG shares if the proposed Merger is not approved

(ii) the potential for a market re-rating of the shares in the Merged Group (and the extent to which this has already occurred based on post announcement trading)

(iii) the impact of the Merger on the control of TPG, including the proposed Board composition and key management positions of the Merged Group

(iv) the likelihood of TPG's shareholders receiving a superior proposal prior to implementation of the Merger or in the short term; and

(v) other qualitative and strategic issues associated with the Merger.

In the best interests

69 There is no legal definition of the expression "in the best interests". However, RG 111 states that a scheme may be *"in the best interests of the members of the company"* if there are sufficient reasons for securityholders to vote in favour of the scheme in the absence of a higher offer.

70 Consistent with the requirements of RG 111, we have concluded that the Scheme is in the best interests of TPG shareholders if the advantages of the Scheme outweigh the disadvantages from the perspective of TPG shareholders.

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Limitations and reliance on information

71 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods, as has been evident by the significant volatility in equity markets in recent times due to the impact of COVID-19.

72 Our report is also based upon financial and other information provided by TPG, VHA and their respective advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

73 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion as to whether the Scheme is in the best interests of TPG shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

74 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed Merger, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

75 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

76 We in no way guarantee the achievability of any budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

77 In forming our opinion, we have also assumed that:

(a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects

(b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in this report.

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III Profile of TPG

Overview

78 TPG is a provider of consumer, SME, government, corporate and wholesale telecommunications services including fixed internet, voice, mobile and data services. It owns Australia's second largest fixed voice and data network, with over 27,000 km of metropolitan and inter-capital fibre, as well as end-to-end infrastructure including over 400 DSLAM enabled telephone exchanges and the international submarine cable connecting Australia and Guam, with onwards connectivity to the US and Asia.

79 TPG was in the process of constructing and developing a mobile network across Australia, however on 29 January 2019, TPG advised that it had decided to cease the rollout of its Australian mobile network due to (inter-alia) the prohibition by the Australian Government of Huawei equipment in 5G networks[23].

80 TPG has nearly completed the construction and development of a mobile network in Singapore, which is now operational and servicing paying customers. However, this mobile network will no longer be part of the TPG business following the separation of TPG Singapore.

History

81 TPG was formed through the merger of TPG and SP Telemedia in April 2008. At the time, the combined businesses had one of the largest DSLAM networks in Australia (in excess of 300 exchanges) and following shareholder approval in November 2009, SP Telemedia changed its name to TPG. Given the complementary offerings of the respective companies, the merger provided material synergies. The background of TPG and SP Telemedia prior to the merger is as follows:

(a) TPG was originally founded as Total Peripherals Group by Mr David Teoh in 1986 as an information technology company selling computers. In 1995 it commenced providing internet services and by 2005 had discontinued its computer assembly operations. It acquired 70.3% of Adelaide based internet business Chariot in February 2007 (with the remaining 29.7% subsequently acquired)

(b) SP Telemedia was a Newcastle based telecommunications company trading under the SOUL brand, retailing voice, video and data services. It was Australia's largest reseller of mobile phone services and had grown through a number of acquisitions, the most notable being B Digital in 2006. B Digital was a provider of mobile, home phone and internet telecommunications services to residential customers.

82 Since the merger of TPG and SP Telemedia, the company has grown both organically and through a number of acquisitions into a major Australian telecommunications services company. The larger (and more material) acquisitions have included:

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23 The principal equipment vendor selected by TPG for its Australian network was Huawei.

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(a) In March 2010, TPG acquired Pipe Networks for approximately $425 million[24]. Pipe Networks was an ASX listed facilities based telecommunications provider specialising in high-speed data transmission. The acquisition included a network of 1.3 million metres of fibre optic cabling to over 100 providers, 350 Telstra exchanges and 550 buildings, as well as a submarine cable to Guam connecting Australia to the US and Asia

(b) during February 2014, TPG outlaid $450 million[24] for Telecom New Zealand Australia and its subsidiaries, which included AAPT Limited (AAPT). The business provided corporate and wholesale services and owned telecommunications infrastructure including 11,000 km of fibre across Australia, fibre access to 1,500 premises, 15 data centres across all major capital cities, as well as widespread mid-band ethernet capability

(c) in August 2015, TPG completed the acquisition of iiNet Limited (iiNet) in an agreed transaction, which was first announced on 13 March 2015. At the time of acquisition, iiNet was Australia's second largest direct service line (DSL) internet service provider, with over 1.9 million broadband, telephony, mobile and internet protocol television (IPTV) services provided to approximately 975,000 customers. It employed more than 2,000 staff, 80% of whom were employed to directly service its customer base.

iiNet was founded in 1993, and the company's shares listed on the ASX in September 1999. Prior to the acquisition by TPG, iiNet had grown significantly both organically and as a result of acquisitions. These acquisitions included OzEmail (February 2005), Westnet (May 2008), Netspace (March 2010), AAPT's Consumer Division (July 2010), TransACT Communications (November 2011), Internode (December 2011), Adam Internet (August 2013) and 60% of Tech2Home Group (September 2014).

83 TPG has also grown by adding new service capabilities, including those which capitalise upon its infrastructure advantage and others which are complementary to its existing service offering. These have included:

(a) the launch of its fibre-to-the-building (FTTB) product in September 2014, which connects TPG's high-speed fibre optic network to high density residential premises to provide internet services that bypass the National Broadband Network (NBN) infrastructure

(b) two separate agreements with VHA, as announced on 30 September 2015:

(i) to provide dark fibre services to more than 3,000 of VHA's mobile towers over a 15 year term[25] with minimum contracted revenue over this period in excess of $900 million; and

(ii) to migrate TPG's mobile wholesale customer base to the VHA network (which was previously on the Optus network)

24 Enterprise value, i.e. total consideration including both equity and debt.

25 This extends on the 900 km of fibre TPG delivered for VHA sites between 2011 and 2013.

(c) the successful acquisition of spectrum in the Singapore market, as announced on 15 December 2016 and 5 April 2017, to enable TPG to offer mobile services in the Singapore market[26]

(d) the commencement of construction of an Australian mobile network, as announced on 12 April 2017, in tandem with the acquisition of spectrum in the 700 megahertz (MHz) band[27]. However, as stated above, on 29 January 2019 TPG announced that it had decided to cease the rollout of its Australian mobile network due to (inter-alia) the prohibition by the Australian Government of Huawei equipment in 5G networks[28]

(e) the launch of TPG's Fibre1000 product (and related Fibre400 product), which provides superfast internet speeds of 1 gigabit per second (Gbps) to businesses on TPG's own network infrastructure.

Current operations

84 TPG is a full service telecommunications company providing consumer, government, corporate and wholesale telecommunications services. It offers nationwide ADSL2+[29], NBN, fibre optic and ethernet broadband access, FTTB, telephony services, IPTV, subscriber identification module (SIM) only mobile plans and various business networking solutions. The company operates from a Sydney head office and employs around 4,700 staff.

85 TPG operates through two divisions, Consumer and Corporate, with 70% and 53% of its revenue and underlying EBITDA[30] respectively derived from its Consumer division in the 12 months ended 31 January 2020 and the remainder from the Corporate division. A summary of the respective offerings of each of these divisions is as follows:

26 Prior to implementation of the Merger, TPG intends to separate its Singapore mobile operations (TPG Singapore) by way of an in-specie distribution of Tuas shares to existing TPG shareholders.

27 TPG also holds a 50% interest in a joint venture with VHA, which owns 5G spectrum in the 3.6 gigahertz (GHz) band.

28 The principal equipment vendor selected by TPG for its Australian mobile network was Huawei.

29 ADSL2+ extends the capability of an asymmetric digital subscriber line (ADSL) service by doubling the downstream channels.

30 EBITDA prior to unallocated costs, the impact of AASB 16 and losses related to the Singaporean and Australian mobile networks.

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TPG – Consumer and Corporate divisions

TPG

iinet connect better | TPG | TPG Enterprise | AAPT

Consumer

- **2019 revenue[1]: $1,739 million**
- **2019 underlying EBITDA[1]: $426 million**
- 1.94 million fixed broadband subscribers
- 0.37 million mobile subscribers
- TPG offers nationwide communications services to residential users and small businesses, including:
  - internet: NBN, ADSL2+, FTTB, fibre optic and ethernet broadband
  - SIM only mobile plans and home telephony services
  - IPTV

Corporate

- **2019 revenue[1]: $748 million**
- **2019 underlying EBITDA[1]: $378 million**
- Provides a full suite of telecommunications solutions to business, Government and wholesale clients, including:
  - corporate internet and telephony
  - networking solutions for multi-site operations
  - cloud computing and storage
  - Fibre 400 and 1000
- Owned-infrastructure network services thousands of on-net fibre buildings

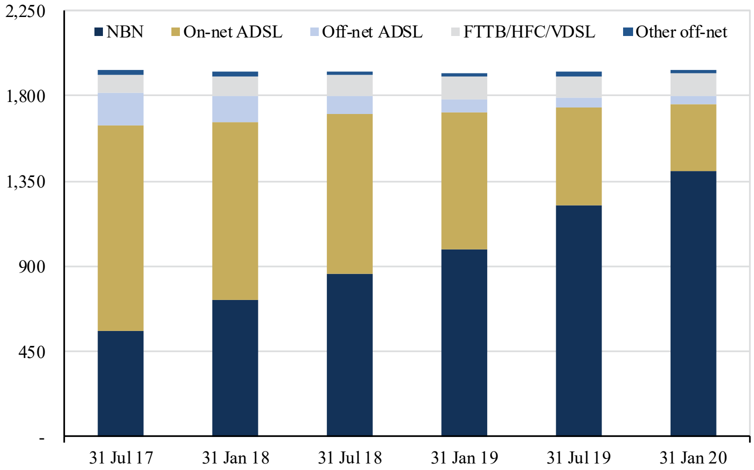
Note:
1 2019 revenue and underlying EBITDA reflects the 12 month period to 31 January 2020.

86 TPG's Consumer division operates under multiple brands (principally TPG and iiNet) and services individuals, households and small businesses. Its Corporate division, operating under the TPG Enterprise brand, provides services to corporate and government clients, whilst the AAPT brand generally acts as a wholesale telecommunications provider.

87 A breakdown of TPG's internet subscriber numbers over the last six half year periods to 31 January 2020 is set out below:

TPG – internet subscribers by broadband service

000



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88 Internet related services include NBN, On-net ADSL, Off-net ADSL, FTTB / HFC[31] / VDSL[31] and Other off-net:

(a) NBN services were first offered by TPG late in the financial year to 31 July 2014 (FY14). In FY19 and in the six months to 31 January 2020, TPG added approximately 358,000 and 184,000 NBN subscribers respectively under both the TPG and iiNet brands to reach a total of 1.4 million NBN subscribers as at 31 January 2020 (being 72% of TPG's total broadband subscribers)

(b) TPG's On-net broadband services[32] are provided via more than 400 DSLAM exchanges, which has historically enabled the company to bypass a resale relationship with wholesale service providers. This has translated into higher margins as TPG is only required to pay the regulated unconditional local loop or line sharing service charge (as opposed to entering into a wholesale arrangement). However, as the NBN replaces the public switched telephone network (PSTN), these customers are being transitioned to the NBN (at a materially lower margin)

(c) Off-net broadband services refer to ADSL broadband plans offered over a network owned by another provider. TPG's margins on Off-net ADSL services are much lower than On-net ADSL services due to the significant access costs paid by TPG for wholesale services

(d) TPG provides a number of direct to the consumer services that bypass the NBN and other wholesale providers. These are:

(i) FTTB services to apartment buildings in capital cities utilising its own fibre network. TPG offers broadband services that are typically at a lower price relative to inclusions (such as data and speed) than equivalent NBN services (including the prices of TPG's own NBN plans). Notwithstanding the lower price, TPG derives a higher margin on these services than NBN services given it avoids paying the NBN wholesale charges

(ii) services delivered on its own HFC and VDSL networks

(e) Other off-net services are fibre services delivered via third party networks.

89 The TPG Consumer subscriber base was around 2.4 million as at 31 January 2020, which reflected a decrease since 31 July 2017 primarily due to the decline in fixed line telephone subscriber numbers as these services are switched off and replaced by the NBN[33]. A breakdown of TPG's Consumer internet and other telephony services is as follows:

TPG – Consumer subscriber numbers

	31 Jul 17 000	30 Jan 18 000	31 Jul 18 000	31 Jan 19 000	31 Jul 19 000	31 Jan 20 000
Internet	1,936	1,928	1,931	1,922	1,926	1,940
Mobile	445	421	422	430	410	367
Fixed line telephone	347	292	238	201	156	124
Total	2,728	2,641	2,591	2,553	2,492	2,431

31 Hybrid fibre coaxial (HFC) and very-high-bit-rate DSL (VDSL).

32 On-net broadband services refer to broadband plans offered over an internet service provider's own network.

33 Prior to the impact of the NBN, total Consumer subscriber numbers had been particularly stable.

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90 In respect of the above we note that:

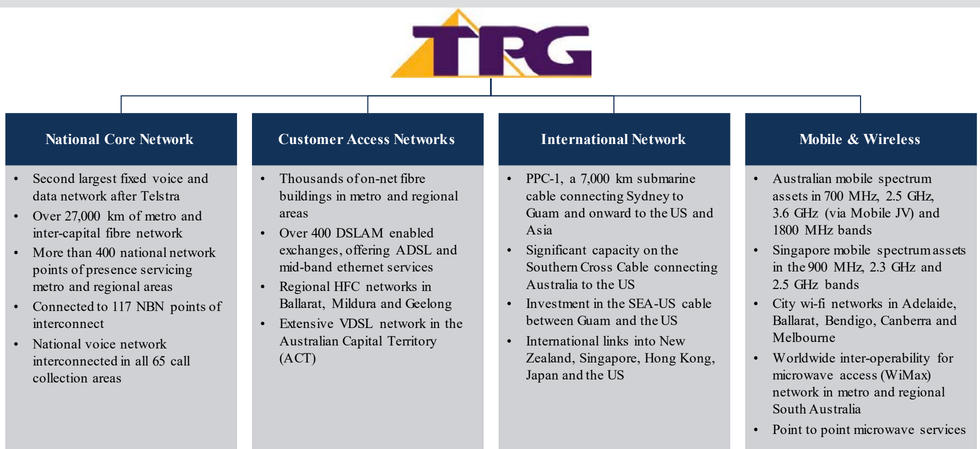
(a) TPG mobile services are currently offered under separate mobile virtual network operator (MVNO) arrangements with VHA and Optus (i.e. provided on infrastructure not owned by TPG). Since the signing of the VHA MVNO agreement in 2015, the majority of mobile subscribers have transitioned to the VHA network, however a small proportion of TPG mobile customers remain on the Optus network, whilst all iiNet mobile subscribers are currently on the Optus network. Mobile subscribers have been gradually declining since July 2016, primarily due to increased mobile services competition over this period

(b) fixed line telephone services refer to standalone home phone services that are delivered over the PSTN and are provided under the iiNet brand. Whilst not shown in the above numbers, TPG also provides voice over internet protocol (VoIP) services in a bundled arrangement with its internet services.

Infrastructure

91 TPG owns and operates an extensive network of Australian telecommunications infrastructure assets (as well as Singaporean mobile infrastructure assets), as described below.

TPG – infrastructure



Australian infrastructure

92 TPG's national core network is the second largest fixed voice and data network after Telstra. These assets enable the company to offer extensive telecommunication services covering data, voice and internet to wholesale service providers as well as to businesses and government entities.

93 As announced on 30 September 2015, TPG entered an agreement to provide dark fibre services to more than 3,000 of VHA's mobile towers over a 15 year term, with construction expected to be largely completed during 2018. In order to provide these services, TPG stated that it would extend its infrastructure by constructing around 4,000 km of new fibre to VHA

cell sites across the country at an incremental capital cost of $300 million to $400 million. Dark fibre services are provided for 15 years from the date each site is delivered, with minimum contracted revenue over the term exceeding $900 million.

94 In June 2018, TPG substantially expanded the footprint over which it offered its Fibre1000 product, which provides cost effective enterprise grade connectivity on TPG's own network infrastructure. The 1,000 megabits per second (Mbps) connection can be dedicated to just internet or split across data, internet, voice or cloud services. This product is now available to approximately 120,000 business premises, and provides the Corporate division with significant potential earnings growth, particularly as margins on this product are higher due to TPG's ownership of the network infrastructure.

Mobile Australia

95 In April 2017, TPG announced plans to construct an Australian mobile network using advanced technology for around $1.9 billion (comprised of $600 million for network rollout capital expenditure and $1.3 billion for the 2 x 10 MHz of spectrum in the 700 MHz band acquired at auction in April 2017[34]). TPG planned to cost effectively build a new mobile network and achieve 80% population coverage.

96 However, as noted above, on 29 January 2019 TPG announced that it would cease the rollout of its Australian mobile network due to (inter-alia) the prohibition by the Australian Government of Huawei equipment in 5G networks[35]. The mobile network infrastructure which was built prior to cessation of the network rollout, including TPG's spectrum holdings, will be leveraged by the Merged Group.

TPG Singapore

97 On 15 December 2016, TPG announced that it was the successful bidder in Singapore's New Entrant Spectrum Auction, having acquired the entire available spectrum (being two lots of 5 MHz (i.e. 10 MHz) of 900 MHz spectrum and eight lots of 5 MHz (i.e. 40 MHz) of 2.3 GHz spectrum) for a total purchase price of S$105 million. In addition, on 5 April 2017, TPG announced that it had acquired one lot of 2 x 5 MHz of spectrum in the 2.5 GHz band for S$23.8 million at the General Spectrum Auction in Singapore and that this spectrum was complementary to the spectrum acquired in December 2016.

98 In addition to the cost of the spectrum, TPG anticipated incurring capital investment in the range of S$200 million to S$300 million to establish a mobile network with nationwide coverage.

99 TPG Singapore's mobile operations commenced free trial services in December 2018, acquiring approximately 412,000 customers by 31 March 2020 whilst network construction continued. In March 2020, TPG Singapore announced the commencement of its first paid mobile service offering with the launch of a SIM-only 4G post-paid mobile plan offering, amongst other things, 50 gigabyte (GB) of mobile data for S$10 per 30 days. TPG has noted

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34 Other spectrum purchased by TPG in the past includes the $84.7 million paid for 1800 MHz spectrum in February 2016 and the $13.5 million paid for the 2.5 GHz spectrum in May 2013.

35 The principal vendor selected by TPG for its Australian mobile network was Huawei.

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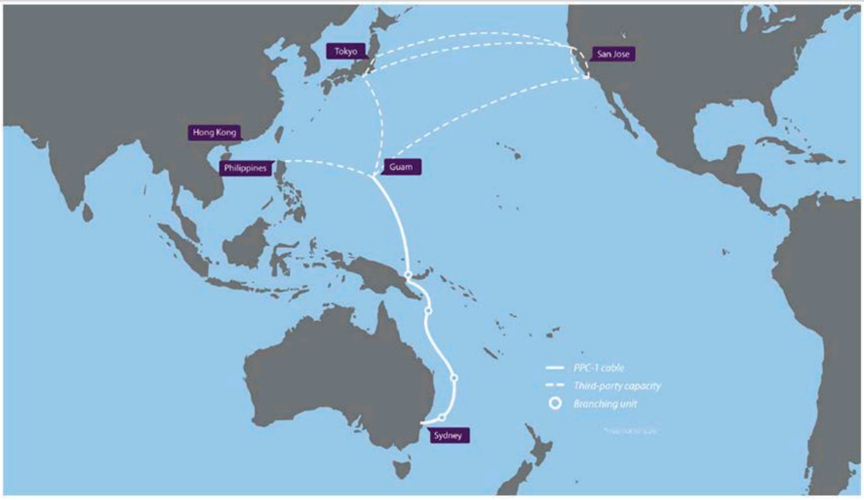
that the Singapore business is expected to be EBITDA positive with a market share of approximately 5%.

100 Due to the planned separation of the Singapore mobile operations by way of an in-specie distribution of shares in Tuas Limited (which will own TPG Singapore) to existing TPG shareholders prior to implementation of the Merger, TPG Singapore will not form part of the Merger.

International network

101 TPG owns and operates a submarine cable system between Australia and Guam and holds third party capacity on a range of the other cables linking to the US and Asia.

TPG – submarine cables



Joint venture and 5G spectrum auction

102 In parallel to the Merger, TPG and VHA also formed a separate joint venture[36] in August 2018 to acquire, hold and licence 3.6 GHz spectrum (Mobile JV)[37]. In addition, TPG and VHA stated that they intended to expand the business of the Mobile JV in the future, including to acquire future spectrum licenses and/or facilitate various forms of efficient spectrum and network sharing including a shared 5G radio access network. The Mobile JV agreement is ongoing and will not terminate if the Merger fails to proceed.

103 On 10 December 2018, TPG announced that the Mobile JV had been a successful bidder in the auction for spectrum in the 3.6 GHz band for $263.3 million (payable in March 2020). As the Mobile JV is a 50:50 joint venture, TPG funded 50% of the purchase price, however as agreed between the Merger parties, the cost of funding this spectrum purchase will revert to the Merged Group through an increase in each party's net debt contribution on completion of the Merger.

36 Mobile JV Pty Ltd.

37 This was auctioned by the Government in late November 2018.

26

104 The Mobile JV successfully bid for 12 lots of 5 MHz (i.e. 60 MHz) in each of Sydney, Melbourne, Brisbane, Canberra, Adelaide, and Perth. In regional areas the Mobile JV secured eight lots (i.e. 40 MHz) in central and northern Queensland, southern Queensland and northern New South Wales (NSW), regional Victoria and Tasmania. In regional Western Australia, the Mobile JV acquired nine lots of 5 MHz (i.e. 45 MHz), six lots in southern and western NSW (i.e. 30 MHz), and four lots in regional South Australia (i.e. 20 MHz).

105 The weighted average of the price paid for spectrum in the auction was approximately $0.29 per MHz per head of population.

Financial performance

106 The financial performance of TPG for the three years to FY19 and in the six months to 31 January 2020 (1HY20) is set out below. TPG adopted AASB 16[38] for the first time in 1HY20, however the 1HY20 results shown below have been restated to exclude the impact of AASB 16. The impact of adopting AASB 16 on TPG's results was an uplift in 1HY20 reported EBITDA of $10.2 million as rent expenses are replaced by amortisation charges (of the "right of use" asset) and interest expense (in respect of the lease liability recognised)[39]. We have excluded the uplift in EBITDA as it is driven by an accounting entry that has no impact on the underlying cash flow or profitability of TPG.

TPG – summary of financial performance(1)

	FY17 Audited $m	FY18(2) Audited $m	FY19 Audited $m	1HY20(3) Reviewed $m
Revenue	2,483.7(4)	2,496.1	2,477.4	1,245.4
Network, carrier and hardware costs	(1,203.8)	(1,244.3)	(1,259.6)	(656.7)
Gross profit	1,279.9	1,251.8	1,220.5	588.7
Operating expenses	(444.9)	(423.7)	(396.7)	(184.6)
Underlying EBITDA (before significant items)	835.0	828.1	823.8	404.2
Depreciation	(141.1)	(138.8)	(133.2)	(66.2)
Underlying EBITA(5) (before significant items)	693.9	689.3	690.6	338.0
Amortisation of intangible assets	(103.3)	(90.4)	(136.1)	(89.9)
Underlying EBIT(5) (before significant items)	590.6	598.9	554.5	248.1
Net financial expense	(50.9)	(34.4)	(50.7)	(31.8)
Significant (non-recurring) items(6)	55.8	(1.4)	(251.2)	(7.8)
Profit before tax	595.5	563.1	252.6	208.5
Income tax expense	(179.8)	(165.6)	(77.6)	(63.3)
Profit after tax	415.7	397.5	175.0	145.2
Non-controlling interest	1.9	1.1	1.2	1.1
Profit after tax attributable to TPG shareholders	413.8	396.4	173.8	144.1
Total Consumer subscribers at period end (000)	*2,728*	*2,591*	*2,492*	*2,431*
Growth in revenue	*4.0%*	*0.5%(7)*	*(0.7%)*	*0.8%(8)*
Growth in underlying EBITDA	*8.0%*	*(0.8%)(7)*	*(0.5%)*	*(4.9%)(8)*
Underlying EBITDA margin	*33.6%*	*33.2%*	*33.3%*	*32.5%*
Underlying EBITA margin	*27.9%*	*27.6%*	*27.9%*	*27.1%*

38 AASB 16 changes the way that companies account for operating leases in their financial disclosures. It replaces the previous lease accounting standard (AASB 117).

39 At the net profit after tax (NPAT) level the application of AASB 16 reduced NPAT by approximately $0.5 million.

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Note:
1 Rounding differences exist.
2 Restated for the effects of adopting AASB 15 – *Revenue from Contracts with Customers* (AASB 15). Underlying EBITDA (before significant items) was $841.1 million in FY18 prior to the impact of AASB 15, which was slightly higher than the result in FY17. The main impact of AASB 15 was to reduce intangible asset amortisation (customer acquisition costs) and increase network, carrier and hardware costs by a similar amount (as the amortisation of customer acquisition costs is treated as a cost of sale under AASB 15). At the profit after tax line, the adoption of AASB 15 reduced profit after tax in FY18 by only $0.5 million.
3 The 1HY20 results have been adjusted to exclude the impact of changes required under AASB 16. In summary, the adoption of AASB 16 increased reported EBITDA in 1HY20 by approximately $10.2 million as rent expenses are replaced by amortisation charges and interest expenses. However, in our view this EBITDA uplift should be excluded as it is simply an accounting treatment which has no cash flow impact or impact on the underlying profitability of TPG.
4 Excludes one-off Consumer division revenue of $7 million.
5 Earnings before interest, tax and amortisation of acquired intangibles (EBITA). Earnings before interest and tax (EBIT).
6 Significant items comprise the following:

Profit on sale of investments	48.8	-	-	-
One-off customer revenue	7.0	-	-	-
Transaction costs	-	-	(9.0)	(6.0)
Singapore mobile start-up losses	-	(1.4)	(2.7)	(1.8)
Australian mobile network operational expenditure	-	-	(2.7)	(3.3)
Impairment expense	-	-	(236.8)	-
Corporate division one-off benefit	-	-	-	3.3
Total significant items	55.8	(1.4)	(251.2)	(7.8)

7 Calculated based on figures prior to the impact of adopting AASB 15.
8 Calculated based on figures prior to the impact of adopting AASB 16.

107 In addition to the above, we set out below the key financial measures by operating division:

TPG – reported segments	FY17 $m	FY18(2) $m	FY19 $m	1HY20(3) $m
Revenue				
Consumer	1,740.7(1)	1,742.3	1,719.0	872.4
Corporate	743.0	753.8	758.4	373.0(4)
Total	2,483.7	2,496.1	2,477.4	1,245.4
Underlying EBITDA				
Consumer	523.4	499.1	457.3	211.4
Corporate	312.8	329.7	367.1	193.0(4)
Unallocated	(1.2)	(0.7)	(0.6)	(0.2)
Total	835.0	828.1	823.8	404.2
Underlying EBITDA margin				
Consumer	30.1%	28.6%	26.6%	24.2%
Corporate	42.1%	43.7%	48.4%	51.7%
Total	33.6%	33.2%	33.3%	32.5%

Note:
1 Excludes one-off revenue of $7 million.
2 Restated to reflect the impact of AASB 15.
3 Excluding the impact of AASB 16 for the reasons stated above.
4 Excluding a $3.3 million one-off benefit that favourably impact the Corporate division's result in the period.

108 Below is a summary of the key factors that have impacted the annual financial performance of TPG in the three years to FY19 and in 1HY20.

Results for FY17

– revenue increased by 4.0% to $2,483.7 million and underlying EBITDA increased by 8.0% to $835 million. However, this is not a total like-for-like comparison as FY16 only included an eleven and a quarter month contribution from the iiNet business

– underlying EBITDA for the Consumer division was $523.4 million, an increase of 10.5% ($49.7 million) compared to the previous year. However, after allowance for an additional three weeks' EBITDA contribution in FY16 from the iiNet business (approximately $13.8 million), the organic growth for the division was $35.9 million. Other drivers include NBN and FTTB subscriber growth and the continued realisation of financial benefits from iiNet integration activities

– internet subscriber numbers for the Consumer division increased by 68,000 to 1.936 million during the year. Subscriber numbers also reflected the migration of customers from ADSL (which reduced by 259,000) to the NBN (which increased by 285,000). As a result, ADSL subscribers reduced from 81.2% of the internet subscriber base to 65.0% over the year and NBN subscribers increased from 14.8% to 29.0%. In addition, the Consumer division also finished the year with 37,000 FTTB subscribers

– underlying EBITDA for the Corporate division increased by $12.6 million to $312.8 million representing 4.2% growth. This was primarily due to continued strong data and internet sales and margin expansion

Results for FY18

– excluding the impact of AASB 15 to enable a like-for-like comparison, revenue increased by 0.5% to $2,495.2 million and underlying EBITDA increased 0.7% to $841.1 million. The modest increase in EBITDA reflected organic EBITDA growth of $72 million offset by a $43 million reduction in gross profit margins due to the migration of DSL customers to the NBN, a reduction in fixed voice gross profit margins of $18 million as customers transferred to NBN bundled services, and the impact of higher electricity prices ($5 million)

– excluding AASB 15, underlying EBITDA for the Consumer division was $513.1 million, a decrease of 2.0% ($10.3 million) compared to FY17. This movement comprised a $32.3 million decrease in gross profit due to the migration of ADSL subscribers to NBN services, offset by a $22 million decrease in employment and overhead costs, due to further integration of the iiNet operations within the division. Further, $3.5 million of the above EBITDA in FY18 (related to FTTB) was reclassified from the Corporate division to the Consumer division (i.e. this was included in the

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Corporate division for FY17) and hence the actual year-on-year decrease for this division was $13.8 million

- internet subscriber numbers for the Consumer division decreased modestly to 1.931 million during the year. Similar to the previous year, there was a material increase in NBN subscribers (up 300,000), offset by a reduction in ADSL customers (by 319,000). As a result, ADSL subscribers reduced from 65% of the internet subscriber base to 48.7%, whilst NBN subscribers increased from 29% to 44.6% over the year. In addition, the number of FTTB subscribers increased by 13,000 to 50,000 customers
- excluding AASB 15, the Corporate division increased EBITDA by $17.3 million to $330.1 million, representing year-on-year growth of 5.5%. However, as stated above, $3.5 million of EBITDA that was included in the Corporate division's FY17 EBITDA was reclassified and recognised within the Consumer division in FY18. As a result, the comparable EBITDA growth for the Corporate division was $20.8 million. This EBITDA growth was derived by continued strong data and internet sales and increased revenue from the VHA dark fibre contract, offsetting declines in voice revenues

Results for FY19

- revenue decreased by 0.7% to $2,477.4 million and underlying EBITDA decreased by 0.5% to $823.8 million
- the Consumer division's EBITDA for FY19 was $457.3 million, a reduction of $41.8 million compared FY18[40]. This movement comprised a $62.6 million decrease in gross profit, partially offset by a $20.8 million decrease in overhead costs. The gross profit decline was driven by broadband gross margin erosion and loss of home phone voice revenue, both due to the NBN rollout. The significant decrease in overhead costs reflected the results of ongoing operating cost optimisation work
- the Corporate division reported underlying EBITDA of $367.1 million for FY19, an increase of $37.4 million in comparison to FY18[40]. The increase was driven by a significant step up in the contribution from the contract to provide fibre services to VHA, complemented by other On-net fibre sales. The continued shift towards revenue delivered on TPG's owned fibre infrastructure helped lift the Corporate segment EBITDA margin to 48.4% in FY19 compared to 43.7% in FY18
- the FY19 reported result included an impairment expense of $236.8 million, arising from TPG's decision to cease the rollout of its Australian mobile network. This impairment charge comprised:

TPG – FY19 impairment charges

	$m
Spectrum licenses	91.8
Mobile network assets	84.7
Capitalised interest related to:	
Spectrum licenses	57.5
Mobile network assets	2.1
Other intangibles	0.7
Total FY19 impairment charges	236.8

40 Restated for AASB 15.

– the FY19 reported results also included $9 million of one-off transaction costs relating to the planned Merger with VHA

Results for 1HY20

– underlying EBITDA for the Consumer division for 1HY20 was $211.4 million compared to $243 million for 1HY19. This movement comprised a $39.8 million decrease in gross profit (primarily due to broadband gross margin erosion and loss of home phone voice revenue due to the NBN), partially offset by an $8.2 million decrease in employment and overhead costs. Broadband subscribers increased by approximately 14,000 in 1HY20 compared to a net reduction of some 7,000 in 1HY19

– the Corporate division achieved underlying EBITDA of $193 million in 1HY20, up by $10.5 million from the $182.5 million reported in 1HY19, driven by continued strong improvement in margins. Gross profit increased by $6.6 million and the gross profit margin increased from 66% to 69%, driven by the continued favourable change in revenue mix towards On-net fibre services. The gross profit growth in the period was complemented by efficiency savings that reduced employment and overhead costs by $3.9 million, resulting in an EBITDA margin increase from 48% to 52%

– the results in 1HY20 also reflected the impact of the amortisation of acquired Australian spectrum licenses, which commenced from the start of 2HY19 (i.e. no spectrum licence amortisation was reflected in 1HY19). Spectrum licence amortisation totalled $57.9 million in 1HY20, and was therefore a key reason for the reduction in underlying NPAT from $225.2 million (in 1HY19) to $157.9 million (in 1HY20)[41]

Guidance for FY20

– TPG management provided FY20 earnings guidance for TPG on 5 March 2020 of BAU[42] EBITDA of $775 million to $785 million. This was an increase from the original BAU EBITDA guidance provided on 5 September 2019 of $735 million to $750 million.

41 The underlying NPAT figures are not shown in the table in paragraph 106.

42 Business as usual (BAU) relates to the existing Consumer and Corporate Division operations. It excludes the Singapore and Australian mobile businesses and does not take into account of any impact from the planned Merger with VHA, including merger transaction costs. BAU EBITDA guidance is provided on an excluding AASB 16 basis.

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Financial position

109 The financial position of TPG as at 31 July 2019 and 31 January 2020 is set out below:

TPG – statement of financial position	31 Jul 19 $m	31 Jan 20 $m
Debtors and prepayments	147.5	152.9
Inventories	5.0	6.9
Creditors, accruals and provisions	(344.8)	(324.9)
Net working capital	(192.3)	(165.1)
Property, plant and equipment	1,355.1	1,461.5
Goodwill	1,911.0	1,911.0
Spectrum licenses	1,334.6	1,280.8
Other intangible assets	439.8	430.8
Investments and prepayments[(1)]	8.1	6.6
Deferred contract costs	13.5	12.4
Deferred tax liabilities	45.4	45.1
Employee benefits	(32.0)	(30.0)
Deferred income and other liabilities	(184.9)	(187.1)
Spectrum liability	(344.2)	-
Provisions (non-current)	(30.7)	(29.1)
Net of right of use assets / (lease liabilities)[(2)]	-	(7.3)
Total funds employed	4,323.4	4,729.6
Cash and cash equivalents	51.4	76.0
Interest bearing liabilities	(1,420.3)	(1,723.9)
Derivative financial instruments (net)	(67.2)	(77.8)
Net cash / (debt)	(1,436.1)	(1,725.7)
Net assets	2,887.3	3,003.9
Non-controlling interests	5.2	6.3
Net assets attributable to TPG shareholders	2,882.1	2,997.6

Note:
1 This includes investments in available for sale financial assets with a market value of $1.2 million as at 31 July 2019 and $0.3 million as at 31 January 2020.
2 Under AASB 16, the present value of operating lease liabilities is recognised as a liability and a corresponding "right of use" asset is recognised (and amortised over the life of the lease). TPG applied this standard for the first time in 1HY20. The net liability shown above as at 31 January 2020 comprises "right of use" assets of $84.6 million, less AASB 16 lease liabilities of $91.9 million ($18.2 million current and $73.7 million non-current).

Net working capital

110 Net working capital is negative (a not uncommon position in the telecommunications industry) and primarily reflects the reported level of creditors, accruals and provisions. Given the strong operating cash flows of the business and the expected level of ongoing pre-paid income this position is considered sustainable.

Property, plant and equipment

111 The carrying value of TPG's property, plant and equipment is as follows:

TPG – property, plant and equipment	31 Jul 19 $m	31 Jan 20 $m
Network infrastructure[1]	1,308.2	1,415.3
Land and buildings	42.3	41.8
Leasehold improvements	4.6	4.4
Property, plant and equipment	1,355.1	1,461.5

Note:
1 These figures reflect the $84.7 million impairment charge relating to the write-down of the Australian mobile network assets.

112 Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. The majority of TPG's property, plant and equipment relates to network infrastructure, which includes its national core network, its customer access network and its international cable assets.

113 Network infrastructure relates to TPG's core broadband network ($1,128.9 million as at 31 January 2020), the Australian mobile network assets ($56.3 million as at 31 January 2020) and the Singapore mobile network assets ($230.1 million as at 31 January 2020).

114 Whilst an $84.7 million impairment charge was recognised in FY19 on the Australian mobile network assets following the decision to cease the rollout of the Australian mobile network, not all of the Australian mobile network costs were written off. This is because (inter-alia):

(a) some of the equipment can be repurposed to manage backhaul for TPG's fixed broadband network

(b) TPG management expect that, even if the Merger does not proceed, TPG would be able to sell or lease access to its small cell sites (as such sites are expected to be attractive to incumbent mobile network operators for their 5G networks).

Intangible assets and goodwill

115 Intangible assets and goodwill comprise the following:

TPG – intangible assets and goodwill	31 Jul 19 $m	31 Jan 20 $m
Goodwill	1,911.0	1,911.0
Spectrum licenses	1,334.6	1,280.8
Indefeasible rights of use (IRUs) of capacity	188.5	200.2
Acquired customer bases	114.2	97.2
Brands	90.6	90.6
Other assets[1]	46.5	42.8
Total intangible assets and goodwill	3,685.4	3,622.6

Note:
1 Includes capitalised interest relating to spectrum licenses.

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116 A description of the intangible assets held by TPG as at 31 January 2020 is as follows:

(a) goodwill has arisen historically in relation to the various acquisitions undertaken by TPG, including iiNet ($1,364.9 million). The carrying value of goodwill is tested for impairment annually using the discounted cash flow (DCF) method. As at 31 July 2019, the respective cash flows were discounted adopting a pre-tax discount rate of 12% per annum

(b) spectrum licenses include spectrum previously purchased in Australia as well as that purchased for its Singaporean mobile network. Spectrum licenses are amortised over the licence term, commencing from the date the related network is ready for its intended use. Following the announcement to discontinue the rollout of TPG's Australian mobile network on 29 January 2019, TPG wrote down the carrying value of its spectrum by $91.8 million and other intangibles by $58.2 million (which primarily related to capitalised interest on spectrum licenses ($57.5 million)). TPG commenced the amortisation of the Australian spectrum licenses in 2HY19 onwards. As at 31 January 2020, the carrying value of spectrum comprised Australian spectrum of $1,138.7 million and Singapore spectrum of $142.1 million. Further information on the value of the Australian spectrum is set out in Section VII

(c) the acquired customer bases represent the customer contracts and relationships of acquired businesses, valued based on their expected future economic benefits (using DCF projections). These assets are amortised on a reducing balance basis in line with the economic benefits to be derived

(d) the book value of the brands of $90.6 million is based on the value of acquired brands at the time of acquisition. These brands have been valued using the relief from royalty method

(e) IRUs over capacity are discussed below

(f) other intangible assets comprise software, subscriber acquisition costs, licenses (other than spectrum costs) and various other capitalised costs (including interest). These intangible assets are amortised over their expected useful life.

IRU assets

117 TPG recognises IRU assets on its balance sheet. An IRU is an exclusive, unrestricted and indefeasible right to use dedicated capacity on an international cable. An IRU gives an internet service company the ability to provide customers with international service on a long-term basis. The access to specific transmission capacity effectively amounts to economic ownership of the transmission capacity during the term of the agreement. Accordingly, generally accepted accounting policies require that the transaction be accounted for as a finance lease[43].

118 On acquisition of the capacity an intangible asset is recognised at fair value and is amortised over the term of the agreement. TPG's accounting policy notes state:

43 For the FY18 and FY19 years, IRU payments of $34.1 million and $5.5 million were paid by TPG.

"Indefeasible rights of use (IRUs) of acquired network capacity are brought to account as intangible assets at the present value of the future cash flows payable for the right. IRUs of acquired subsidiaries are accounted for at their fair value as at the date of acquisition."

119 As at 31 January 2020, TPG held IRU assets of $200.2 million, detailed as follows:

TPG – IRU assets	
	$m
Opening balance as at 1 August 2019	188.5
Fair value of additional IRU entered into during 1HY20	21.0
	209.5
Less amortisation	(9.3)
Closing balance as at 31 January 2020	200.2

120 During 1HY20, TPG acquired additional IRUs of $21 million and as at 31 January 2020, TPG had entered into additional IRU agreements for additional international capacity for US$21.3 million. This cost has been contracted but not recognised in the 1HY20 statement of financial position.

Net debt

121 A summary of TPG's net debt position is set out below:

TPG – net debt	31 Jul 19 $m	31 Jan 20 $m
Cash and cash equivalents	51.4	76.0
Finance leases[1]	(6.8)	(7.3)
Non-current loans and borrowings[1]	(1,409.5)	(1,711.3)
Accrued interest[1]	(4.0)	(5.3)
Derivative financial assets	1.4	0.9
Derivative financial liabilities	(68.6)	(78.7)
Net debt (as reported)	(1,436.1)	(1,725.7)
Unamortised borrowing costs[2]	20.7	16.3
Gross debt	(1,456.8)	(1,742.0)

Note:
1 Total interest bearing liabilities of $1,420.3 million and $1,723.9 million as at 31 July 2020 and 31 January 2020 respectively as disclosed in paragraph 109.
2 Netted off borrowings in the statement of financial position.

122 The difference between the net debt shown in the table above and that set out in the table at paragraph 109 is due to the treatment of the unamortised borrowing costs, which have been added back to derive the gross amount owing shown above.

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Spectrum liability

123 A summary of TPG's spectrum liability as at 31 January 2020 is as follows:

TPG – spectrum liability	$m
Balance as at 1 August 2019	344.2
Instalments paid	(352.4)
Interest accrued during the year	8.2
Balance as at 31 January 2020	-

124 TPG acquired a licence for two lots of 10 MHz of 700 MHz spectrum at an auction in April 2017 for a purchase price of $1.26 billion, payable in three annual instalments starting from 31 January 2018. The licence was available for use from 1 April 2018. In FY17, $10 million of the first instalment was pre-paid and the balance of $594.8 million was paid on 31 January 2018. The second and third instalments (of $352.4 million each) were paid on 31 January 2019 and 31 January 2020 respectively. The consideration for the spectrum licence totalled $1,309.6 million and implied an interest charge for deferred payment of $49.6 million.

Share capital and performance

125 As at 22 April 2020, TPG had 927.8 million fully paid ordinary shares on issue.

126 TPG also has a long-term incentive structure in the form of a performance rights plan. The plan was introduced in FY12 and performance rights have been granted each financial year since. The total number of rights outstanding as at the date of the Scheme Booklet was 0.6 million. All rights issued since FY16 have the same key terms[44]:

(a) one quarter of the performance rights granted will vest following the release of TPG's audited financial statements for each of the four financial years ending after the date of grant subject to the satisfaction of performance conditions

(b) at each vesting date:

  (i) 30% of the performance rights that are due to vest on that date will vest if the rights holder has been continuously employed by TPG up until and including the relevant vesting date; and

  (ii) 70% of the performance rights that are due to vest on that date will vest if the rights holder has been continuously employed by TPG up until and including the relevant vesting date and TPG has met its financial objectives for the financial year immediately preceding the relevant vesting date

(c) any performance rights which do not vest automatically lapse.

127 It is proposed that the outstanding TPG performance rights will vest and convert into TPG shares prior to the Scheme Record Date. This will allow TPG performance rights holders to participate in the Scheme in respect of TPG shares issued or transferred to them on conversion of their TPG performance rights. That said, we understand that TPG intends to satisfy the

44 Rules for rights granted prior to FY16 are consistent with those granted subsequently, except that the vesting period was only three years.

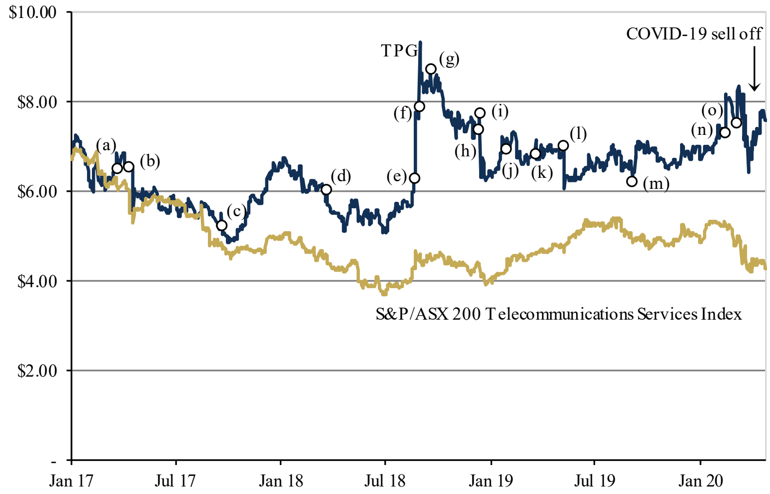
obligations to performance rights holders by way of share transfers of TPG ordinary shares from the TPG share trust or on-market share purchases.

Significant shareholders

128 The two significant shareholders in TPG are Mr and Mrs Teoh and associates with 34.3% of the TPG shares on issue, and Washington H Soul Pattinson and Company Ltd (Soul Pattinson) with 25.3% of the shares on issue[45].

129 The following chart illustrates the movement in the share price of TPG and the S&P/ASX200 Telecommunications Services Index from 1 January 2017 to 22 April 2020:

TPG – share price history
1 January 2017 to 22 April 2020



Note:
1 Based on closing prices. The S&P/ASX Telecommunications Services Index has been rebased to TPG's last traded price on 1 January 2017, being $6.70.
Source: Bloomberg.

130 From January 2017 to around November 2017, TPG generally tracked the S&P/ASX 200 Telecommunications Services Index (which is heavily influenced by the relative weighting of Telstra shares). However, since November 2017, TPG shares have outperformed the S&P/ASX 200 Telecommunications Services Index due primarily to the underperformance of Telstra over this period.

131 We have interpreted the material increase in the TPG share price post the announcement on 22 August 2018 that TPG and VHA were in discussion regarding a potential merger, and the subsequent confirmation of the proposed Merger on 30 August 2018, to reflect the market's view of potential operating synergies available to TPG should the Merger with VHA be successful. Further analysis of share market trading in TPG shares subsequent to the announcement of the proposed Merger is set out in Section X of our report.

45 Soul Pattinson was the major shareholder in SP Telemedia.

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132 Key market sensitive announcements during the charting period shown above are as follows:

(a) **21 March 2017** – TPG released its results for the half year ended 31 January 2017 and reported underlying EBITDA growth of 13.2% to $417.6 million and underlying NPAT growth of 27.8% to $207.5 million. The company also reaffirmed its FY17 underlying EBITDA guidance of $820 million to $830 million

(b) **12 April 2017** – TPG announced the acquisition of 2 x 10 MHz of 700 MHz spectrum in Australia along with its plans to build a mobile network in Australia for around $1.9 billion. Concurrent with this announcement, the company announced an entitlement offer to raise $400 million to pay down short term debt (with debt to be drawn down as required to fund the network capital expenditure and spectrum instalment payments)

(c) **19 September 2017** – TPG released its results for FY17 and reported underlying EBITDA growth of 8.0% to $835 million (exceeding the upper end of the guidance range by $5 million) and underlying NPAT growth of 15.6% to $417.3 million

(d) **20 March 2018 –** TPG announced its results for the half year ended 31 January 2018 reporting underlying EBITDA of $418.2 million (compared to $417.6 million the year before). The company also upgraded its FY18 underlying EBITDA guidance to $825 million to $830 million, an increase from the original guidance of $800 million to $815 million

(e) **22 August 2018 –** TPG responded to media speculation and confirmed that the company had engaged in exploratory discussions with VHA regarding a potential "merger of equals" between the two companies

(f) **30 August 2018 –** TPG announced the Merger with VHA, with TPG shareholders set to own 49.9% and VHA shareholders 50.1% of the equity in the Merged Group

(g) **18 September 2018** – TPG released its results for FY18 and reported underlying EBITDA growth of 0.7% to $841.1 million excluding AASB 15 (exceeding the upper end of guidance range by $10.1 million) and underlying NPAT growth of 3.7% to $432.6 million. TPG also provided FY19 EBITDA guidance of $800 million to $820 million on a BAU basis[46]

(h) **10 December 2018** – TPG announced that the Mobile JV had been a successful bidder in an auction for spectrum in the 3.6 GHz band (for consideration of $263.3 million, paid in March 2020)

(i) **13 December 2018 –** the ACCC announced that it had preliminary competition concerns in relation to the Merger between TPG and VHA and its potential impact on competition in Australia's mobile and broadband markets

(j) **29 January 2019 –** TPG announced that, due to (inter-alia) the prohibition by the Australian Government of Huawei equipment in 5G networks[47], it would cease the rollout of its Australian mobile network

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46 BAU relates to the existing Consumer and Corporate Division operations. It excludes the Singapore and Australian mobile businesses and does not take into account of any impact from the planned Merger with VHA, including merger transaction costs. BAU EBITDA guidance is provided on an excluding AASB 16 basis.

47 The principal equipment vendor selected by TPG for its Australian network was Huawei.

(k) **19 March 2019 –** TPG released its results for 1HY19 reporting underlying BAU EBITDA growth of 2.8% to $424.4 million[48]. TPG also reaffirmed its FY19 BAU EBITDA guidance of $800 million to $820 million

(l) **8 May 2019 –** the ACCC announced that it had decided to oppose the proposed Merger between TPG and VHA, given its view that the Merger was likely to substantially lessen competition for mobile services (the ACCC believed that the Merger would preclude TPG from entering as the fourth Australian mobile network operator). In response to the ACCC decision, TPG announced that it would pursue proceedings in the Federal Court to challenge the ACCC decision[49]

(m) **5 September 2019 –** TPG released its results for FY19 and reported underlying BAU EBITDA of $823.8 million (marginally exceeding the top end of its BAU EBITDA guidance of $820 million). TPG also provided FY20 BAU EBITDA guidance of $735 million to $750 million

(n) **13 February 2020** – the Federal Court handed down its decision to allow the proposed Merger between TPG and VHA to proceed

(o) **5 March 2020** – TPG released its results for 1HY20 reporting a decline in underlying BAU EBITDA of approximately 5% to $404.2 million. TPG also revised its FY20 BAU EBITDA guidance to $775 million to $785 million (an increase from $735 million to $750 million). The ACCC also announced that it would not appeal the Federal Court's decision to allow the proposed Merger between TPG and VHA to proceed.

Liquidity in TPG shares

133 The liquidity in TPG shares based on trading on the ASX over the 12 month period to 22 April 2020 is set out below:

TPG – liquidity in shares

Period	Start date	End date	No of shares traded 000	WANOS(1) outstanding 000	Implied level of liquidity Period(2) %	Implied level of liquidity Annual(3) %
1 month	23 Mar 20	22 Apr 20	33,749	927,811	3.6	43.6
3 months	23 Jan 20	22 Apr 20	132,868	927,811	14.3	57.3
6 months	23 Oct 19	22 Apr 20	185,139	927,811	20.0	39.9
1 year	23 Apr 19	22 Apr 20	375,262	927,811	40.4	40.4

Note:
1 Weighted average number of shares outstanding (WANOS) during relevant period.
2 Number of shares traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period (based on number of days in respective periods).

134 As noted above, TPG has two major shareholders being Mr and Mrs Teoh (34.3% interest) and Soul Pattinson (25.3% interest). Accordingly, the free float of the company has effectively been restricted to around 40.4% of the issued capital. In the three, six and 12 month annualised periods to 22 April 2020, the annualised share turnover has ranged between 39.9% and 57.3% of the issued shares in TPG, indicating a high level of market liquidity, particularly in light of the two major shareholders.

48 Based on restated figures for the effects of the adoption of AASB 15.
49 Lodgement of Federal Court proceedings was subsequently made on 24 May 2019.

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IV Profile of VHA

Overview

135 VHA provides wireless communications services in Australia and operates both 3G and 4G cellular networks, along with a small number of 5G sites as part of its 5G network currently being rolled out. Its networks provide voice calls and messaging services as well as mobile broadband, audio, live mobile video, video calling and other information and entertainment services. VHA is the third largest Australian MNO, with approximately 5.7 million mobile customers as at 31 December 2019 and a mobile network covering more than 22 million Australians. The company also supplies NBN fixed line broadband services to complement its mobile services offering.

History

136 Vodafone Australia Limited (Vodafone Australia) was awarded Australia's third mobile telecommunications carrier licence in December 1990. In September 1993, after developing its own network, Vodafone Australia began providing 2G Global System for Mobile communication (GSM) services with network coverage in Sydney, Melbourne and Canberra. By March 1994, its mobile network was extended to the cities of Brisbane, Adelaide and Perth.

137 In order to reduce costs, Vodafone Australia and Optus agreed to share Wide Band Code Division Multiple Access for the rollout of their respective 3G networks (as announced in August 2004). Following network construction, Vodafone Australia launched its 3G network across Australia from October 2005.

138 Vodafone Australia and HTA, a listed subsidiary of Hutchison Whampoa Limited[50], merged their operations in 2009 to form VHA. HTA provided wireless communications services in Australia and launched Australia's first 3G mobile network in 2003, under the global brand "3". Under the merger, VHA was jointly owned (50% each) by HTA[51] and Vodafone Group, with its services primarily provided under the Vodafone brand[52]. Post the merger, VHA operated a mobile network with 95% population coverage, approximately 6 million customers and annual revenues of approximately $4 billion (for the year ended 31 December 2009 (CY09)).

139 On 21 October 2010, VHA announced major investments to strengthen the Vodafone 3G network in and around cities and towns across Australia. This included the consolidation of the Vodafone and 3 networks into a single network, investments in 1,400 new 3G network sites (with 900 of these in capital cities and 500 in regional areas), as well as new transmission improvements.

140 In June 2013, VHA launched its 4G Long Term Evolution (LTE) 1800 MHz network with selected coverage in Sydney, Melbourne, Brisbane, Adelaide, Perth, Newcastle and Wollongong. VHA has invested approximately $3.8 billion in network and technology over

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50 Hutchison Whampoa Limited has since merged with Cheung Kong Group to form CK Hutchison Holdings.

51 HTA is listed on the ASX and remains a 50% shareholder in VHA.

52 Under a licence arrangement with Vodafone Group.

the five years to CY19, with some $0.7 billion spent in CY19. This network spend comprises expenditure on sites, transmission, spectrum, radio access network, software, hardware and technology operating expenses. It has also included the construction of new sites under the Australian Government's Mobile Black Spot Program (an initiative to improve mobile coverage and competition in regional areas through investment in telecommunications infrastructure)[53].

141 VHA's mobile network was recognised in Open Signal's State of the Network independent report, ranking outright first or joint first across all categories, including leading network for average 4G download speed, overall download speed and 4G latency. It has also maintained the highest Net Promoter Score[54] amongst Australian MNOs (an indication of positive consumer sentiment) since the December 2017 quarter.

142 VHA has closed its 2G network and is re-farming portions of 900 MHz spectrum for newer technology such as its Narrowband Internet-of-Things (NB-IoT) network. VHA's NB-IoT network is a lower power wide area network technology designed to wirelessly connect millions of devices that have low bandwidth requirements. VHA's NB-IoT business was launched in 2017, signing a range of customers to its network including smart lock, smart water meter and refrigeration monitoring providers. To prepare for the launch of the NB-IoT network, VHA upgraded about half of its network sites, as well as deployed software upgrades across its radio access network and elements of the core network. Additionally, VHA has integrated its NB-IoT service to Vodafone's Global Internet-of-Things (IoT) platform.

143 On 30 December 2019, VHA appointed Nokia Solutions and Networks Australia Pty Limited (Nokia) as VHA's vendor to deliver a new 5G radio access network in Australia. The agreement between VHA and Nokia is for a term of at least five years and enables VHA to place orders with Nokia for site delivery, thus allowing VHA to scale up or down the pace of its 5G rollout according to its requirements.

144 In March 2020, VHA's commercial launch of 5G services occurred, with the first 5G sites switched on in Parramatta, NSW. VHA initially plans to have over 650 5G sites across Sydney, Melbourne, Brisbane, Adelaide, Canberra and Perth which will be increased to several thousand over coming years.

Current operations

145 VHA provides mobile voice and broadband services to its customer base of approximately 5.7 million users (as at 31 December 2019). It employs approximately 2,050 staff (as at 31 December 2019) and operates from a head office in North Sydney as well as additional offices in Melbourne, Brisbane, Adelaide and Perth and a contact centre in Hobart. Its products are distributed through a range of company-owned stores, as well as exclusive dealer stores and mass retail outlets. As at 31 December 2019, VHA had 99 company-owned stores as well as 226 exclusive dealer stores located throughout Australia[55].

53 As a part of this program, VHA has committed to building 75 mobile base stations in rural sites around Australia by 2020. As at 31 March 2020, VHA had completed construction of 60 new base stations.

54 Net Promoter Scores measure how likely customers are to recommend VHA products and services to others.

55 In addition to the 325 branded stores, VHA has an additional 65 non-branded stores.

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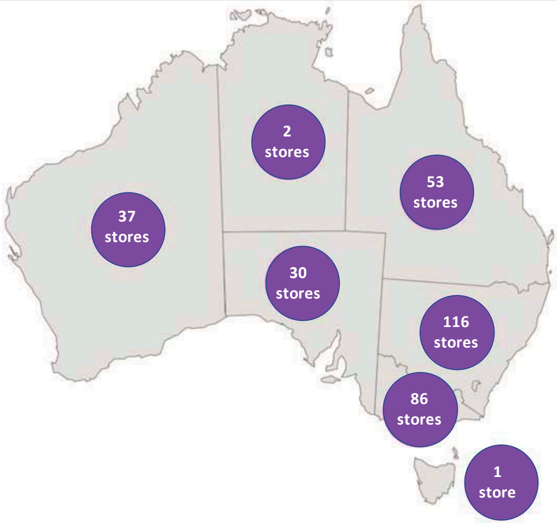
VHA – Australian branded store locations



146 VHA's mobile consumer base decreased by 275,000 (4.6%) in the year to 31 December 2019, primarily due to an 8.6% fall in the pre-paid customer base as a result of increased competition from MVNOs and second brands and a conscious decision to exit unprofitable channels. VHA's post-paid customer base saw a modest decline in the face of sustained aggressive competition and a strategic decision to focus on maintaining profitability over defending market share at high cost.

147 Subscriber numbers as at 31 December 2018 and 31 December 2019 are shown below:

VHA – mobile subscriber numbers

	31 Dec 18 000	31 Dec 19 000	Change %
Post-paid customers	3,454	3,416	(1.1)
Pre-paid customers	2,209	2,018	(8.6)
Total customers	5,663	5,434	(4.0)
MVNO customers(1)	356	310	(12.9)
Total network customers	6,019	5,744	(4.6)

Note:
1 In the first half of 2018 VHA reclassified the mobile customers of Kogan and Lebara (approximately 523,000) to pre-paid from MVNO (as the Lebara brand in Australia is licensed by VHA and the arrangement with Kogan is a unique strategic partnership, refer below).

148 VHA entered into an MVNO partnership with Lebara Group B.V (Lebara), operating under the Lebara Mobile brand, during 2009. In September 2016, VHA acquired Lebara's Australian MVNO business, which had over 130,000 customers at the time. These customers are shown as pre-paid subscribers in the table above as they are customers of VHA operating under the Lebara Mobile brand.

149 On 13 April 2015, Kogan.com Limited (Kogan) entered into an agreement with VHA to provide online only, low-cost, pre-paid mobile plans under the Kogan Mobile brand. Under the agreement, Kogan provides branding and marketing services for competitively priced plans on the VHA network. In turn, VHA is responsible for providing all aspects of service delivery, including the use of its mobile network and customer service. Kogan Mobile commenced selling mobile services in October 2015. These are also shown as pre-paid subscribers in the above table.

150 On 30 September 2015, TPG announced to the ASX arrangements with VHA to migrate the majority of its TPG branded mobile wholesale customer base to the VHA network (which was previously on the Optus network). At the time TPG had a mobile subscriber base of around 470,000 users, not all of which were under the TPG brand[56]. These customers (excluding those operated by iiNet and a small proportion of TPG mobile customers which have remained on the Optus network) are shown as MVNO customers in the above table.

151 In an increasingly competitive environment, VHA has demonstrated an ability to provide customer-focused offerings, including the following (since 2018):

(a) in late 2017, at no upfront cost to the customer, VHA introduced a hybrid modem to provide NBN services with 4G backup enabling customers to connect to VHA's 4G network prior to their NBN service being installed and ongoing backup in the event of a NBN fault

(b) in May 2018, VHA introduced Australia's first widely available endless mobile plans, known as "Red Plus". On Red Plus plans customers continue to have access to speed restricted data services after they have consumed a fixed amount of unrestricted data, offering protection against excess data use charges

(c) in November 2018, VHA introduced "Bundle & Save", providing customers with tiered discounts from 5% to 20% based upon having two to five or more services over $30 each across selected post-paid voice, mobile broadband and Vodafone nbn™ plans

(d) in November 2018, VHA extended its "$5 Roaming" offering to cover 80 countries, whereby customers can use their plan inclusions for text, data and calls whilst overseas for only $5 per day; and

(e) in March 2019, VHA refreshed its "Trade-In" program by offering customers more attractive trade-in prices on their existing mobile devices to upgrade to the latest technology.

Vodafone NBN

152 In April 2018, VHA officially launched Vodafone nbn™, following a soft launch in Sydney, Melbourne, Canberra, Newcastle and Geelong in December 2017. In a strategic move to complement its mobile network and offer customers a converged internet experience, using the NBN, VHA has grown the availability of its fixed network to other major Australian cities, expanded its fixed retail distribution footprint and added content access and enhanced features.

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56 This included some 176,000 mobile customers added from the acquisition of iiNet (as at 31 January 2016) which were not migrated to the VHA network.

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153 Like its mobile offering, Vodafone nbn™ focuses on the customer experience with Instant Connect and 4G Back Up, allowing customers to access the internet via VHA's 4G mobile network prior to NBN installation and in the event of a fault. These features have been well-received by customers and some of them have been implemented by VHA's competitors in response.

154 In an initiative to attract residential customers whose landline numbers are important to them, VHA has launched Vodafone Mobile Landline. The product allows customers to keep their landline number when switching to Vodafone nbn™ by having the number redirected to their mobile service. This initiative removes the need for customers to have a physical landline connected in their home.

Enterprise Business Unit

155 VHA has also been growing its Enterprise Business Unit, partnering with a number of major customers across a variety of industries including companies in the food and beverage, global logistics and finance sectors. For example, during CY18, VHA secured a major partnership with Qantas to provide a one-of-a-kind roaming product to allow Qantas pilots to complete pre-flight checks internationally without relying on wi-fi.

Spectrum owned

156 VHA owns a public mobile telecommunications service class B apparatus licence for the 900 MHz spectrum. Rather than covering geographic locations, as is the case with spectrum licenses, apparatus licenses pertain to the operation of systems within an assigned frequency band. Licenses are obtained by application through the Australian Communications and Media Authority (ACMA) and are issued for periods that vary from one day to up to five years, however these licenses are generally rolled over to the incumbent holder (as has been the case for VHA's 900 MHz spectrum).

157 A summary of the spectrum licenses[57] owned by VHA[58] as at the date of this report (excluding the 900 MHz spectrum class B apparatus licence) is as follows:

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57 A spectrum licence authorises a company to operate a device or devices within a defined spectrum space, categorised by geographic area and frequency band. Licenses are regulated by the ACMA through restricted auctions whereby allocation limits are established and competitors' bids are capped according to their current market share of the spectrum on offer.

58 Including the spectrum acquired in December 2018 by the Mobile JV.

VHA – spectrum licence owned				
Band	**Expiry date**	**Amount**	**Locations**	**Attributes**
700 MHz	December 2029	2x5 MHz	National	Better for coverage. Lower band frequencies propagate better[(1)]
850 MHz	June 2028	2x10 MHz 2x5 MHz	Metro Regional	Better for coverage. Lower band frequencies propagate better[(1)]
900 MHz	Currently an apparatus licence	2x8.2 MHz	National	Better for coverage. Lower band frequencies propagate better[(1)]
1800 MHz	June 2028	2x30 MHz 2x25 MHz 2x25 MHz 2x5 MHz 2x0-15 MHz	Sydney/Melbourne Brisbane/Adelaide/Perth Canberra Hobart/Darwin Regional, differs by area	Better for speed, as there is more bandwidth available in higher band frequencies than in lower bands
2100 MHz	October 2032	2x25 MHz 2x20 MHz 2x10 MHz 2x5 MHz	Sydney/Melbourne Brisbane/Adelaide/Perth Canberra/Hobart/Darwin Regional	Better for speed, as there is more bandwidth available in higher band frequencies than in lower bands
3.6 GHz[(2)]	December 2030[(3)]	1x30 MHz 1x12.5-20 MHz	Top six capital cities Metro fringe and regional areas	The primary 5G band, which offers faster network speeds, lower latency, and more simultaneous connections of devices to a mobile network

Note:

1 Which means that a low band signal covers a longer distance and has better in-building coverage.
2 The spectrum licence is issued to the Mobile JV, the incorporated 50:50 joint venture between VHA and TPG.
3 Represents VHA's 50% interest in spectrum owned by the Mobile JV. Spectrum was acquired in November / December 2018 but only came into effect on 30 March 2020.

158 VHA's (including HTA prior to the merger) expenditure on spectrum over the last 22 years has exceeded $1.7 billion. During 2016 and 2017, VHA purchased spectrum licenses in the 700 MHz, 1800 MHz, and 2100 MHz bands. In addition, VHA renewed its spectrum in the 2100 MHz band in April 2017 at a cost of $544 million. This spectrum was originally acquired in 2001 for $449.7 million.

159 In December 2018, the Mobile JV[59] acquired substantial spectrum holdings in all available metropolitan and regional areas in the 3.6 GHz band auction, for $263 million. This builds on VHA's work over recent years to prepare for 5G, with projects including the virtualisation of its core network, fibre transmission rollout and detailed infrastructure planning.

59 The Mobile JV is an ongoing joint venture with TPG, and subject to regulatory approvals, will not terminate if the Merger between VHA and TPG does not proceed.

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Financial performance

160 The financial performance of VHA for the four years to CY19 is set out below:

VHA – summary of financial performance[1]	CY16[2] $m	CY17[2] $m	CY18[2][3] $m	CY19[4][5] $m
Revenue	3,340.7	3,453.7	3,626.4	3,523.4
Network, carrier and hardware costs	(1,832.9)	(1,913.6)	(1,927.6)	(1,896.0)
Gross profit	1,507.8	1,540.1	1,698.8	1,627.4
Operating expenses	(595.7)	(568.3)	(596.6)	(590.8)
Underlying EBITDA	912.1	971.8	1,102.2	1,036.6
Depreciation[6]	(710.7)	(715.8)	(759.5)	(782.1)
Underlying EBITA	201.5	256.0	342.7	254.5
Amortisation of spectrum licenses	(82.8)	(81.3)	(109.2)	(115.4)
Underlying EBIT	118.6	174.7	233.6	139.1
Net financial expense	(360.4)	(352.5)	(358.0)	(370.4)
Profit / (loss) before tax	(241.8)	(177.8)	(124.4)	(231.3)
Income tax expense	-	-	-	-
Profit / (loss) after tax	(241.8)	(177.8)	(124.4)	(231.3)
Growth in revenue	*(8.4%)*	*3.4%*	*5.0%*	*(2.8%)*
Growth in underlying EBITDA	*12.2%*	*6.5%*	*13.4%*	*(6.0%)*
Underlying EBITDA margin	*27.3%*	*28.1%*	*30.4%*	*29.4%*
Total VHA customers at period end (000)[7]	*5,213*	*5,470*	*5,663*	*5,434*
Total network customers at period end (000)	*5,562*	*5,808*	*6,019*	*5,744*
Mobile VHA customer ARPU[8]	*$36.94*[9]	*$36.69*[9]	*$35.05*[9]	*$33.35*

Note:
1 Rounding differences exist.
2 As reported in the financial statements, CY17 figures are based on the reported figures from the CY18 financial statements which have reclassified various expenses from operating expenses to network, carrier and hardware costs. The CY16 and CY17 figures have not been restated for the impact of AASB 15, which increased reported CY18 EBITDA by $15.3 million and reduced CY18 EBITA by $21 million (due largely to higher amortisation expenses which have been classified as depreciation).
3 Based on the figures in the CY19 financial statements which reclassified $16.7 million of content costs into service revenue and various network, carrier and hardware costs into operating expenses. These figures reflect the impact of AASB 15, but do not reflect the impact of AASB 16.
4 AASB 16 became effective for VHA on 1 January 2019. The figures for CY19 have been restated to remove the impact of AASB 16, which increased reported EBITDA in CY19 by $142.1 million and reduced the loss after tax by $48 million. We have excluded the AASB 16 impacts as they are driven by accounting entries that have no impact on the underlying cash flow or profitability of VHA.
5 In CY19, content costs were reclassified into service revenue.
6 Depreciation includes the amortisation of intangible assets related to computer software, customer acquisition and retention and brand names.
7 In the first half of 2018, VHA reclassified the mobile customers of Kogan and Lebara (approximately 523,000) to pre-paid from MVNO. Customer numbers for CY16 and CY17 have been restated to include these customers in the VHA customer base to enable a like-for-like comparison.
8 Average revenue per user (ARPU).
9 Restated to reflect the change in basis of Mobile ARPU calculation in CY19 as a result of the reclassification of content costs into service revenue, and the exclusion of Machine-to-Machine (M2M) IoT revenue.

161 Below is a summary of the financial performance of VHA for the four years to CY19.

Results for CY16

- the decrease in revenue (a reduction of 8.4%) was primarily attributable to the ACCC's reduction of industry mobile termination rates, which took effect on 1 January 2016. Given the reduction in mobile termination rates impacted both revenue and airtime costs (being the cost of voice and Short Message Service (SMS) interconnection charges between Australian telecommunication operators) by similar amounts, profitability was not impacted. Excluding the impact of the lower mobile termination rates, total revenue increased by 5.7%, driven by the uplift in the customer base (VHA's customer numbers increased by 125,000 to 5.56 million) and higher Mobile ARPU
- EBITDA increased by 12.2% due to higher underlying revenue (i.e. excluding the mobile termination rate impact) and continued cost management. VHA also became free cash flow positive for the first time since the merger with HTA in 2009, which was driven by the increase in EBITDA as well as sound working capital management

Results for CY17

- notwithstanding high levels of competition for Australian mobile services, VHA added 246,000 customers over the year (4.4% growth) with customer numbers increasing to 5.81 million users. This comprised a 27.9% increase in MVNO customers, 3.5% growth in pre-paid customers and a 1.0% increase in post-paid customers[60]. Increased subscriber numbers were also the primary contributor to the 3.4% growth in revenue for the year
- underlying EBITDA increased by 6.5% to $971.8 million, due to a combination of higher revenue and a reduction in operating expenses

Results for CY18

- VHA total revenue (excluding interest income) increased 5.5%[61], driven largely by higher device sales. Excluding the AASB 15 accounting change, VHA's total reported revenue would have increased 6.8%[61]
- VHA's EBITDA increased 13.4% to $1,102.2 million from $971.8 million, driven by revenue growth and commercial expenditure optimisation. On a direct year-on-year comparison, excluding the AASB 15 accounting change, VHA's total reported EBITDA would have been $1,086.9 million, an 11.8% increase
- VHA's Mobile ARPU declined in CY18 due to ongoing competition among the major MNOs and increased inclusions on VHA mobile plans

60 Prior to the reclassification of Kogan and Lebara mobile customers to pre-paid from MVNO (refer paragraph 146).

61 Prior to the reclassification of $16.7 million content costs into service revenue in CY18.

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Results for CY19

- revenue decreased by 2.8%[62] in CY19 due to a combination of a reduction in customer numbers due to increased competition and a decline in Mobile ARPU (which declined by 4.9% from $35.05 in CY18 to $33.35 in CY19)
- VHA's EBITDA decreased by 6.0% to $1,036.6 million from $1,102.2 million (prior to the impact of AASB 16). This was driven by the decline in revenue combined with a reduction in underlying EBITDA margins.

Financial position

162 The financial position of VHA as at 31 December 2018 and 31 December 2019 is set out below:

VHA – statement of financial position[(1)]

	31 Dec 18 $m	31 Dec 19 $m[(2)]
Debtors, prepayments and other current assets	549.2	455.2
Inventories	129.3	103.0
Creditors, accruals and provisions	(1,330.0)	(1,287.4)
Net working capital	(651.5)	(729.2)
Property, plant and equipment	2,638.3	1,864.5
Goodwill	2,412.8	2,412.8
Spectrum licenses	1,276.5	1,161.1
Intangible assets	362.3	355.2
Trade and other receivables (non-current)	56.7	77.2
Provisions (non-current)	(21.6)	(21.7)
Other non-current liabilities	(155.1)	(12.3)
Net of right of use assets / (lease liabilities)[(2)]	-	(174.5)
Total funds employed	5,918.5	4,933.1
Cash and cash equivalents	642.7	733.6
Interest bearing liabilities	(7,595.0)	(6,997.6)
Derivative financial instruments (net)	111.7	128.6
Net cash / (borrowings)	(6,840.5)	(6,135.4)
Net assets attributable to VHA shareholders	(922.1)	(1,202.4)

Note:
1 Rounding differences exist.
2 Reflects the impact of AASB 16.

62 After allowing for the reclassification of $16.7 million and $11.9 million content costs into service revenue in CY18 and CY19 respectively.

Net working capital

163 VHA operates with a negative net working capital position, which is a common situation in the telecommunications industry. This primarily reflects VHA's level of annual capital expenditure and payment terms with key suppliers in excess of 90 days, which leads to a significant level of capital creditors. Given the strong operating cash flow of the business this position is considered sustainable.

Property, plant and equipment

164 The carrying value of VHA's property, plant and equipment is as follows:

VHA – property, plant and equipment	31 Dec 18 $m	31 Dec 19 $m
Network equipment and infrastructure[1]	2,144.5	1,481.0
Assets under construction	315.6	235.7
Computer equipment	144.4	117.6
Land, buildings and equipment	33.8	30.2
Property, plant and equipment	2,638.3	1,864.5

Note:

1 Includes towers / equipment on towers and VHA core network and mobile sites.

165 Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. The majority of VHA's property, plant and equipment relates to network infrastructure and equipment.

Intangible assets and goodwill

166 Intangible assets and goodwill comprise the following:

VHA – intangible assets and goodwill	31 Dec 18 $m	31 Dec 19 $m
Goodwill	2,412.8	2,412.8
Spectrum licenses	1,276.5	1,161.1
Computer software	320.2	316.4
Contract costs	41.2	38.3
Brand name	0.9	0.6
Total intangible assets and goodwill	4,051.6	3,929.1

167 Goodwill predominantly arose from the merger of HTA and Vodafone Australia in 2009. The carrying value of goodwill is tested for impairment annually using the DCF method.

168 Spectrum licenses are amortised over the licence term, commencing from the date the related network is ready for its intended use. Further, the carrying values of spectrum licenses are reviewed on a regular basis and written down to the recoverable amount where this is less than the carrying value.

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Net debt

169 A summary of VHA's net debt position is set out below:

VHA – net debt[1]	31 Dec 18 $m	31 Dec 19 $m
Cash and cash equivalents	642.7	733.6
Current loans and borrowings	(2,050.8)	(5,254.9)
Non-current loans and borrowings	(5,544.2)	(1,742.7)
Derivative financial assets	111.7	129.4
Derivative financial liabilities	-	(0.8)
Net debt	(6,840.5)	(6,135.4)[2]

Note:
1 Rounding differences exist.
2 Excludes finance lease liabilities that have been reclassified to AASB 16 lease liabilities. As at 31 December 2018, these finance lease liabilities totalled $591 million.

170 Notwithstanding that VHA's net debt was some $6.1 billion as at 31 December 2019, pursuant to the terms of the Merger, both TPG and VHA have agreed on the level of net debt which will exist in their respective companies at the Implementation Date. VHA is required to reduce its net debt to $2,236 million at the Implementation Date. As VHA's current net debt is significantly higher than this amount, it is proposed that an entity jointly owned by Vodafone Group and HTA will assume the net debt of VHA in excess of the agreed amount.

Shareholders

171 As stated above, the shareholders of VHA are HTA and Vodafone Group, whom each hold a 50% joint interest held indirectly through interposed entities.

V Australian telecommunications industry

Overview

172 Since deregulation of the telecommunications industry in the early 1990s, the sector has evolved from a single vertically integrated fixed line voice service provider (Telstra), to a variety of service providers offering retail and/or wholesale voice and internet services delivered over owned or rented fixed line and wireless networks. This has resulted in a telecommunications industry with high levels of competition, improved consumer choice and generally lower prices (in real terms).

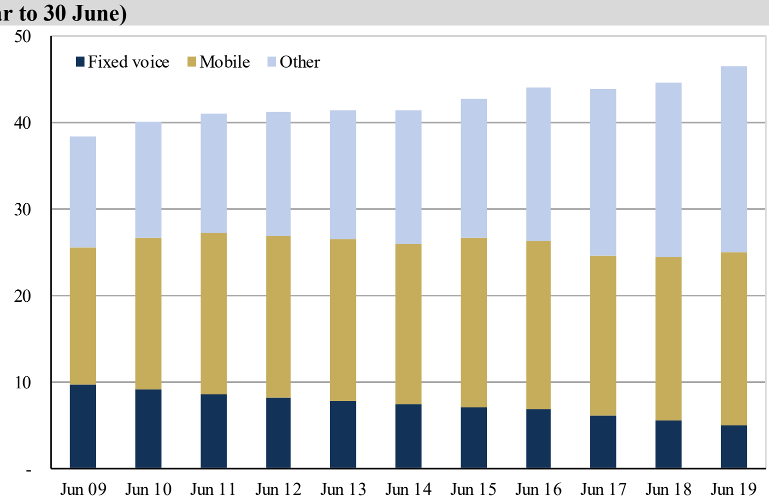
173 The fixed line segment of the telecommunications industry has recently undergone a structural shift from Telstra's copper network to the NBN and other next-generation fibre networks. This has brought about higher internet speeds for some users and fixed voice services delivered using internet protocol rather than the PSTN. As a result, the NBN has replaced Telstra as the industry's primary wholesale provider for residential fixed line services.

Historical performance

174 Growth in the Australian telecommunications industry has averaged 2% per annum over the 10 years to 30 June 2019. Over this period, the continued decline in fixed voice services (which have declined by 6.4% on average per annum) has been offset by growth in mobile (growth of 2.4% per annum) and other telecommunications services[63] (growth of 5.4% per annum)[64].

Australian telecommunications market by service

$bn (year to 30 June)



Source: BuddeComm (2019) *Australia Telecoms, Mobile and Broadband Statistics and Analyses*.

63 Including broadband, data and internet protocol (IP) access, business services and applications, cloud computing and other telecommunications services.

64 BuddeComm (2019) *Australia Telecoms, Mobile and Broadband Statistics and Analyses*.

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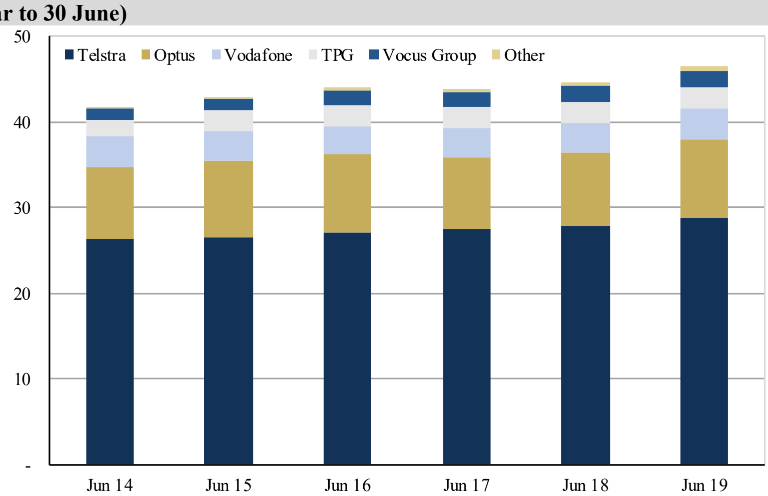
175 Telecommunications industry turnover has grown at a compound annual growth rate (CAGR) of 2.4% in the five years to 30 June 2019, with fixed voice turnover declining 7.6% over this period, mobile revenue growing by 1.6%, and other telecommunications services revenue growing by 6.8%[65]. This compares with total industry growth of 1.6% in the preceding five years, with fixed voice declining 5.2% and mobile and other telecommunications services revenue growing by 3.1% and 4.0% respectively[65].

Industry participants and competition

176 Telstra remains by far the largest participant in the Australian telecommunications industry, with a retail share of 61.9% by revenue in the year to 30 June 2019. This is primarily due to its incumbent market position prior to deregulation, the breadth of services it offers, as well as its significant investment in mobile and wireless infrastructure that has enabled it to establish a market leading position. Optus is the next largest operator (with a 19.5% revenue share in the year to 30 June 2019), then VHA (7.8%), TPG (5.3%) and Vocus Group (4.1%)[66].

Telecommunications revenue by provider (retail)[(1)]

$bn (year to 30 June)



Note:
1 Wholesale charges such as those paid to NBN Co are not shown separately as they are included in the above (i.e. they are a cost to the retail service providers).

Source: BuddeComm (2019) *Australia Telecoms Industry Statistics and Forecasts*, company financial disclosures and LEA analysis.

177 Telstra, and to a lesser extent Optus, are vertically and horizontally integrated in that they supply fixed and mobile voice and broadband services. In late 2017, VHA commenced offering broadband services through the NBN, becoming the third horizontally integrated service provider[67]. Both TPG and Vocus Group offer broadband and mobile voice services on MVNO arrangements (TPG with VHA and Vocus Group with Optus).

65 BuddeComm (2019) *Australia Telecoms, Mobile and Broadband Statistics and Analyses*.

66 BuddeComm (2019) *Australia Telecoms, Mobile and Broadband Statistics and Analyses,* company financial disclosures and LEA analysis.

67 However, VHA does not own the network backhaul such as that owned by Telstra and Optus.

178 Those service providers supplying fixed line services without infrastructure ownership purchase the relevant wholesale access inputs from either Telstra or next-generation fixed line access network operators, such as National Broadband Network Co Ltd (NBN Co). As the NBN rollout is completed, Telstra's fixed line access services will be phased out and replaced by the NBN. As a result, NBN Co will become the predominant provider of wholesale fixed line access services.

Market structure and segments

179 Telecommunications services are typically segmented by the type of end user, which ranges from individuals with single mobile phone or phone / internet requirements, to the larger corporate or government segments that typically cover a large number of users. The key telecommunication services for each customer segment are set out below:

Telecommunications consumer segments	
Segment	**Key services**
Individuals and households	• Fixed and wireless broadband internet • Direct home lines • Mobile phones and other devices
SMEs	• High-speed data connections (dark fibre, ethernet and internet protocol virtual private networks (IP-VPN)) • Mobile phones and other devices • Corporate phone services (VoIP and private automatic branch exchange (PABX)) • Data centre storage and services
Corporate and government	• Internet connectivity services • Mobile phones and other devices • High-speed data connections (dark fibre, ethernet and IP-VPN) • Corporate phone services (VoIP and PABX) • Data centre storage and services
Wholesale	• Local access infrastructure • High-speed data connections (dark fibre and ethernet) • Internet connectivity • MVNO services

180 The major areas in which telecommunications companies compete include price, coverage, internet speed, data allowance, other included services (such as access to complementary sports content) and customer service. A common pricing strategy employed by telecommunications companies for mobile phone and internet services is a cap plan, which offers users a defined use limit for a fixed monthly fee, the popularity of which has increased in recent years.

Key industry trends

181 Today, people expect high-speed and uninterrupted connectivity, whether at home or on the move. As a result, telecommunications networks are increasingly being viewed as an essential utility, with fast data speeds and seamless connectivity underpinning productivity and economic growth. The increasing importance of telecommunications in an online world is being driven by the emergence and proliferation of over the top (OTT)[68] communications and content services, the IoT[69], cloud services (which are reliant on data centre services), e-commerce, and essential services such as online banking and access to online government services (which are increasingly moving online).

182 OTT services run over-the-top of access, core and aggregation network services to provide a variety of applications and data intensive content services. They include communication apps, video on demand services, television catch up services and social media platforms. While consumers will generally form a relationship with one telecommunications service provider (or one service provider for a fixed line service and another for a mobile service) they will often use multiple OTT service providers. The proliferation of subscription and non-subscription OTT service providers in recent years has provided consumers with unprecedented choice, whilst OTT online streaming services such as Netflix and Stan have redefined the way individuals view and consume media content.

Mobile services

Industry structure

183 The Australian mobile services industry is characterised by three MNOs, being Telstra, Optus and VHA, each with their own network infrastructure. These service providers are vertically integrated and supply both wholesale and retail mobile services. Other telecommunication service providers are able to acquire wholesale end-to-end mobile services from one of the MNOs and re-sell the mobile service under their own brand (under MVNO arrangements). In addition to providing mobile voice services, mobile networks can be used to provide mobile broadband services on smartphones, tablets and other connected devices.

Historical performance

184 Similar to most developed economies, mobile phone penetration rates in Australia have exceeded 100% for many years and currently sit well above this level. This situation arises when users hold both a personal and work mobile phone and from SIM cards being used in tablets and other mobile broadband devices[70]. In the 10 years to 2010, subscriber numbers increased by an average of 11.7% per annum. However, as the industry has matured, mobile subscriber growth levels have slowed and are currently tracking around 2.5% per annum.

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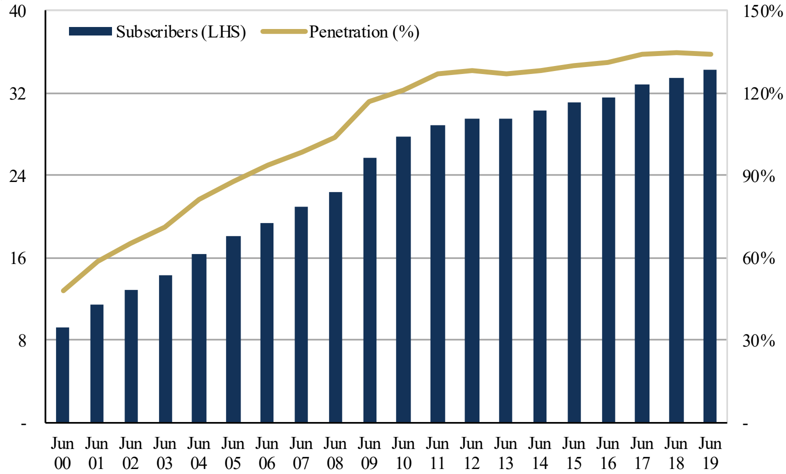
68 OTT is a term used to refer to content providers that distribute streaming media as a standalone product directly to viewers over the internet, bypassing telecommunications, multichannel television and broadcast television platforms that traditionally act as a controller or distributor of such content.

69 The Internet-of-Things, being the connection of devices such as vehicles and appliances via embedded electronics enabling connection, collection and exchange of data.

70 BuddeComm (2018) *Australia Telecoms Industry Statistics and Forecasts*.

Mobile subscribers and penetration

Million (year to 30 June)

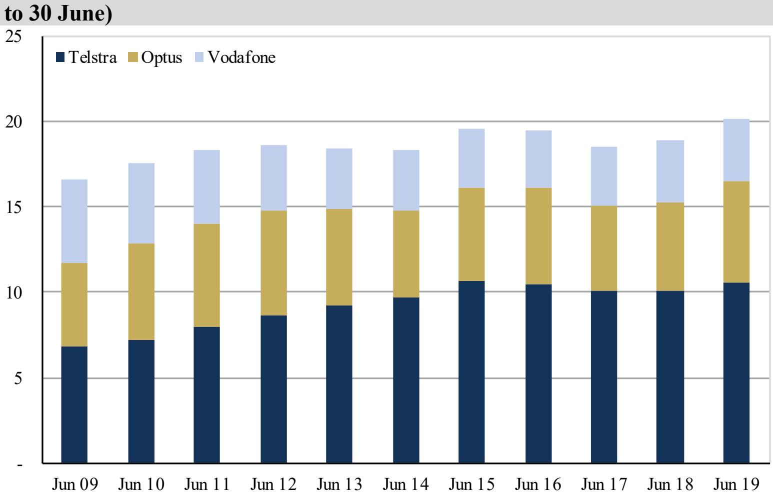


Source: BuddeComm (2019) *Australia Telecoms, Mobile and Broadband Statistics and Analyses*.

185 As the mobile services industry has matured operators have increasingly competed for market share based on price and inclusions (i.e. increasing levels of unlimited local and national calls, higher data allowances, greater international call allowances and other inclusions) and other factors (e.g. network quality). This has resulted in modest industry growth, with turnover for FY19 only 2.6% higher than that for FY15.

Mobile services by MNO

$bn (year to 30 June)



Source: BuddeComm (2019) *Australia Telecoms, Mobile and Broadband Statistics and Analyses*.

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186 Annual prices for mobile plans fell by 7.5% per annum in the five years to 30 June 2019[71] due to intense price based competition, with an annual price reduction of 6.6% in the year to 30 June 2019[72]. High levels of price based competition have also continued into FY20.

187 The proliferation of OTT voice and messaging services, such as WhatsApp, Facebook Messenger and Skype, has also increased the competitive pressure on mobile voice and messaging services by providing consumers with a low-cost alternative. Free OTT services have also been a key driving factor behind the increasing offering of unlimited plans by mobile service providers, which include unlimited local and national calls, and allowances for calls to international destinations. The data allowances offered with plans have also been rising significantly, with data allowances increasing 65% in the year to 30 June 2019[73].

Mobile infrastructure and fifth generation (5G) services

188 The capability and capacity of mobile networks has evolved from the pioneering 1G analogue services in the 1980s to the 3G and 4G networks currently used by all three Australian MNOs.

Evolution of Australian mobile network

	1G	2G	3G	4G	5G
Period[(1)]	1980-1990	1990-2000	2000-2010	2010-2020	2020-2030
Bandwidth	20 MHz	8.2-45 MHz	20-60 MHz	10-98 MHz	Not available
Frequency[(2)]	800 MHz	900 MHz 1800 MHz	850 MHz 900 MHz 2100 MHz	700 MHz 2.3 GHz 2.6 GHz	3.6 GHz 26.0 GHz
Data rate	2 kbps	64 kbps	144 kbps – 2 Mbps	100 Mbps – 1 Gbps	1 Gbps+
Characteristic	First wireless communication	Digital mobile voice, SMS	Broadband, higher speed	High-speed, all IP	Ultra high-speed
Technology	Analogue cellular	Digital cellular (GSM)	CDMA, UMTS	LTE	mmWave, 3.5 GHz

Note:
1 This represents the primary period of the technology use, noting that 3G networks are still in use today and 4G networks will still be in use after 2020.
2 The frequency for 4G also includes the 3G frequencies, i.e. 850 MHz, 900 MHz and 2100 MHz.
Source: Telstra (2016) *A History of Mobile Technology – From Brick Phones to Breakneck Data Speeds,* ACMA various spectrum auction results and LEA analysis.

189 To enable 5G mobile services, 300 MHz of spectrum in the 3.6 GHz band was assigned by the ACMA, with the auction of 125 MHz of this spectrum occurring over November and December 2018 (100 MHz of spectrum was already owned by Optus and 75 MHz is reserved by option for NBN Co[74]). A total of 350 lots of spectrum across 14 regions of Australia were sold during the auction process, with Telstra and Optus acquiring 143 and 47 lots respectively and the Mobile JV[75] purchasing 131 lots. London-based wholesaler Dense Air was the only

71 ACCC (December 2019) *Communications Market Report 2018-19*.
72 The latest available data.
73 ACCC (December 2019) *Communications Market Report 2018-19.*
74 At a nominal exercise price of $43 million. NBN Co also holds other spectrum in regional areas.
75 A joint venture between TPG and VHA to acquire future spectrum licenses and/or facilitate various forms of efficient spectrum and network sharing.

surprise bidder, acquiring 29 lots of spectrum in major metropolitan areas as part of the company's strategy to expand its wholesale service offering to network operators in Australia. Following the 3.6 GHz band, the 26.0 GHz band is the next candidate for allocation, with the auction expected to take place later in 2020 or 2021.

190 In August 2018, the Australian Government announced a ban on the use of 5G network infrastructure equipment supplied by Chinese telecommunications equipment providers, including Huawei, due to concerns over national security[76]. The decision attracted criticism from the majority of industry participants, who argued that it provided an unfair advantage to Telstra, the only operator at the time that did not rely on Huawei for its infrastructure. Operators that partnered with Huawei for their existing infrastructure were forced to start from scratch when upgrading to a 5G network, with TPG abandoning its partially-built 4G network due to (inter-alia) the prohibition[77].

191 On 15 August 2018, Telstra activated its 5G network on the Gold Coast in Queensland, making it the first global telecommunications provider to bring a commercial 5G network to market. Earlier in 2018, Telstra had demonstrated that its 5G network could achieve download speeds of 3 Gbps, which is more than four times its current network speed. Since its launch, Telstra has continued its rollout of 5G coverage, currently focusing on central business district locations and regional areas where at least four million people live, work or visit on a daily basis[78].

192 Optus began deploying its 5G network in key metropolitan markets in 2019, becoming the first Australian carrier to provide high-speed fixed wireless broadband services over a 5G network[79]. Optus continues to roll out infrastructure, with a target of 1,200 sites across major metropolitan areas by March 2020[80]. VHA has announced it will also sell fixed wireless broadband post the Merger with TPG and launched its 5G service in early March 2020. It is also in the process of upgrading its transmissions network and rolling out 4,000 km of dark fibre to over 3,000 sites across Australia.

193 The benefits of 5G include high data transmission rates, reduced latency, higher system capacity and massive device connectivity. Given the higher speeds on offer (10 to 20 times faster than 4G), the deployment of 5G networks is expected to open up the possibility of more direct internet competition with fixed line networks. However, access to key inputs such as spectrum, small cell infrastructure and transmission networks will influence how future

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76 Whilst Huawei has denied any ties to the Chinese Government, it is understood that the ban was directed at addressing China's 2017 National Intelligent Law, which requires all citizens and corporations to support, assist and cooperate with state intelligence work.

77 The principal equipment vendor selected by TPG for its Australian network was Huawei. TPG planned to upgrade its 4G network to 5G using Huawei equipment.

78 In its latest half year results release, Telstra stated that customers using its 5G network were in 5G coverage 25% of their time, with almost half of their data usage coming over the 5G network.

79 Whilst a non-compete agreement restricts Telstra from directly competing with NBN Co's fixed broadband offerings, the company has hinted that it intends to offer a 5G wireless broadband product for broadband speeds that NBN Co is incapable of providing through its fibre-to-the-curb (FTTC) and fibre-to-the-node (FTTN) connections.

80 ACMA (2020) *Communications report 2018-19.*

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competition evolves and there are likely to be physical constraints that limit the ability for large download capacities, at least in the near term.

194 5G networks differ from previous generations of mobile technology in that they require small cell infrastructure[81] to support high frequency spectrum, improve the capacity of networks and support higher data use, particularly in densely populated urban areas. Small cells also help deliver the ultra-low latency supported by 5G. Small cell densification has already been occurring in recent years, particularly in metropolitan centres, as MNOs seek to improve capacity in response to growing demand for data.

195 Much like the internet when it first launched, the full benefits of 5G will not be realised initially and will be unlocked progressively as additional infrastructure is rolled out, and more consumers (and devices) connect to the network. The uptake of 5G services by retail consumers is expected to increase as more 5G compatible handsets, such as a 5G iPhone[82], are released to the market.

196 Business customers are expected to benefit the most from the 5G network, however industry wide commercial adoption of 5G enabled technologies is not expected for another few years. In 2018, Deloitte conducted a survey of 550 Australian businesses, with 80% reporting that they expected to have implemented at least one 5G technology into their business within three years[83]. Technological applications for businesses range from faster mobile payments and processing larger datasets, which are already in embedded across most businesses, to full scale IoT applications, such as autonomous transport and logistics, which require a more mature 5G network in order to utilise.

Internet services

197 Increased connectivity has changed the way Australians and Australian businesses interact both personally and professionally. Broadband internet access has now become ingrained as an essential utility rather than a discretionary service, with users heavily reliant on the internet to carry out everyday activities and access basic services.

198 Internet services in Australia are provided through a range of fixed line or wireless networks, with these industry segments indirectly competing against each other. In this respect we note that:

(a) MNOs and MVNOs provide wireless internet services access via laptop data cards, USB attachments (or dongles) and dedicated fixed wireless modems

(b) satellite internet connections use a satellite dish receiver and are typically used in rural areas where it is difficult and costly to install and maintain fixed line connections

(c) fixed line internet is provided over PSTN (e.g. DSL), cable or fibre connections.

81 Low powered antennas that provide cellular and data coverage to a smaller geographic area, supplementing the larger cellular network and improving service for wireless customers.

82 Apple's next iPhone release is expected in to include chip technology capable of connecting to 5G networks.

83 Deloitte (2019) *Mobile Nation 2019 – The 5G future*.

199 The acceptance and growth of wireless internet services has been driven by a number of factors, including more competitive prices, availability, mobility and improving internet speeds. However, wireless internet has its limitations, such as relatively low data limits (although these are increasing).

200 Due to ease of access and a generally cheaper price, DSL was previously the most popular fixed line service. However, as the rollout and migration to the NBN continues, the proportion of fibre connections[84] has increased substantially. A summary of the current fixed line internet technologies currently used in Australia is as follows[85]:

(a) DSL runs on the existing PSTN and can be used without interrupting other activity on the line. The most common form of DSL is ADSL, which provides faster information access capability than DSL

(b) cable broadband works in a similar way to DSL, but instead uses cable television (TV) network infrastructure to provide internet access. These networks are typically a hybrid of optic fibre and coaxial cable (copper), which allows a faster transmission than the traditional phone network comprised entirely of copper

(c) fibre cables are superior to the above services but are expensive and time consuming to install. Fibre optic networks are expected to continue to grow across Australia as the NBN rollout continues. The NBN uses a combination of FTTP, FTTC, FTTN, fixed wireless and satellite technologies, some of which (like FTTC and FTTN) have significantly slower transmission speeds than FTTP and were implemented in an effort to lower costs.

201 As at 30 June 2019, there were 7.6 million fixed line and 8.4 million wireless internet subscribers in Australia:

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84 In a bid to reduce the time and cost of installation, NBN Co is installing a mixture of fibre-to-the-premises (FTTP), FTTN and FTTC technologies.

85 Dial-up was at one point the favoured fixed line internet service and required users to dial in to the network for the cost of a local call (and associated subscription fees). This service is practically non-existent in today's data intensive world.

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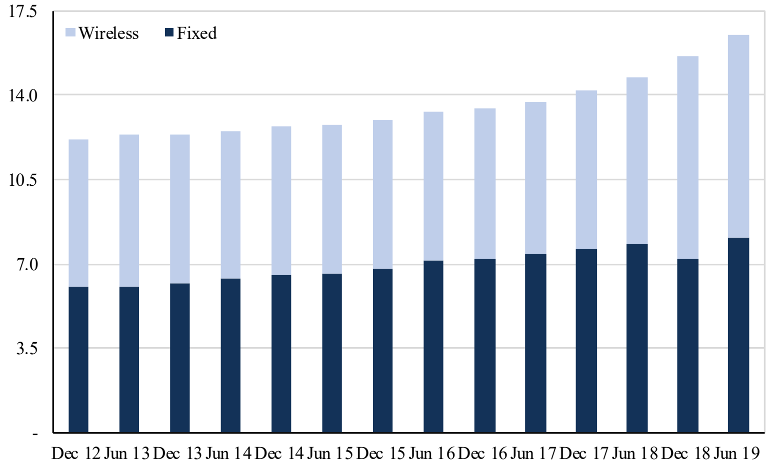
Total internet subscribers

Millions (half year to 30 June and 31 December)



Source: Australian Bureau of Statistics (ABS), 8153.0 / ACCC. The ABS reported data up to and including the June 2018 period, which was subsequently replaced by the ACCC's Internet Activity Record Keeping Report (RKR). Given the change in data providers and methodology, the information for December 2018 and June 2019 is not directly comparable to the previous periods.

202 Whilst there are one million less fixed internet subscribers than wireless subscribers, it is the fixed line networks that handle 88% of data traffic in Australia[86]. Wireless internet technology is expected to vastly improve (with better speeds and higher download rates) as 5G services are rolled out.

Fixed line internet services

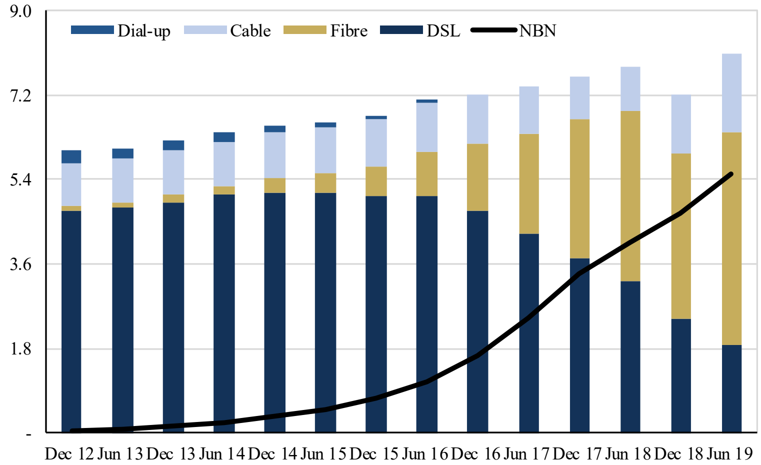
203 The number of fixed line broadband connections in Australia for the six and a half years to 30 June 2019, incorporating both the type of connection and number of connections to the NBN, is shown in the chart below[87].

86 ACCC (2019) *Communications Market Report 2018-19*.

87 The NBN Co data extends to 30 June 2018, and at this date there were 4.4 million premises activated (with 7.4 million premises ready to connect). The latest ABS data is to 30 June 2018, and data for the subsequent periods is reported by the ACCC's Internet Activity RKR.

Fixed line internet subscribers

Millions (half year to 30 June and 31 December)[(1)]



Note:
1 NBN includes 0.4 million wireless and satellite activated connections as at 30 June 2019.
Source: ABS, 8153.0, ACCC Internet Activity RKR, NBN Co. Given the change in data providers and methodology, the information for December 2018 and June 2019 is not directly comparable to the previous periods.

204 A report by Telsyte[88] estimated that the average Australian household owned around 17 internet connected devices in 2018 and that this number was expected to increase to 37 by 2023. More recently, as at May 2019, approximately 50% of Australian adults connected to the internet using a smart device (a device other than a mobile phone, computer, or laptop), with the most common device being the smart TV.

205 Over the three months to 30 June 2019, the average amount of data used per fixed line service was 710 GB for NBN services, and 642 GB for non-NBN services, with 66% of the total data downloaded over fixed line internet being via the NBN[89].

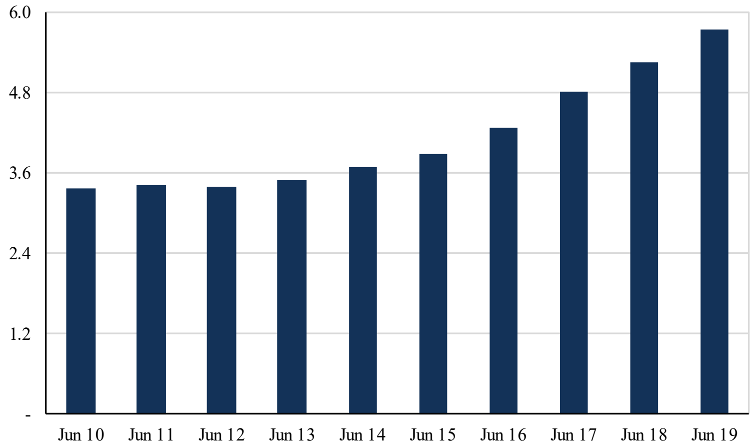
206 Fixed line internet industry turnover has experienced strong growth in the past five years, increasing at a CAGR of 9.2% over five years to 30 June 2019, predominantly driven by the increased migration of consumers from DSL to higher priced NBN plans (notwithstanding the compressed industry margins due to the shift to higher cost NBN wholesale services), enhancing operators' ARPU. A summary of retail turnover for fixed line internet services over the last 10 years is detailed as follows[90]:

88 Telsyte is a technology analyst firm.

89 ACMA (2020) *Communications Report 2018-19.*

90 Wireless mobile internet revenue is reported within the mobile services section (refer above).

Fixed line internet revenue
$bn (year to 30 June)



Source: IBISWorld (2019) *Internet Services Providers in Australia*.

207 For fixed line providers, the transition from infrastructure ownership (i.e. ADSL, cable and fibre) to a reseller of the NBN's services presents a number of opportunities and challenges. Service providers will no longer be required to maintain costly networks and will be migrating customers (in many cases) to higher quality infrastructure. The converse, however, is that service providers will find it increasingly difficult to differentiate themselves from competitors given the homogenous infrastructure, and this is likely to result in higher levels of price based competition. In addition, the high wholesale cost per user paid to the NBN Co (including the controversial connectivity virtual circuit (CVC) charge[91]) has already negatively impacted industry profitability, as recently stated by Telstra Chief Executive Officer Andrew Penn[92]:

"the margins on reselling nbn are basically zero. Well, it's a position that I've had for some years, which is that wholesale prices are too high. So one of two things has got to happen. Either wholesale prices are going to have to go down, or retail prices are going to have to go up, which is why I've been advocating that wholesale prices do need to change. They're more than twice what they were when Telstra provided the service, and frankly they're higher than retail prices in some other countries. So I don't think that's sustainable long term."

208 A summary of the revenue market share of the major participants in the fixed line internet services industry is as follows:

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91 The CVC charge is essentially a capacity charge in addition to the average charge per end user.

92 Source: Telstra half-year results presentation, transcript dated 14 February 2020.

Fixed line service providers		
Competitor	**Market share %**	**Description**
Telstra	46.4	Offers internet services through its BigPond business and its low-cost brand Belong, which competes with lower priced providers. Telstra also offers wireless internet services
TPG	27.8	Operates the TPG and iiNet brands and historically a provider of ADSL services. Also owns an extensive fibre network including submarine cables
Optus	13.9	Historically its internet services were provided over HFC and ADSL, however Optus has recently focused on growing its wireless internet services market share, launching its 5G fixed wireless broadband product in 2019
Vocus Group	8.2	Operates the iPrimus, Dodo and Commander brands and also owns an extensive fibre network
Others	3.7	While the combined market share of the remaining industry participants is comparatively low, competition from smaller industry participants is expected to increase with the rollout of the NBN

Source: IBISWorld (2019) *Internet Services Providers in Australia*.

209 TPG is currently the second largest fixed internet service provider. Vocus Group[93] was the third largest provider, however recently it was overtaken by Optus, which has gained market share through its cross promotion of additional product offerings, such as exclusive on-demand sporting content under the Optus Sport brand. With the rollout of the NBN there has been a large number of new competitors (acting as resellers) entering the industry.

Business services

210 Businesses rely heavily on telecommunications services and are an important segment for industry participants, with all the major telecommunications companies servicing this sector in varying degrees. All the MNOs provide business mobile services offerings covering small to large businesses and all the larger internet service providers target the business sector. To service the more extensive business services, the offering is generally dependent on the infrastructure owned or otherwise the level of access to infrastructure through wholesale arrangements.

211 Small businesses tend to have the same telecommunication requirements as households and individuals (i.e. mobile phone, fixed voice and mobile services) and sharing of telecommunication services is common for micro or small businesses that are operated out of home premises (for example, one internet connection is often employed for both work and home functions).

212 In addition to the basic telecommunication requirements, medium to large businesses and enterprises, as well as large government agencies, have a range of more sophisticated telecommunication requirements. These include:

93 Vocus Group announced on 26 February 2020 that the NBN was no longer "economically sustainable", and while the company would continue to service existing NBN clients it would not attempt to increase market share.

(a) advanced business phone systems including PABX and handset rental

(b) internet services with greater speeds (up to 10 Gbps) and capacity, such as dark fibre, point-to-point, wavelength, ethernet and optical fibre

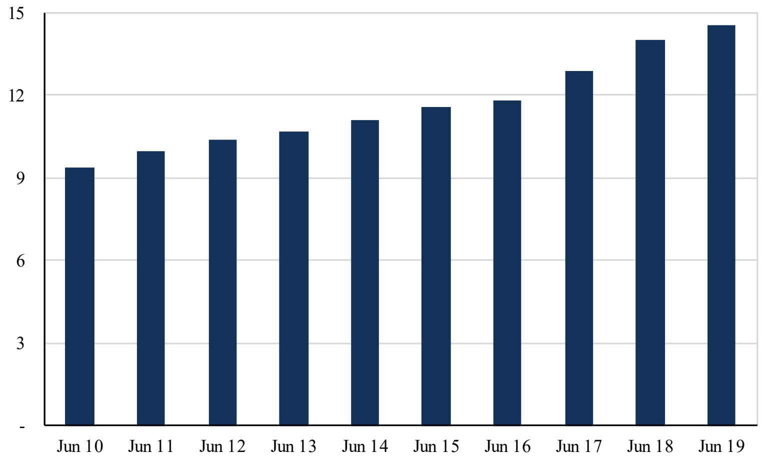
(c) networking tools such as secure, dedicated and exclusive networks; and

(d) cloud based services, including private cloud, internet as a service, data centre storage and the connecting telecommunications infrastructure.

213 Demand for business telecommunication services increases during periods of strong economic performance and high levels of business confidence and vice versa. Further, during periods of structural change, demand for specific telecommunication services increases.

214 Whilst it is difficult to obtain specific industry information for revenue for the more extensive business services provided by telecommunications companies, by deducting fixed line internet services revenue from the other segments (which include both fixed broadband and a range of business services), we have derived a proxy for the business focused segment of the market (including government services). A chart depicting business services revenue over the last 10 years is set out below:

Business services telecommunications revenue
$bn (year to 30 June)



Source: BuddeComm (2019) *Australia Telecoms Industry Statistics and Forecasts* and LEA analysis.

215 Over the five years to 30 June 2019, the business segment of the telecommunications industry has grown at a CAGR of 5.5%, with growth accelerating in the last three years. This segment of the market has been a key beneficiary as enterprises and governments have migrated from co-location services and managed hosting to cloud based services[94]. This has resulted in

94 For the year ended 30 June 2018, 40% of Australian businesses used paid cloud computing and cloud services, compared with less 20% for the year ended 30 June 2014. (Source: ABS 8167.0 – *Characteristics of Australian Business* report.)

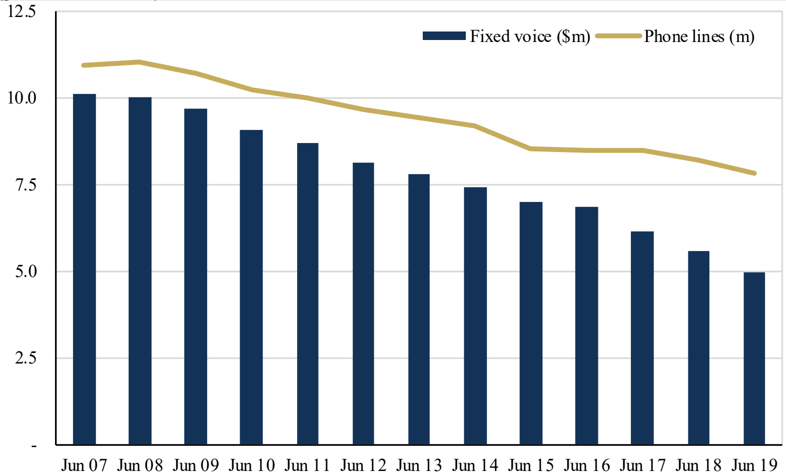
growth for data centre storage and services (and the high-speed network connections to those data centres) vastly outpacing general growth in the telecommunications industry.

Fixed voice services

216 Notwithstanding continued growth in the Australian population, the number of households with fixed line telephone services (including VoIP services) continues to decline[95], as does turnover for fixed voice services (which peaked in 2004 at $11.6 billion)[96].

Fixed voice line revenue and number of fixed phone lines

Million (year to 30 June)



Source: ACMA (2008/09-2018/19) *Communications Report*, BuddeComm (2019) *Australia Telecoms Industry Statistics and Forecasts* and LEA analysis.

217 The decline in fixed voice services turnover is attributable to the widespread adoption of substitute technologies such as mobile phones, VoIP and OTT connection services such as Skype. As the vast majority of the Australian population own at least one mobile phone, the need for fixed line voice services at home has reduced. Further, the option to use cheaper internet based voice substitutes such as VoIP has been made possible by the wide availability of broadband internet services (noting that VoIP services are typically sold as an add-on to fixed broadband services at a fraction of the cost of PSTN phone lines).

Infrastructure

Local access infrastructure (fixed and mobile)

218 Local access infrastructure refers to the immediate connection between end users and the carrier's network. This is commonly known as "last mile" or "first mile" infrastructure and includes the following:

95 ACMA estimates that as at 30 June 2018, 42% of the adult population did not have a fixed line telephone service at home. (Source: ACMA (February 2019) *Communications report 2017-18*.)

96 BuddeComm (2018) *Australia Telecoms Industry Statistics and Forecasts*.

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(a) the twisted copper phone lines that carry PSTN[97] (traditional phone) and DSL (broadband internet) services. In Australia, the copper wire network was owned by Telstra but was sold to NBN Co in 2014. However, this network will eventually be switched off as the NBN is rolled out

(b) the HFC cable to the nearest optical node which allows two-way, high-speed broadband content (video, voice and data) to be delivered to the end user using a combination of fibre and coaxial cable. The HFC networks previously owned by Telstra and Optus have been acquired by the NBN

(c) optical fibre networks to the nearest fibre node, cabinet or directly to the premises. In Australia this is provided by the NBN which carries broadband internet and phone services

(d) fixed wireless connection that transmits data using radio signals instead of cables. Data is transmitted by radio signals rather than copper cable or optical fibre, making line of sight from point-to-point essential. The NBN also has a fixed wireless platform that utilises cellular technology to transmit signals to and from a small antenna fixed outside a home or business. By the end of the rollout (2020), NBN Co is set to provide its fixed wireless services to approximately 8% of Australia's population (primarily in rural and regional areas).

National Broadband Network

219 On 7 April 2009, the Federal Labor Government announced the creation of a wholesale-only, open-access communications network aimed at delivering high-speed broadband and telephony services across Australia. The Government formed NBN Co to carry out the project and to provide services to wholesale customers, without directly servicing the end user. Originally, the plan was to build a 100 Mbps fibre to the premises network to cover 93% of the population, with the remaining 7% covered by satellite and wireless technology. However, a strategic review initiated by the newly elected Federal Coalition Government in late 2013 introduced a more cost efficient proposal, incorporating a mix of technologies, a summary of which is included in the table below (which also shows the expected progression of the NBN rollout[98]):

NBN rollout corporate plan (ready to connect premises)[(1)]

As at Technology	30 Jun 19 m	30 Jun 20 m	30 Jun 21 m	30 Jun 22 m	30 Jun 23 m
FTTP[(2)]	1.9	1.9	2.0	2.1	2.2
FTTN[(3)]	4.3	4.7	4.7	4.7	4.7
FTTC	0.7	1.3	1.4	1.4	1.4
HFC	2.0	2.5	2.5	2.5	2.5
Fixed wireless	0.7	0.6	0.6	0.6	0.6
Satellite	0.4	0.4	0.4	0.4	0.4
Total Australia	10.0	11.4	11.6	11.7	11.8

97 PSTN is the traditional analogue phone system, commonly used in businesses around Australia. PSTN runs on copper pair cables into a building which can be used for phone lines, fax lines, EFTPOS lines and internet access.

98 As of 20 February 2020 there were 10.8 million ready to connect premises, with 6.7 million premises activated.

Note:
1 Rounding differences exist.
2 The installation of optical fibre directly to individual buildings and businesses to provide high-speed internet access.
3 The installation of optical fibre to a junction box (i.e. a node) in a neighbourhood, a distribution point near the premises or the basement of the building to serve customers within a certain radius.
Source: *NBN Corporate Plan 2020-2023*.

220 NBN Co is replacing and upgrading the existing fixed line telephone and internet network infrastructure. From 23 May 2014, it began replacing most existing fixed line telephone links, ADSL internet and Telstra cable internet services (HFC). The NBN rollout to date has been relatively slow. However, with the change to lower cost FTTN and FTTC technologies the NBN rollout has gathered momentum and is expected to be complete on time by the end of June 2020. The compromise, however, is inferior technology given these lower cost options have vastly slower internet speeds.

221 As the NBN infrastructure is rolled out, competition is increasing due to the removal of the infrastructure advantage held by Telstra (and to a lesser extent other infrastructure owners) and the related increase in the ability of small resellers and other unrelated retailers to enter the market. However, given NBN Co's requirement to make a return on assets of 3.2%, and the current monthly CVC charge (which is forecast to increase to up to $75 per user[99] for higher tier NBN plans by the end of the NBN migration), the margins for the major retail broadband providers[100] are significantly lower for NBN services in comparison to those generated prior to the rollout of the NBN (primarily ADSL).

222 Recently, NBN Co's involvement in the downstream enterprise market and general affordability has faced increased scrutiny from regulators. In October 2019, the ACCC issued NBN Co with a formal warning for breaching its non-discrimination obligations by offering materially different commercial terms to different operators for the supply of NBN infrastructure to business customers. Shortly thereafter, the ACCC announced an inquiry into NBN Co's wholesale pricing for residential broadband, to investigate whether prices were too high, resulting in unfair outcomes for consumers forced to transition from lower cost ADSL plans, despite having no want or need for higher speed internet[101].

223 In January 2020, in response to industry concerns with respect to its activities within the enterprise and government segment, NBN Co announced two major changes:

(a) NBN Co revised its approach to providing dark fibre infrastructure to enterprise and government customers, proposing to utilise existing third-party dark fibre instead of building its own infrastructure at specific locations[102]. This would promote more

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99 For 100 Mbps broadband plans, the highest speed tier offering by NBN Co. Included in this charge are fees to Telstra of around $15 per user for the use of its underground ducts, rack space in existing exchanges and access to pits.

100 Who typically owned some of the infrastructure prior to the NBN.

101 The inquiry will focus on basic speed products offering 12 Mbps to determine whether NBN Co's current wholesaling pricing allows service providers to retail plans at prices similar to ADSL plans.

102 NBN Co released an industry consultation paper on the procurement of dark fibre infrastructure, proposing to either expand its request for proposal process to the industry, or establishing an industry-wide reverse auction for fibre providers to bid to supply NBN Co with dark fibre.

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efficient use of infrastructure by preventing over-building and allowing MNOs with spare capacity to supply connectivity to NBN Co at these locations; and

(b) NBN Co announced it would cease negotiating contracts directly with enterprise customers and would re-establish itself as a wholesale-only broadband provider. Previously, NBN Co had engaged with enterprise customers to build connectivity prior to those customers engaging a network operator. Network operators will now own all contractual relationships with enterprise customers, whilst NBN Co will continue to engage with customers to understand their infrastructure requirements and to stimulate demand for NBN wholesale services.

224 In February 2020, the Australian Government announced the implementation of the Regional Broadband Scheme for residential and business users of non-NBN services, due to take effect in July 2020[103]. Under the Regional Broadband Scheme, carriers providing broadband services to households and businesses who are not using the NBN will be charged a $7.10 monthly fee (indexed on an annual basis), the proceeds of which would be used to fund future costs of commercially unviable portions of the NBN, and reduce NBN Co's reliance on the Federal Budget. The charge has raised a number of concerns with industry experts who contend that broadband should be treated as an essential service, and prices should be set based on what is best for the economy, rather than achieving a required financial return. The charge also contradicts a key recommendation provided in the Productivity Commission's 2017 Telecommunications Universal Service Obligation report, which recommended that such services should be funded through general government revenue, rather than an industry levy.

Core network

225 The core network is the central part of a carrier's network, its primary function is to connect various parts of the access network (via switches) to facilitate the transmission of data. It is typically comprised of high capacity optical fibre cables which use light waves to transmit data at very high speeds and with little interference. The core network can be subcategorised into metropolitan and long-haul networks. The metropolitan network acts as a link between local access infrastructure in urban areas and long-haul networks, providing connections to local exchanges, data centres, mobile base stations and other network equipment. Long-haul networks cover greater distances and connect multiple metropolitan networks and other long-haul networks to provide national and international connectivity.

Submarine cables

226 The Australian telecommunications industry relies upon submarine cables to provide connectivity to overseas carriers. Submarine cables are optical fibre cables that are laid along the ocean floor to connect land-based stations in different countries. One of the most prominent submarine cables connected to Australia is the Southern Cross Cable, which connects Australia to the west coast of the US, Fiji, Hawaii and New Zealand.

103 Under the Telecommunications (Regional Broadband Scheme) Charge Bill 2019.

Data centres

227 Data centre services cover telehousing facilities, co-location facilities, cloud and IT services, content hosting, connectivity and interconnection. They are important for a range of business and Government applications including cloud computing and the IoT. Data centre customers are migrating from co-location services and managed hosting to cloud services. Cloud providers are the fastest growing segment of most Australian data centre providers.

Dark fibre

228 Dark fibre is a dedicated optical fibre connection between two points which provides low latency and low loss transmission of telecommunication information between data centres, submarine cable landing stations and key office buildings at speeds of up to 10 Gbps and higher. The fibre is provided without any transmission equipment (i.e. it is unlit or "dark") to allow customers to deploy and maintain the most suitable hardware for their business needs. Dark fibre can be set up in a number of ways, including ring (or loop), point-to-point and point-to-multipoint configurations. There are currently several dark fibre providers operating within Australia, with the largest including TPG, Vocus Group and Superloop.

Outlook

229 The Australian telecommunications industry is forecast to grow at a compound rate of 3.2% in the five years to 30 June 2023, with revenue expected to reach $52.1 billion[104]. In broad terms, this reflects a continuation of historical trends with fixed voice services continuing to decline, modest growth in mobile services revenue and growth in other telecommunications services (including fixed broadband and a range of business services). The key factors underpinning these industry trends include:

(a) increased data volumes. The level of data downloaded in Australia has doubled on average every two and a half years over the last 10 years. Whilst this growth may slow, the trend is underpinned by:

  (i) the continued and increasing use of OTT communications such as streaming services, catch up television, eSports and online gaming

  (ii) the rise of IoT devices such as appliances, industrial equipment and meters, security surveillance systems and vehicles; and

  (iii) continued technological innovation and increases in the function of online applications, for example augmented reality, 3D applications for shopping etc.

(b) the continued migration of fixed voice services from PSTN to the cheaper internet based VoIP services (which will be primarily delivered over the NBN)

(c) intensive price based competition in the mobile sector as MNOs and MVNOs compete for market share, with all-inclusive plans used to combat competition from OTT substitute services such as WhatsApp, Facebook Messenger and Skype

(d) the continued transition of fixed line internet services to the NBN and increased competition between retail providers as infrastructure becomes homogenous. As a result, marketing and customer service levels will be key drivers of growth, as will

104 BuddeComm (2019) *Australia Telecoms Industry Statistics and Forecasts*.

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non-price factors such as transmission speed, the ability to bundle products and provide additional services such as IPTV and other content

(e) greater data requirements from the corporate sector and data intensive businesses with SME following their larger counterparts and increasingly moving to cloud based applications and services. This is expected to continue to drive demand for data centre storage and related services, with Australia's infrastructure-as-a-service market estimated to reach $1.2 billion by 2022[105].

230 In this competitive environment, the successful mobile and fixed service operators will be those who can retain existing subscribers (i.e. reducing churn) whilst acquiring new subscribers. Further:

(a) MNOs will be required to continually upgrade their networks, invest in base stations (including the small cell infrastructure required for data intensive 5G services) and acquire more spectrum to satisfy demand. Given the higher speeds available, MNOs and MVNOs will also have the opportunity to target some subsets of the fixed broadband market (i.e. customers that require high-speed access but with lower data requirements), particularly given the significantly higher wholesale charge per user for the NBN

(b) fixed internet service providers are facing the prospect of staying relevant in an environment with a homogenous product (i.e. the NBN) with increasing competition from nimble companies with innovative marketing campaigns. Also, there is likely to be indirect competition from the 5G wireless internet services offered by the MNOs and MVNOs (as detailed above). However, large download limits (many broadband offerings have uncapped data usage) will remain the key advantage of fixed line internet service providers over the short to medium term.

105 ACMA (2020) *Communications report 2018-19*.

VI Valuation methodology

Valuation approaches

231 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buybacks, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the DCF methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

232 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

233 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

234 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or NPAT. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

235 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the

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proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

236 As the proposed transaction is a merger we have assessed the standalone market value of both companies' contribution to the Merged Group on a minority interest (or portfolio) basis.

DCF and EBITDA methods

237 We have assessed the standalone market values of the operating businesses of TPG (being the Consumer and Corporate divisions) and VHA using the DCF and capitalisation of EBITDA methods for the reasons set out in Sections VII and VIII.

Australian mobile network assets and spectrum

238 As stated earlier, TPG had also commenced the construction of its own mobile network in Australia. However, on 29 January 2019, TPG advised that it had decided to cease the rollout of this network, and subsequently recognised an impairment charge relating to its Australian mobile network assets and spectrum. As the spectrum and some of the mobile network assets have value, we have separately considered their asset values in Section VII.

TPG share price

239 As TPG shares are listed on the ASX (and the level of share trading is high), we have also considered the market value of TPG implied by share market trading prior to 13 February 2020. On 13 February 2020, the Federal Court found that the Merger would not, and was not likely to, substantially lessen competition (thereby overruling the ACCC's opposition to the Merger).

HTA share price

240 As VHA is an unlisted company its value cannot be assessed based on share market trading in its shares. Further, whilst HTA (which owns 50% of VHA) is listed on the ASX, HTA shares trade infrequently[106] and VHA has a high debt level (which is required to be reduced prior to implementation of the Merger). Consequently, in our opinion, the market price of HTA shares prior to speculation of the Merger is not a reliable reference point for determining the standalone market value of VHA. We have therefore not placed any reliance on HTA share trading.

106 In the 12 months prior to 13 February 2020, around $3 million worth of HTA shares traded.

VII Valuation of TPG

Methodology

241 As set out in Section VI we have assessed the value of the equity in TPG being contributed to the Merged Group based on the following approaches:

(a) **sum of the parts approach** – whereby the value of the equity in TPG (excluding TPG Singapore[107]) is equal to the sum of the value of its individual business divisions (e.g. the Consumer and Corporate divisions) plus the value of other assets (such as the Australian mobile spectrum assets), less net debt

(b) **TPG share price** – based on share market trading in TPG shares prior to 13 February 2020 (being the date the Federal Court overruled the ACCC's opposition to the Merger), which has been adjusted to:

(i) exclude the portfolio value of TPG Singapore (which will be separated from TPG prior to implementation of the Merger); and

(ii) reflect the difference between the actual net debt as at 31 January 2020 and the expected net debt position at the time of the Merger (consistent with the Merger terms).

Sum of the parts approach

242 A sum of the parts approach has been adopted to value TPG due to the different outlook for its operating businesses:

Sum of the parts valuation approaches

Business division	Primary valuation methodology	Key reasons
Consumer and Corporate divisions	DCF(1)	• The transition of ADSL and iiNet fixed voice customers to the NBN will continue to adversely impact the EBITDA of the Consumer division over the next few years • TPG's Fibre1000 product (which provides superfast internet speeds for businesses on TPG's own network) was substantially expanded to new metropolitan areas in June 2018, and provides the Corporate division with potential earnings growth • Given the differing growth prospects for the Corporate and Consumer divisions, we would ideally value these businesses separately. However, as capital expenditure on TPG's network cannot be reliably split between these divisions, any DCF valuation must cover both the Corporate and Consumer divisions
Australian mobile spectrum and network assets	Net realisable value	• On 29 January 2019, TPG announced that it had decided to cease the rollout of its Australian mobile network due to (inter-alia) the prohibition by the Australian Government of Huawei equipment in 5G networks

107 TPG Singapore will be separated from TPG prior to implementing the Merger.

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Note:
1 The capitalisation of EBITDA method has also been adopted to cross-check our DCF valuation.

Consumer division

243 The Consumer division provides telecommunications and technology services to residential and small business customers. As at 31 January 2020 the division had approximately 1.9 million broadband subscribers and approximately 367,000 mobile subscribers.

Historical results

244 A summary of the profitability of the Consumer division (by key product category) for the three years ended 31 July 2019 and six months to 31 January 2020 is shown below:

TPG – Consumer division	FY17 $m	FY18[3] $m	FY19 $m	1HY20[4] $m
Revenue				
Broadband	1,373.2	1,425.3	1,459.1	752.0
Fixed voice	165.4	114.9	71.1	20.1
Mobile	118.0	111.6	108.1	51.1
Other	84.1	90.5	80.7	49.2
Total revenue	1,740.7	1,742.3	1,719.0	872.4
Gross profit				
Broadband	699.3	670.1	627.1	284.5
Fixed voice	46.9	33.1	20.1	5.9
Mobile	29.7	25.3	22.3	11.1
Other	48.4	49.5	45.9	29.3
Total gross profit	824.3	778.0	715.4	330.8
Operating expenses[1]	(300.9)	(278.9)	(258.1)	(119.4)
EBITDA[2]	523.4	499.1	457.3	211.4
Gross profit margins				
Broadband	*50.9%*	*47.0%*	*43.0%*	*37.8%*
Fixed voice	*28.4%*	*28.8%*	*28.3%*	*29.4%*
Mobile	*25.2%*	*22.7%*	*20.6%*	*21.7%*
Other	*57.6%*	*54.7%*	*56.9%*	*59.6%*
Total	*47.4%*	*44.7%*	*41.6%*	*37.9%*
EBITDA margin	*30.1%*	*28.6%*	*26.6%*	*24.2%*

Note:
1 Employee expenses and other operating expenses.
2 Before significant items.
3 Restated for the effects of AASB 15.
4 Excluding the impact of AASB 16 for the reasons set out in Section III.

245 In relation to the above results we note that:

(a) the gross margin decline over the period was largely driven by broadband gross margin erosion and the loss of fixed voice (i.e. home phone) revenue due to the NBN rollout (as discussed further below)

(b) the transition of ADSL broadband subscribers to the NBN has had a significant negative impact on gross profit margins, as shown below:

TPG – impact of transition to NBN on broadband business	FY16	FY17	FY18	FY19	1HY20
Broadband subscribers at period end					
ADSL subscribers (000s)	1,517	1,259	940	569	394
NBN subscribers (000s)	276	561	861	1,219	1,403
On-net FTTB / HFC / VDSL subscribers (000s)	-	91	107	117	123
Other Off-net subscribers (000s)	75	25	23	21	20
Total broadband subscribers (000s)	1,868	1,936	1,931	1,926	1,940
Proportion of broadband subscribers on NBN	14.8%	29.0%	44.6%	63.3%	72.3%
Gross margin ($m)	654.6	699.3	670.1	627.1	284.5
Gross margin per subscriber per month(2) ($/m)	$29.66	$30.64	$28.88	$27.10	$24.53

Note:
1 TPG completed the acquisition of iiNet in August 2015.
2 Calculated based on a simple average of opening and closing subscribers.

(c) iiNet fixed voice subscribers represent standalone home phone services. These subscribers are declining rapidly as they also transition to NBN services (and are forecast to decline to nil over the next few years):

Fixed voice subscribers	FY16	FY17	FY18	FY19	1HY20
Subscribers at period end (000s)	426	347	238	156	124
Gross margin ($m)	57.1	46.9	33.1	20.1	5.9

(d) the mobile business (which represents mobile customers currently utilising the VHA and Optus networks) has struggled recently, with total mobile subscribers falling from approximately 475,000 as at 31 July 2016 to approximately 367,000 as at 31 January 2020. ARPU and gross profit margins remain low due to the high level of competition in mobile MVNO services:

TPG – Mobile	FY16	FY17	FY18	FY19	1HY20
Subscribers at period end (000s)	475	444	422	410	367
Average mobile subscribers(1) (000s)	n/a	460	433	416	389
Revenue ($m)	120.3	118.0	111.6	108.1	51.1
Gross margin ($m)	21.1	29.7	25.3	22.3	11.1
ARPU(1) ($/pm)	n/a	$21.40	$21.48	$21.65	$21.92
Average gross margin per subscriber(1) ($/m)	n/a	$5.39	$4.87	$4.47	$4.76

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Note:
1 Simple average of opening and closing subscribers.

(e) other revenue comprises revenue from peripheral services such as IPTV, hosting and domains, and revenue generated by the Tech2Home Group[108] in which iiNet holds a 60% interest

(f) the FY18 and FY19 results reflected a $22 million and $20 million reduction in annual operating costs respectively, which was primarily driven by iiNet integration benefits and reductions in marketing expenses (as the large majority of customers have now transitioned to the NBN). Further significant operating cost savings were achieved in 1HY20.

246 Due to the impact of the NBN, the EBITDA of the Consumer division is expected to decline significantly in both FY20 and FY21. In order to more accurately reflect the quantum and timing of this reduction in earnings in our valuation we have adopted the DCF methodology.

Corporate division

247 The Corporate division provides a full suite of telecommunications solutions to business, government and wholesale clients, including corporate internet and telephony, networking solutions for multi-site operations, cloud computing and storage.

Historical results

248 A summary of the historical results for the Corporate division is shown below:

TPG – Corporate division	FY17 $m	FY18[(2)] $m	FY19 $m	1HY20[(3)] $m
Revenue	743.0	753.8	758.4	373.0[(4)]
Network, carrier and hardware costs	(287.4)	(280.0)	(253.3)	(114.9)
Gross profit	455.6	473.8	505.1	258.1
Operating expenses	(142.8)	(144.1)	(138.0)	(65.1)
EBITDA[(1)]	312.8	329.7	367.1	193.0[(4)]
Gross profit margin	*61.3%*	*62.9%*	*66.6%*	*69.1%*
EBITDA margin	*42.1%*	*43.7%*	*48.4%*	*51.7%*

Note:
1 Before significant items.
2 Restated for the effects of AASB 15.
3 Excluding the impact of AASB 16 for the reasons set out in Section III.
4 Excluding a $3.3 million one-off benefit that favourably impacted the Corporate division's results in 1HY20.

108 Tech2Home Group provides end-to-end telecommunications, on-site technical installation services and remote information technology (IT) premium support in homes and businesses.

249 The EBITDA growth over the period was generated by continued strong data and internet sales and increased revenue from the VHA fibre contract, offsetting declines in voice revenues.

250 The Corporate division achieved underlying EBITDA of $193 million in 1HY20, up by $10.5 million from the $182.5 million reported in 1HY19, driven by continued strong improvement in gross margin. Gross profit increased by $6.6 million and the gross profit margin increased from 66% to 69% of revenue driven by the continued favourable change in revenue mix towards On-net fibre services. The gross profit growth in the period was complemented by efficiency savings that reduced employment and overhead costs by $3.9 million, resulting in an EBITDA margin increase from 48% to 52%.

FY20 guidance

251 On 5 March 2020, in light of the first half performance, TPG management upgraded their guidance for BAU EBITDA for FY20 to between $775 million and $785 million[109]. This exceeded the original FY20 BAU EBITDA guidance provided on 5 September 2019 of $735 million to $750 million.

252 The BAU operations referred to above comprise the Consumer and Corporate divisions but exclude Singapore mobile start-up losses and residual Australian mobile network operating costs. The FY20 guidance also excludes the impact of the Merger and any associated transaction costs, and the impact of AASB 16 (which we consider should be ignored for valuation purposes).

253 Whilst TPG management have not provided any specific (public) profit guidance by division for FY20, the significant reduction expected in the EBITDA of the Consumer division (due to the NBN) implies that the Corporate division will increase EBITDA in FY20. This is consistent with TPG's FY20 forecasts, which we have reviewed and discussed with management.

Impact of COVID-19

TPG statements

254 TPG management have stated that the 2019 novel coronavirus (COVID-19) pandemic has, as at the date of the Scheme Booklet, affected TPG's business in several ways, including:

(a) a small increase in the sales of fixed line broadband services

(b) an increase in data and voice usage by customers, particularly during the day; and

(c) operational changes, including employees working remotely.

255 Further, TPG management have also advised that it is reasonably likely that the TPG business will be affected in other ways, including increased bad debt risk due to customers facing financial distress caused by the pandemic, and possible decline in corporate customer revenue arising from forced business closures and customers seeking lower cost services.

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109 As noted in paragraph 256, TPG management have confirmed this EBITDA guidance for FY20 in the Scheme Booklet.

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256 However, in the Scheme Booklet TPG management have also reconfirmed their FY20 BAU EBITDA guidance of between $775 million and $785 million.

Valuation impacts

257 More generally, it is clear that the COVID-19 pandemic has had a significant adverse impact on business and equity values in the broader market. In particular:

(a) the S&P/ASX 200 Index (which reached a record high on 20 February 2020) declined by 36.5% between 20 February 2020 and 23 March 2020[110], and then partially rebounded. As at 22 April 2020 the net effect is that the S&P/ASX 200 Index is some 27.1% below its high on 20 February 2020

(b) in response to the impact of COVID-19 and related social distancing / lock-down measures on the economy, the Reserve Bank of Australia (RBA) lowered interest rates by 0.25% per annum on both 4 March 2020 and 20 March 2020 to a record low of 0.25% per annum

(c) credit risk margins spiked during March 2020, and currently remain at elevated levels (offsetting the significant reduction in interest rates)

(d) those companies with high or excessive debt levels have also been more negatively impacted than those with minimal or conservative debt levels.

258 The significant equity market volatility reflects, inter-alia, the inherent uncertainty associated with the size of the economic impact and the timing of any subsequent recovery. Some market participants believe a relatively quick "V" shaped recovery is likely, others believe the recovery is likely to be more of a "U" shape and some consider that consumer confidence will take a long time to recover and that the downturn will be more prolonged.

259 Importantly, the impact of COVID-19 on value has varied materially across industries, with businesses adversely impacted by the social distancing / lock-down restrictions (such as travel related businesses) most affected. In contrast, telecommunications businesses such as TPG and VHA have been less impacted due to, inter-alia, the essential need for reliable mobile and broadband services (particularly given the number of people currently working and attending school from home, and the related increase in video conferencing and business application use) and the level of recurring revenue generated.

260 In light of the challenging macroeconomic conditions and resultant market uncertainty caused by COVID-19, there is insufficient knowledge and insight to predict with certainty the impact of COVID-19 on the value of the TPG and VHA businesses. As such, the impact of COVID-19 on TPG and VHA may be significantly different than assumed in our valuation.

261 However, we consider that the potential impact from COVID-19 on TPG and VHA is likely to be less than the impact on the broader economy, with many of the services provided by telecommunication operators becoming increasingly embedded in the way people work and live in the modern world.

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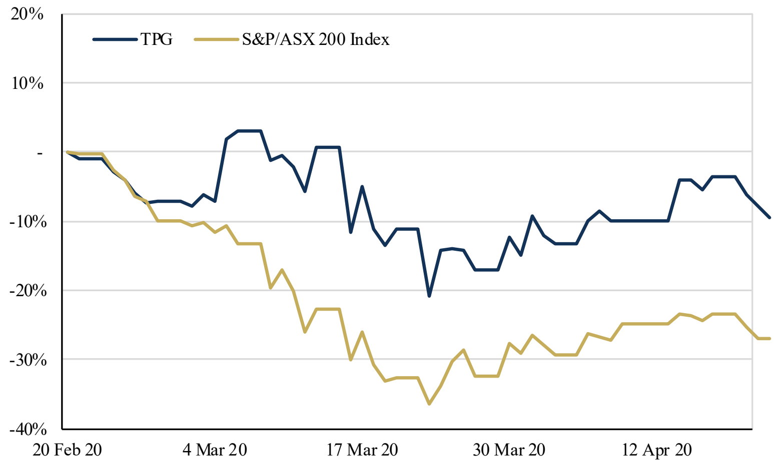
110 Following increasing global cases of COVID-19, the World Health Organisation labelled the outbreak as a pandemic on 11 March 2020. As governments around the world put in place social distancing and lock-down measures in an effort to contain the virus, global markets were declining rapidly.

262 This is broadly consistent with the recent share market trading in TPG shares compared to the performance of the S&P/ASX 200 Index since 20 February 2020, as the relative outperformance of TPG shares indicates that market participants believe that the impact of COVID-19 on TPG will be significantly less than the market overall.

Recent share trading



263 Nonetheless, our valuations of both TPG and VHA reflect the likelihood of lower earnings over the next few years due to the COVID-19 pandemic (relative to earnings estimates in the absence of COVID-19).

264 The discount rates applied in our DCF valuations have also been assessed in the context of the current market environment. Whilst COVID-19 has led to an increase in the overall cost of capital for most businesses, the defensive qualities of the TPG and VHA businesses (e.g. high level of recurring income, provision of essential services) and low debt default risk (based on the debt levels being contributed to the Merged Group) means the impact of COVID-19 on TPG and VHA's long-term cost of capital is likely to be modest. Nonetheless, in the current market environment we believe that it is appropriate to adopt a discount rate at the top end of our assessed range.

DCF valuation of Consumer and Corporate divisions

265 Under the DCF methodology the value of the Consumer and Corporate division (before net debt) is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

266 Our DCF valuation is based on free cash flow projections derived by LEA having regard to, inter-alia, TPG management budgets and forecasts and related discussions with TPG management.

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267 Whilst LEA believes the assumptions underlying the cash flow projections adopted for valuation purposes are reasonable and appropriate, it should be noted in respect of these projections that:

(a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions, including the potential impact of COVID-19 on the businesses

(b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions

(c) future profits and cash flows are inherently uncertain

(d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which TPG operates

(e) the achievability of the projections is not warranted or guaranteed by TPG or LEA, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of TPG and its management; and

(f) actual results may be significantly more or less favourable.

268 Free cash flow represents the operating cash flows on an un-geared basis (i.e. before interest) less taxation payments[111], capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.

269 We have adopted a valuation date of 31 March 2020. The free cash flow projections cover the period to 31 July 2022 (TPG Forecast Period). This reflects the period over which remaining ADSL customers are expected to transition to the NBN. A terminal value has been adopted at the end of the TPG Forecast Period.

270 As the detailed cash flow projections are commercially sensitive, they have not been set out in our report. However, we set out below information on the major assumptions underlying the free cash flow projections.

Major assumptions

Consumer division

271 The transition of ADSL customers to the NBN[112] is expected to have a significant adverse impact on the profitability of the Consumer division:

(a) management's FY20 guidance is that the transition of ADSL customers to the NBN will have a negative impact on gross margin of approximately $75 million in FY20. This

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[111] Also calculated on an ungeared basis.

[112] The NBN rollout is expected to be complete around June 2020, with customers having 18 months to transition once the NBN is available.

implies a reduction in the gross margin of approximately $17.17 per transitioned customer per month[113]

(b) in addition, TPG management have advised that they expect a $17 million decline in the profitability of the existing NBN customer base in FY20[114]. In this regard, we note that TPG's gross margins on NBN services have declined significantly since FY18 (which was largely caused by NBN wholesale pricing structure changes)

(c) as at 31 January 2020, TPG had approximately 394,000 ADSL customers[115]. This will decline as those customers transition onto the NBN

(d) during FY20 the business is expected to average approximately 405,000 ADSL customers. Based on a gross margin loss of $17.17 per transitioned customer per month (refer (a) above), the potential further reduction in the annual gross margin of the Consumer division (post FY20) is estimated at approximately $83 million (being 405,000 x $17.17/month x 12 months). This reduction in gross margin is in addition to the $75 million (refer (a) above) and $17 million (refer (b) above) negative impacts in FY20

(e) the provision of fixed voice services contributed a gross margin of $20.1 million in FY19. This is expected to reduce to zero as these customers transition to the NBN.

272 In addition, the Australian Government has announced the implementation of a broadband tax for residential and business users of non-NBN services, due to take effect in July 2020 (NBN tax). Under the Telecommunications (Regional Broadband Scheme) Charge Bill 2019, the provider (e.g. TPG) will be charged a $7.10 monthly fee[116] (indexed on an annual basis) for each household and business customer which is not using the NBN. Assuming the Bill is implemented in July 2020, it is estimated that the additional cost impost of this charge on the Consumer division would be approximately $9 million in FY21[117].

273 The reduction in profitability caused by the above matters is expected to be offset, to some extent, by the following:

(a) the Consumer division's operating costs have reduced from approximately $258 million in FY19 to approximately $239 million (annualised) in 1HY20, resulting in a cost saving of approximately $19 million in FY20. This trend is forecast to continue (albeit at a slower pace) as ADSL customers transition to the NBN and TPG's consumer broadband business largely becomes a reseller of NBN services

(b) growth in subscriber numbers. In 1HY20, TPG's Consumer division grew its broadband subscriber numbers by approximately 14,000 (or 28,000 on an annual basis). Based on the mix of new subscribers in 1HY20 (On-net subscribers have a much higher

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113 In contrast, the negative impact on gross margin in 1HY20 of $37 million reflected approximately $16 per transitioned customer per month.

114 The actual impact of this margin decline in 1HY20 was approximately $12 million.

115 This reduces to 799,000 ADSL customers as at 31 January 2019.

116 NBN users will not be expected to pay the charge because it is already built into the wholesale price paid for services.

117 Due to the competitive nature of the broadband market, TPG management do not expect to be able to pass on this tax imposed in broadband prices.

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profit margin than NBN services), the full year impact on profitability is approximately $11 million (spread over two years). In the estimates below, lower subscription growth has been assumed in FY21 and FY22 (given the mature nature of the broadband market and the high level of broadband penetration in Australia)

(c) the elimination of rental payments to Telstra (some $25 million per annum) once ADSL services are terminated.

274 Based on the above, underlying EBITDA of the Consumer division is projected to decrease from approximately $390 million in FY20[118] to between $344 million and $366 million in FY22[119]. The mid-point of this FY22 EBITDA range of $355 million is broadly consistent with analysts' forecasts as at 5 March 2020 (following the release of TPG's profit results for 1HY20).

Corporate division

275 LEA's base case forecasts for the Corporate division assume EBITDA increases to $380 million in FY20. This is consistent with the annualised level of EBITDA achieved in 1HY20 of $193 million. Whilst further earnings growth is forecast, the level of EBITDA growth expected to be achieved in FY21 and FY22 is lower than the growth rates achieved in recent years[120]. This is principally due to (inter-alia):

(a) the lower growth in EBITDA (compared to earlier years) from the provision of dark fibre services to VHA, as some 94% of VHA sites were connected as at 31 January 2020[121]

(b) the introduction of the NBN tax from 1 July 2020, which is estimated to have a negative impact on the profitability of the Corporate division (although its financial impact is expected to be lower than the financial impact on the Consumer division).

Working capital

276 We set out below a comparison of EBITDA and the net cash generated from operating activities over the four years ended 31 July 2019:

TPG – comparison of EBITDA and operating cash flow

	FY16 $m	FY17 $m	FY18 $m	FY19 $m
Reported EBITDA	773.3	835.0	828.1	823.8
Movement in working capital	(14.1)	34.7	40.2	12.5
Net cash generated from operating activities	759.2	869.7	868.3	836.3
Operating cash flow as a % of EBITDA	98.2%	104.2%	104.9%	101.5%

118 Prior to any impact from COVID-19.

119 These EBITDA estimates are provided by LEA based on discussions with TPG management (but are not TPG Board approved forecasts).

120 EBITDA was $312.8 million in FY17, $329.7 million in FY18 and $$193 million in FY20 (ignoring the impacts of AASB 16).

121 The dark fibre agreement with VHA was signed on 30 September 2015. Total revenues under the agreement exceeded $900 million over 15 years (at the date of the agreement).

277 As shown above, operating cash flow generally exceeded reported EBITDA over the four years to 31 July 2019 due to positive working capital movements.

278 Given the above we have assumed that future cash flow from operating activities is equal to EBITDA (i.e. no material working capital movements have been assumed).

Capital expenditure

279 Capital expenditure for the Consumer and Corporate divisions (in total) is assumed to be around $220 million per annum over the TPG Forecast Period. This capital expenditure is predominantly related to the expansion of TPG's fibre network and is consistent with the mid-point of guidance provided by management in its 1HY20 investor presentation. Based on discussions with TPG management we have assumed that capital expenditure will be maintained at around that level going forward.

Discount rate

280 A discount rate of 8% per annum (after tax) has been applied for the reasons set out in Appendix C.

Terminal value growth rate

281 A terminal value growth rate of 2.5% has been adopted at the end of the TPG Forecast Period (FY22) reflecting, inter-alia, the significant existing level of broadband usage in Australian households and SMEs. The application of this terminal value growth rate and the discount rate implies a terminal value EBITDA multiple (on a minority interest basis) of 8.4 times (which we consider reasonable).

Minority interest discount

282 As we have assessed the value of TPG's contribution to the Merged Group on a portfolio (or minority interest) basis, we have applied a minority interest discount of 10%. This is lower than the conventional minority interest discount applied of 20% to 25% because:

(a) the conventional minority interest discount is derived from takeover (control) premiums, which implicitly reflect a share of the synergy benefits expected to be achieved by the purchaser

(b) in our view, synergies are the key reason why acquirers pay takeover premiums above the listed market prices of acquired companies. In the absence of these synergies the control premium would be lower (as would the implied minority interest discount)

(c) our DCF value of TPG's Consumer and Corporate divisions does not include any allowance for synergies expected to arise from the Merger

(d) our minority interest discount is applied to the enterprise value rather than the equity value.

Sensitivity analysis

283 The base case assumptions set out above reflect the base case assumptions adopted in the financial model. There are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry

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participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.

284 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.

285 In assessing our valuation range we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

Sensitivity analysis

Variable	Base Case assumption	Sensitivity %	Value range $b
Discount rate	8.0%	7.8 – 8.2	6.0 – 6.4
Terminal growth rate	2.5%	2.0 – 3.0	5.7 – 6.8
Capital expenditure ($m)	220.0	+/- 10.0	5.9 – 6.4
Gross margin on NBN broadband services ($ per subscriber per month)	n/a	+/- $1.00	6.0 – 6.4

n/a – not applicable.

DCF value of Consumer and Corporate divisions

286 Having regard to the above, we have assessed the DCF value of the Consumer and Corporate divisions (on a portfolio or minority interest basis) at between $6.0 billion and $6.5 billion.

Cross-check based on capitalisation of EBITDA approach

EBITDA adopted for valuation purposes

287 For the purposes of our cross-check, we have adopted the following levels of EBITDA:

TPG – EBITDA adopted for valuation purposes

Division	EBITDA $m	Commentary
Consumer	355	• Whilst the Consumer division is expected to achieve EBITDA of around $390 million in FY20[122], EBITDA is expected to decline significantly over the period to FY22 due (principally) to the impact of the NBN • The adopted EBITDA figure of $355 million reflects our best estimate of the sustainable EBITDA of the Consumer division taking into account the full impact of the NBN and the NBN tax, less related operating cost savings
Corporate	380	• As the Corporate division is expected to exhibit earnings growth (for the reasons stated above) we have adopted our estimate of EBITDA in FY20 for the purposes of our capitalisation of EBITDA approach • The adopted figure is consistent with the annualised EBITDA result achieved in 1HY20 of $193 million

122 Prior to any impact from COVID-19.

EBITDA multiples

288 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

289 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for TPG.

Listed company EBITDA multiples

290 The EBITDA multiples for selected telecommunications companies are set out in Appendix D and are summarised below.

EBITDA multiples based on share market trading[1]	2019[2]	2020[3]
Australasian telecommunication companies		
Median	8.9	9.0
Range	6.5 – 10.3	7.5 – 11.1
International wireless telecommunication companies		
Median	6.6	6.5
Range	3.9 – 9.3	3.9 – 9.4
International diversified telecommunication companies		
Median	7.3	6.5
Range	3.7 – 15.5	3.8 – 15.0
Total sample		
Median	7.5	7.0
Range	3.7 – 15.5	3.8 – 15.0

Note:
1 Based on share prices and earnings forecasts as at 22 April 2020.
2 EBITDA multiple based on FY19 actual (or sometimes forecast earnings).
3 EBITDA multiple based on FY20 forecast earnings.

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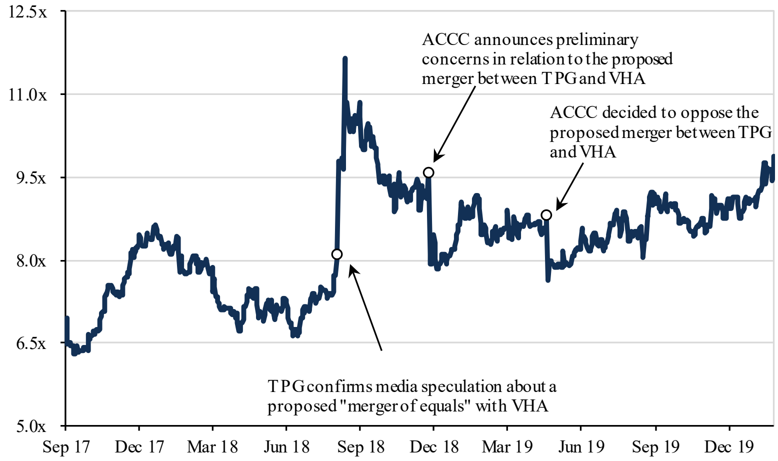
TPG EBITDA multiples over time

291 We have also considered the EBITDA multiples for TPG since 19 September 2017[123] up to and including 12 February 2019 (being the last trading day prior to the Federal Court handing down its decision to allow the proposed Merger between TPG and VHA to proceed).

TPG – one-year forecast EBITDA multiple(1)
1 January 2018 to 12 February 2020



Note:
1 EBITDA multiples are based on Bloomberg average analyst one-year forward EBITDA forecasts. Spectrum licenses (less any associated liabilities) and network infrastructure assets attributable to TPG's Australian and Singapore mobile businesses have been treated as surplus assets (consistent with the valuation approach adopted below).
Source: Bloomberg and LEA analysis.

292 As evidenced from the above:

(a) prior to media speculation about the potential Merger with VHA, TPG shares generally traded on an EBITDA multiple of 6.5 to 8.0 times

(b) following confirmation of media speculation about a potential merger with VHA on 22 August 2018, the one-year forward EBITDA multiple for TPG increased significantly reflecting, inter-alia, the substantial synergies likely to be realised under the Merger

(c) the one-year forward EBITDA multiple for TPG declined significantly following the announcement by the ACCC on 13 December 2018 that it had preliminary concerns in relation to the proposed Merger, and its subsequent decision on 8 May 2019 to oppose the Merger between TPG and VHA

(d) since the ACCC announced its decision to oppose the proposed Merger between TPG and VHA, TPG shares generally traded on an EBITDA multiple of 8.0 to 9.5, with more recent trading at the higher end of this range (potentially reflecting speculation of a favourable decision by the Federal Court to allow the proposed Merger to proceed).

123 Being the day TPG released its results for the year to 31 July 2017.

Transaction evidence

293 Transaction evidence in the telecommunications industry is detailed in Appendix E. A summary of the EBITDA multiples implied by these transactions (which reflect the acquisitions of controlling rather than portfolio interests) is shown below:

Telecommunications transactions

Date[(1)]	Target	Acquirer	Enterprise value[(2)] $m	EBITDA multiples[(3)] x
Australasian telecommunications transactions				
May 19	Vodafone NZ	Consortium	3,220	7.2 F
Sep 16	BigAir Group	Superloop	230	9.2 F
Jun 16	Nextgen Networks	Vocus Group	700	10.7 F
Sep 15	M2 Group	Vocus Group	2,285	9.7 F
May15	iiNet	TPG Telecom	1,952	9.9 F
Apr 15	Call Plus Group	M2 Group	246	5.6 F
Dec 14	Amcom Telecom.	Vocus Group	608	12.3 F
Dec 13	Telecom NZ Australia	TPG Telecom	450	6.4 F
Jul 12	TelstraClear	Vodafone NZ	647	6.6 H
International telecommunications transactions[(4)]				
Median				8.4
Range				6.0 – 13.6

Note:
1 Date of announcement.
2 100% basis. Transactions denoted in a foreign currency have been translated to Australian dollars at the exchange rate on the relevant transaction dates.
3 H = multiple based on historical EBITDA. F = multiple based on forecast EBITDA.
4 International transactions consider those with an enterprise value between $1.5 billion and $50 billion (except for the Sprint Corporation / T-Mobile transaction which implied an enterprise value of $105.5 billion).

Source: LEA analysis using data from ASX announcements, analyst reports and company annual reports.

294 In relation to the transaction evidence it should be noted that the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a (takeover) premium for control. The applicable portfolio or minority interest EBITDA multiples (i.e. excluding a premium for control) are likely to be 15% to 20% lower than the EBITDA multiples implied from the above transactions.

Conclusion on EBITDA multiples

295 In our opinion, higher EBITDA multiples should be applied to the Corporate division compared to the Consumer division. This is principally because:

(a) the Corporate division is less dependent on the NBN due to the fact that, unlike the Consumer division, it is not legally constrained from using TPG's substantial owned fibre network to compete for and service its customers. In contrast, the broadband business of the Consumer division will largely become an NBN reseller once all ADSL customers transition to the NBN (limiting the ability of TPG to differentiate its product offering)

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(b) the Corporate division generates substantially higher EBITDA margins due to (a) above

(c) the Corporate division is expected to exhibit greater earnings growth in the short, medium and long term due to, inter-alia, the competitive advantages of its Fibre1000 product.

296 We have therefore adopted the following EBITDA multiples when valuing the Consumer and Corporate divisions:

EBITDA multiples	
Division	**Multiple**
Consumer	7.0 – 8.0
Corporate	8.5 – 9.0

Value of Consumer and Corporate divisions based on EBITDA method

297 Based on the above, the value of the Consumer and Corporate divisions based on the capitalisation of EBITDA method is as follows:

Capitalisation of EBITDA method					
		EBITDA multiple		**Valuation**	
	EBITDA	**Low**	**High**	**Low**	**High**
Division	**$m**	**x**	**x**	**$b**	**$b**
Consumer	355	7.0	8.0	2.5	2.8
Corporate	380	8.5	9.0	3.2	3.4
Total				5.7	6.2

Investment in Australian mobile network

Background

298 On 12 April 2017, TPG announced that it had successfully bid for 2 x 10 MHz of mobile spectrum in the 700 MHz band, and that it would build a new mobile network in Australia[124]. This was expected to cost approximately $1.9 billion, comprising:

(a) $600 million for network rollout capital expenditure over a three year period to achieve 80% population coverage; and

(b) $1.31 billion for the 700 MHz spectrum (payable over three instalments)[125].

299 However, on 29 January 2019, TPG announced that, as a consequence of (inter-alia) the Australian Government's ban on the use of Huawei equipment in 5G mobile networks, it had decided to cease its Australian mobile network rollout.

124 This announcement followed earlier acquisitions of smaller mobile spectrum in 2013 and 2016.

125 Whilst the headline price was $1.26 billion, interest of $50 million is also payable due to the deferred payment arrangement.

300 Having ceased the mobile network rollout, in the absence of the Merger, TPG now has no business plan or strategy for its own use of its spectrum licenses and other mobile network assets on a standalone basis, and accordingly TPG reassessed the carrying value of these assets as at 31 January 2019.

301 The aggregate impact of the review was that an impairment expense of $227.4 million was recognised in 1HY19 in relation to the Australian mobile network and spectrum. This was increased to $236.8 million in 2HY19, and comprised the following:

TPG – impairment expense (FY19)	$m
Spectrum licenses	91.8
Mobile network assets	84.7
Capitalised interest, related to:	
Spectrum licenses	57.5
Mobile network assets	2.1
Other intangibles	0.7
Total	236.8

Carrying value as at 31 January 2020

302 The carrying value of the Australian spectrum and mobile network assets as at 31 January 2020 was as follows:

TPG – carrying value of Australian spectrum and mobile network assets as at 31 January 2020	Acquisition date	Cost $m	Amortisation $m	Impairment $m	Carrying value $m
2.5 GHz spectrum	May 13	13.5	(4.9)	0.0	8.6
1800 MHz spectrum	Feb 16	91.2	(22.5)	0.0	68.7
700 MHz spectrum	Apr 17	1,260.3	(107.0)	(91.8)	1,061.4
Total spectrum		1,365.0	(134.4)	(91.8)	1,138.7
Mobile network assets		144.0	(3.0)	(84.7)	56.3
Total		1,509.0	(137.4)	(176.5)	1,195.0

303 The above carrying value excludes TPG's 50% share of the cost of the 5G spectrum it acquired (in conjunction with VHA) in December 2018. As this spectrum was not payable until March 2020, TPG's 50% share of this cost ($131.7 million) was not recognised as an asset or liability as at 31 January 2020.

304 Adjusting the above table to include the cost of the 5G spectrum results in an adjusted carrying value of $1,270.4 million for spectrum and $56.3 million for mobile network assets.

Spectrum asset values

305 TPG did not write down the spectrum licenses to nil on the basis that, even in the absence of the Merger with VHA, the spectrum licenses still have value due to, inter-alia, expected demand for the spectrum and the long remaining term of the spectrum licenses.

306 For the purposes of determining the fair value of the spectrum licenses for accounting purposes as at 31 January 2019, the key factors considered by TPG management when assessing the valuation of the licenses were:

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(a) the original price paid at auction for each of the spectrum licenses

(b) a comparison of current market conditions and participants with those prevailing at the time of the relevant auctions

(c) whether there were any more recent, directly comparable spectrum auctions; and

(d) the remaining licence term of each spectrum licence.

307 However, management also stated that:

"Determination of the fair value of these spectrum licenses is an area of significant estimation uncertainty given the lack of recent market data for relevant spectrum licence sales in the Australian regulatory context. It has been determined that the most relevant value is the price paid at auction by the Group, adjusted for the licence period that has expired."[126]

308 In order to assess the market value of the Australian spectrum we have considered TPG management's impairment analysis and have discussed with management TPG's monetisation strategy for the spectrum licenses should the Merger not proceed.

309 We also note that:

(a) each of the licenses were acquired through a competitive auction process

(b) the carrying values are based on the prices paid in those auctions, after adjusting for amortisation and impairment charges

(c) spectrum is being amortised on a straight line basis over the finite term of each licence. Following the decision to cease the mobile network rollout, amortisation of spectrum costs commenced in 2HY19

(d) because the spectrum licenses will be valuable to the Merged Group, TPG has not solicited offers for any of the spectrum licenses. Accordingly, there is no current market evidence of their realisable value.

310 As noted in the table at paragraph 302 above, the large majority[127] of the carrying value of Australian spectrum relates to the 700 MHz spectrum acquired by TPG in April 2017. In relation to this spectrum we note that:

(a) the 700 MHz licence was acquired at a competitive auction in April 2017

(b) there were three bidders at the auction (TPG, Optus and VHA)[128]

(c) in the initial round, the ACMA set a price and bidders determined whether they wished to bid at the nominated price or not

126 Source: TPG 1HY19 financial statements, Note 7 – *Impairment of spectrum and mobile assets.*

127 Some 84% of the adjusted carrying value as at 31 January 2020.

128 Telstra was excluded from bidding at the auction due to the fact that competition limits applied at this auction restricted any party from holding greater than 2 x 20 MHz of spectrum in the 700 MHz band, an amount that Telstra already had.

(d) if there was more than one bidder, the ACMA increased the nominated price by a fixed percentage each round

(e) the rounds continued until only one bidder remained willing to pay the ACMA nominated price

(f) the actual winning price was the price that the last exiting bidder was willing to pay

(g) thus, the winning price paid by TPG was the price that the last exiting bidder was willing to pay at the auction (not the highest bid)

(h) this is therefore a strong indicator of what the fair market value of the spectrum licence was at that time

(i) since the April 2017 auction there have been no other auctions of 700 MHz spectrum in Australia (there is no more unallocated 700 MHz spectrum available)

(j) the most recent 700 MHz auction prior to the April 2017 auction was in 2013. At that auction, a combination of the competition limits set by the government and the number of participants at the auction meant that there was no competition at the auction and all the spectrum was sold at reserve price

(k) the price paid by TPG for the 700 MHz spectrum ($1,260.3 million) was the highest price paid per MHz per head of population ($2.75) anywhere in the world. However, international comparatives are not necessarily a reliable benchmark as they vary widely. Further, each market has its own unique characteristics driven by such variables as number of market participants, regulatory approach to spectrum allocation, auction rules and competition limits, geography, demographics, mobile user penetration and telco sector returns

(l) given the vast geography of Australia, the wide coverage range of 700 MHz spectrum makes it arguably more valuable in Australia than in countries with less geographically dispersed populations

(m) 700 MHz spectrum is considered the premium spectrum band currently in use for mobile networks because it enables a carrier to provide coverage over greater distances with less investment in sites and inside major commercial buildings with less investment in supporting infrastructure. It is therefore not meaningful to seek evidence about the value of one band of spectrum by reference to recent auctions of other bands

(n) the 700 MHz band is used in 4G networks but is also a very important band for 5G. Whilst higher frequency bands will be used to provide higher speeds and capacity for 5G, the coverage layer and in-building penetration to bring 5G features to end users and devices will be provided by the 700 MHz band

(o) in the absence of the Merger, TPG management believe (based on public disclosures of the spectrum holdings held by the major MNOs) that there would be significant interest in acquiring the 700 MHz spectrum owned by TPG (creating some competitive tension).

311 In relation to the 5G spectrum (held by a 50:50 joint venture with VHA), it is reasonable to assume that TPG could sell or lease its share of the 5G spectrum to VHA in the absence of the Merger.

312 Given the above, for valuation purposes we have adopted the carrying value of the spectrum ($1,270 million) as the high end of our valuation range.

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313 In our low case, we have applied a 25% discount to the carrying value of the spectrum. The low end of our range reflects (inter-alia):

(a) the limited market for mobile spectrum (due to the small number of network operators)

(b) the likelihood that there would only be two interested parties for the 700 MHz spectrum (Optus and VHA in the absence of the Merger), compared with three bidders in the original 700 MHz auction

(c) the potential for there to be less demand for the 1800 MHz and 2.5 GHz spectrum.

314 Having regard to the above, we have therefore adopted a value for the spectrum assets of between $952 million and $1,270 million.

Value of mobile network assets

315 As stated in Section III, not all the Australian mobile network assets were written off following TPG's announcement that it would cease the network rollout. This was because:

(a) some of the equipment can be repurposed to manage backhaul for TPG's fixed broadband network

(b) TPG management expect that, even if the Merger does not proceed, TPG would be able to sell or lease access to its small cell sites (as such sites are expected to be attractive to the incumbent mobile network operators for their 5G networks).

316 Similar to our valuation of the spectrum, we have adopted a wide range for the value of these mobile network assets and have applied a 25% discount to their carrying value in the low end of our valuation range. This recognises that in the absence of the Merger, there is a high level of uncertainty associated with the net realisable value of the residual network assets.

317 We have therefore adopted a valuation of the mobile network assets of $42 million to $56 million.

Valuation of Australian spectrum and mobile network assets

318 Based on the above, we have adopted the following valuation range for the Australian spectrum and mobile network assets. As shown below, we have also applied a 10% minority interest discount as we have valued the TPG business on a minority or portfolio interest basis:

Valuation of Australian spectrum and mobile network assets	Low $m	High $m
Australian spectrum	952	1,270
Mobile network assets	42	56
Total	994	1,326
Minority interest discount (10%)	(99)	(133)
Valuation of Australian spectrum and mobile network assets	895	1,193

92

Enterprise values based on sum of parts approach

319 Based on the above the enterprise value of TPG (excluding TPG Singapore) is as follows:

Enterprise values based on sum of parts approach	Valuation Low $b	Valuation High $b
DCF approach		
Consumer and Corporate divisions	6.0	6.5
Australian spectrum and mobile network assets	0.9	1.2
Total enterprise value	**6.9**	**7.7**
Capitalisation of EBITDA approach		
Consumer and Corporate divisions	5.7	6.2
Australian spectrum and mobile network assets	0.9	1.2
Total enterprise value	**6.6**	**7.4**

Enterprise value of TPG implied by share market trading

320 We have also considered the enterprise value of TPG implied by share market trading in TPG shares prior to speculation of the Merger and following the ACCC's decision to oppose the Merger. A summary of the market trading for these periods is set out below:

TPG – Share trading

Period	Low $	High $	Close $	VWAP[1] $	Value traded $m
TPG share trading up to 21 August 2018[2]					
10 trading days to 21 August 2018	5.62	6.31	6.29	5.86	107
1 month to 21 August 2018	5.56	6.31	6.29	5.79	221
3 months to 21 August 2018	5.03	6.31	6.29	5.49	822
6 months to 21 August 2018	5.03	6.37	6.29	5.59	1,627
TPG share trading from 8 May 2019[3] to 12 February 2020[4]					
1 month post 8 May 2019	5.94	7.26	6.39	6.29	302
8 May 2019 to 12 February 2020	5.94	7.58	7.31	6.71	1,665
1 month to 12 February 2020	6.81	7.58	7.31	7.23	219
3 months to 12 February 2020	6.51	7.58	7.31	7.01	458
6 months to 12 February 2020	6.04	7.58	7.31	6.86	947

Note:
1 Volume weighted average price (VWAP).
2 Being the last trading day prior to TPG's announcement that it was in discussions with VHA regarding the Merger.
3 Being the day the ACCC announced that it had decided to oppose the Merger.
4 Being the last trading day prior to the Federal Court handing down its decision to allow the Merger to proceed.

321 As indicated above, TPG shares are highly liquid with over $1.6 billion and $0.9 billion of TPG shares traded in the six months to 21 August 2018 and 12 February 2020 respectively. Given this high level of share trading, we consider the price at which TPG shares have traded

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over the abovementioned periods to be an appropriate reference point upon which to assess the portfolio value of TPG shares on a standalone basis (i.e. prior to implementation of the Merger).

322 In respect of the share trading periods above, we note that:

(a) share trading in TPG prior to the announcement of the Merger reflects TPG's undisturbed share price (i.e. it does not incorporate any value for the potential synergies available under the Merger). Having regard to the trading range and VWAP over the three months to 21 August 2018 (and the increasing share price over that period), the listed market price of TPG shares was generally around $5.50 to $6.00 per share

(b) since 21 August 2018 up to 12 February 2020[129], the S&P/ASX 200 Telecommunications Index[130] and S&P/ASX 200 Index increased by 22.9% and 12.8% respectively

(c) the trading range for TPG shares following the ACCC's decision to oppose the Merger reflects the more recent financial performance and operating environment for TPG. However, the share trading in this period is also likely to attribute some value to the estimated synergies available under the Merger based upon the market's view of the probability of a favourable decision from the Federal Court to overrule the ACCC's decision to block the Merger (the extent of which is not directly observable). Having regard to the trading range and VWAPs for the abovementioned periods from 8 May 2019 to 12 February 2020, the value of TPG shares was around $6.50 to $7.00 (noting that the more recent trading to 12 February 2020 appears to reflect speculation around the Federal Court judgement).

323 Notwithstanding the above, we also note that both the S&P/ASX 200 Telecommunications Index and S&P/ASX 200 Index have declined materially since 12 February 2020 to 22 April 2020 due to the impact of the COVID-19 epidemic, falling some 18.7% and 26.3% respectively over that period. However, as noted in paragraph 262, TPG shares have been more resilient during the recent COVID-19 selloff.

324 Having regard to the above, we have adopted a TPG share price range of $5.50 to $6.50 per share on a standalone basis (i.e. prior to implementation of the Merger).

325 In order to derive the implied enterprise value of the TPG businesses to be contributed to the Merged Group from this share price range, we have then:

(a) added the actual gross net debt of TPG on 31 January 2020 (being $1,742 million)

(b) added the spectrum payment of $131.7 million which was paid in March 2020; and

129 Being the date of the Federal Court decision, which overruled the ACCC's decision to oppose the Merger.

130 It should be noted that the S&P/ASX 200 Telecommunications Index comprises four members (Telstra, Vocus Group, TPG and Spark New Zealand) and is heavily weighted towards Telstra. Over the period 21 August 2018 to 12 February 2020, Telstra's share price increased by 25.2%.

(c) deducted our "best estimate" of the current portfolio value likely to be attributed to TPG Singapore (which will be separated from TPG prior to implementation of the Merger) by share market investors. For the purposes of this calculation we have adopted a value of $372 million, which reflects the carrying value of Singapore spectrum ($142 million) and network infrastructure assets ($230 million) as at 31 January 2020[131].

326 On this basis the enterprise value of TPG (excluding TPG Singapore) implied by share market trading is as follows:

Enterprise value of TPG (excluding TPG Singapore) implied by share market trading	Low $	High $
Share price trading range ($)	5.50	6.50
Shares on issue (million)[(1)]	927.8	927.8
Market capitalisation ($m)	5,103	6,031
Add net debt as at 31 January 2020	1,742	1,742
Add value of cash payment for on-market buyback of TPG shares[(2)]	3	4
Add spectrum payment paid in March 2020	132	132
Less portfolio value attributed to TPG Singapore	(372)	(372)
Enterprise value implied by share market trading ($m)	**6,608**	**7,536**

Note:
1 Excludes 0.6 million performance rights which are expected to vest and convert to TPG ordinary shares prior to the Scheme Record Date, as TPG intends to buy back ordinary shares on-market prior to completion of the Merger in order to meet its obligations to performance right holders.
2 Being 0.6 million shares (i.e. equal to the number of performance rights which are expected to vest) multiplied by our assumed share price range of $5.50 to $6.50.

Enterprise value

327 Based on the above, the enterprise value under each methodology and our adopted valuation range is shown below:

Enterprise values Valuation method	Low $b	High $b
Based on DCF approach (sum of the parts)	6.9	7.7
Based on EBITDA approach (sum of the parts)	6.6	7.4
Share trading	6.6	7.5
Adopted enterprise value	6.8	7.5

131 We understand that the investment in the Singapore spectrum and network infrastructure assets has increased to approximately A$391 million (S$360 million) as at 31 March 2020. This difference is not material in the context of TPG's enterprise value.

Net debt

328 Pursuant to the terms of the Merger, both TPG and VHA have agreed on the level of net debt which will exist in their respective companies at the Scheme Implementation Date.

329 TPG is expected to have net debt below the agreed level of $2,508 million (inclusive of the spectrum payment of $131.7 million paid in March 2020). As a result, TPG expects to declare a fully franked special dividend prior to implementation of the Merger (Special Dividend), which will be paid to TPG shareholders. This Special Dividend will be equal to the extent to which TPG's net debt is below the agreed level of $2,508 million.

330 Consequently, when assessing the equity value contributed by TPG to the Merged Group it is appropriate to adopt net debt of $2,508 million.

Equity value

331 Based on the above, the equity value contributed by TPG to the Merged Group (on a portfolio basis) is shown below:

Enterprise values		
Valuation method	**Low $m**	**High $m**
Enterprise value	6,800	7,500
Less agreed net debt	(2,508)	(2,508)
Equity value contribution to Merged Group	**4,292**	**4,992**

VIII Valuation of VHA

Valuation methodology

332 As stated in Section VI we have adopted the following methodologies to determine the value of the equity in VHA being contributed to the Merged Group:

(a) **DCF method** – whereby the value of the business is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV, the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream

(b) **capitalisation of EBITDA method** – whereby the EBITDA (before non-recurring items) is capitalised at an appropriate EBITDA multiple (having regard to, inter-alia, the risks inherent in those earnings and the prospects for future earnings growth) in order to value the VHA business.

333 Under both methodologies, the value of the equity in the VHA business is then derived by deducting net debt and adding the value of VHA's tax losses.

Recent financial performance

334 VHA's historical financial results (before non-recurring items) for the four years ended 31 December 2019 (CY19) are summarised below. In order to better understand the financial performance of the business we have separately identified the revenue and contribution margin from the mobile services business and the net margin generated on handset / hardware sales:

VHA – statement of financial performance[1]

	CY16[2] $m	CY17[2] $m	CY18[2] $m	CY19[3] $m
Service revenue	2,353.9	2,430.4	2,454.0	2,394.3
Other operating revenue	7.0	2.2	6.9	9.9
Operating revenue	2,360.8	2,432.6	2,460.9	2,404.2
Other income	13.8	6.9	9.4	0.3
Total revenue	2,374.7	2,439.5	2,470.3	2,404.5
Cost of providing telecommunication services	(800.5)	(820.0)	(745.2)	(795.1)
Gross margin (service)	1,574.2	1,619.5	1,725.1	1,609.5
Hardware revenue	943.3	995.8	1,156.6	1,118.9
Costs of handsets sold	(1,017.9)	(1,022.8)	(1,182.3)	(1,100.9)
Gross margin (hardware)	(74.6)	(27.0)	(25.7)	18.0
Employee benefits expense	(237.0)	(247.0)	(233.2)	(232.3)
Other operating expenses	(350.9)	(373.8)	(363.4)	(358.5)
Total operating expenses	(587.9)	(620.8)	(596.6)	(590.8)
EBITDA	911.7	971.7	1,102.8	1,036.6

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VHA – statement of financial performance[1]	CY16[2] $m	CY17[2] $m	CY18[2] $m	CY19[3] $m
Service revenue growth	*(14.0%)*	*3.3%*	*1.0%*	*(3.1%)*
Gross profit margin (service)	*66.3%*	*66.4%*	*69.8%*	*66.9%*
Gross profit margin (hardware)	*(7.9%)*	*(2.7%)*	*(2.2%)*	*1.6%*
Total network customers at period end (000)	*5,562*	*5,808*	*6,019*	*5,744*
Mobile ARPU[4]	*$36.94*	*$36.69*	*$35.05*	*$33.35*

Note:
1 Rounding differences exist.
2 Restated for consistency with the CY19 financial statements which reclassified $16.7 million of content costs into service revenue and various network, carrier and hardware costs into operating expenses. These figures reflect the impact of AASB 15, but do not reflect the impact of AASB 16.
3 AASB 16 became effective for VHA on 1 January 2019. The figures for CY19 have been restated to remove the impact of AASB 16, which increased reported EBITDA in CY19 by $142.1 million and reduced the loss after tax by $48 million. We have excluded the uplift in EBITDA under AASB 16 as it is driven by accounting entries that have no impact on the underlying cash flow or profitability of VHA.
4 Reflects the change in basis of mobile ARPU calculation in CY19 as a result of the reclassification of content costs into service revenue, and the exclusion of M2M IOT revenue.

Historical results

335 In relation to the above historical results we note that:

(a) between CY16 and CY19 total network customers on the VHA mobile network increased 3.3%, driven in part by the strong growth in customers originated through the online retailer Kogan. However, network customers decreased 4.6% during CY19 due to intense competition

(b) the growth in customer numbers between CY16 and CY19 has largely been offset by reductions in the ARPU, due to the high level of price competition in the mobile market

(c) over the CY16 to CY19 period losses on the sale of hardware have been reducing, and a positive gross margin of $18 million was recognised in CY19

(d) in CY16, gross margins from the provision of mobile services and EBITDA increased despite a 14% reduction in service revenue. This arose because both service revenue and airtime costs[132] (being the cost of voice and SMS interconnection charges between Australian telecommunication operators) fell by similar amounts due to changes to the ACCC's mobile termination rates

(e) international direct dial costs[133] have also fallen in recent periods, boosting profitability

(f) due to the above, EBITDA in the most recent 12 month period to 31 December 2019 was around $1.04 billion.

132 Included in "interconnection & variable content" costs.
133 Included in "interconnection & variable content" costs.

Network customers

336 The growth in mobile network customers is summarised further below:

Total network customers	CY16 000	CY17(1) 000	CY18(1) 000	CY19 000
Post-paid customers	3,354	3,388	3,454	3,416
Pre-paid customers	1,652	2,082	2,209	2,018
VHA customers	5,006	5,470	5,663	5,434
MVNO customers	556	338	356	310
Total network customers	5,562	5,808	6,019	5,744
Change in post-paid customers	*3.2%*	*1.0%*	*2.0%*	*(1.1%)*
Change in pre-paid customers	*(4.5%)*	*3.5%(2)*	*6.1%*	*(8.6%)*
Change in VHA customers	*0.5%*	*1.8%(2)*	*3.5%*	*(4.0%)*
Change in MVNO customers	*21.4%*	*27.9%(2)*	*5.3%*	*(12.9%)*
Change in total network customers	*2.3%*	*4.4%*	*3.6%*	*(4.6%)*

Note:
1 In the first half of CY18, VHA reclassified the mobile customers of Kogan and Lebara (approximately 523,000) to pre-paid from MVNO (note the Lebara brand in Australia is licensed by Vodafone). The Kogan customers are contracted with VHA, notwithstanding that they are originated by Kogan. The comparative figures at 31 December 2017 have been restated to reflect this change (and are therefore not directly comparable to the figures for CY16).
2 Calculated on a comparable basis (prior to the restatement of mobile customers referred to in note 1).

337 VHA grew its total network customers above industry growth over the three years to CY18[134], with customer numbers declining in CY19. Growth in total subscriber numbers to 31 December 2018 was driven by, in particular, the partnership with Kogan (which commenced in October 2015) and the transition of TPG mobile customers onto the VHA network (from September 2015[135]), which are reflected in the MVNO customer growth shown above[136].

338 Over the four years to CY19, growth of VHA's post-paid and pre-paid mobile subscribers was relatively low (excluding MVNO customers and customers originated from Kogan and Lebara) due to the mature and highly competitive nature of Australian mobile services market.

339 In June 2017, the arrangement with Kogan was extended until 2022, with rolling two year extensions thereafter. At the same time, VHA and Kogan announced that Kogan would offer mobile broadband services on the VHA network commencing in the second half of 2017 and a low-cost NBN internet service commencing in April 2018.

134 Average industry growth over the three years to 30 June 2018 was 2.4% per annum. VHA reported average growth levels of 3.5% over the three years to 31 December 2018.

135 TPG and VHA signed the MVNO agreement in September 2015 and TPG mobile customers were transitioned onto the VHA network over a period of several months.

136 Mobile customers originated by Kogan (who receives a commission from VHA) exceeded 300,000 as at 30 June 2018, with around 100,000 customers added during 1HY18.

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340 In December 2017, VHA also launched its own NBN fixed broadband service to customers in Sydney, Melbourne, Canberra, Geelong and Newcastle (and has since expanded fixed broadband services to other capital cities). Revenue to date has been immaterial, and the customer base was around 114,000 as at 31 December 2019 (up from 33,000 as at 31 December 2018).

CY20 guidance

341 VHA have not provided any specific earnings guidance for CY20 in the Scheme Booklet. However, VHA's Directors' Report in its CY19 annual report states that "*intense competition in the Australian telecommunications market is expected to continue to impact industry revenues and ARPUs throughout 2020. VHA will continue its focus on reducing costs to manage its financial performance*".

Impact of COVID-19

VHA statements

342 VHA management has stated in the Scheme Booklet that the COVID-19 pandemic has had the following impacts on the VHA business:

(a) a decline in sales of pre-paid and post-paid mobile services and consequently in mobile revenues due to the temporary closure of some retail stores, fewer overseas visitors and lower retail traffic

(b) a decrease in international roaming outbound and inbound revenues due to the decline in people movement into and out of Australia

(c) loss of operations in VHA's outsourced offshore contact centre resulting in reduced capacity to service customers, as further described in Section 9.7.1.4

(d) VHA's waiver of certain fees and charges for customers; and

(e) an increase in data and voice usage by customers, particularly during the day.

343 Further, VHA has taken steps to protect the safety and well-being of its employees and contractors including working from home arrangements for all office based staff and some contact centre staff, temporary closure of some retail stores, introducing social distancing measures for retail and call centre staff and enhanced professional cleaning and hygiene measures at office and retail premises.

344 The COVID-19 pandemic continues to evolve and, based on VHA's observations to date, VHA considers it reasonably likely that its business will be affected in a number of ways, including reduced sales due to customers not being able to access retail stores and lower revenues, reduced capacity to service customers, lower international roaming revenues, customers seeking lower cost services, increased bad debt risk and delays in mobile network rollout.

Valuation impacts

345 More generally, it is clear that the COVID-19 pandemic has had a significant adverse impact on business and equity values in the broader market (as noted in paragraphs 257 to 262).

346 Our valuations of both TPG and VHA reflect the likelihood of lower earnings over the next few years due to the COVID-19 pandemic (relative to earnings estimates in the absence of COVID-19).

347 The discount rates applied in our DCF valuations have also been assessed in the context of the current market environment. Whilst COVID-19 has led to an increase in the overall cost of capital for most businesses, the defensive qualities of the TPG and VHA businesses (e.g. high level of recurring income, provision of essential services) and low debt default risk (based on the debt levels being contributed to the Merged Group) means the impact of COVID-19 on TPG and VHA's long-term cost of capital is likely to be modest. Nonetheless, in the current market environment we believe that it is appropriate to adopt a discount rate at the top end of our assessed range.

DCF valuation

348 Under the DCF methodology the value of the VHA business (on a cash and debt free basis) is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

349 Our DCF valuation is based on free cash flow projections derived by LEA having regard to, inter-alia, discussions with VHA management.

350 Whilst LEA believes the assumptions underlying the cash flow projections are reasonable and appropriate, it should be noted in respect of these projections that:

(a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions

(b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions

(c) future profits and cash flows are inherently uncertain

(d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which VHA operates

(e) the achievability of the projections is not warranted or guaranteed by VHA or LEA, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of VHA and its management; and

(f) actual results may be significantly more or less favourable.

351 Free cash flow represents the operating cash flows on an un-geared basis (i.e. before interest) less taxation payments[137], capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.

137 Also calculated on an ungeared basis.

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352 The free cash flow projections cover the period to 31 December 2028 (VHA Forecast Period). For valuation purposes we have assumed a valuation date of 31 March 2020. No market share gain or loss has been assumed.

ARPU growth

353 ARPU from mobile services is projected to increase at between 0.5% and 1.0% per annum over the 10 year VHA Forecast Period. This is less than our adopted inflation rate and reflects the level of competition in the mobile market.

Fixed broadband services

354 As stated above, VHA had approximately 114,000 fixed broadband customers as at 31 December 2019 (an increase of 81,000 in CY19) following the launch of NBN services to customers from December 2017[138]. This is projected to increase to 500,000 customers over the 10 year VHA Forecast Period and is considered reasonable as the assumed cross-selling of fixed broadband services only represents approximately 8.7% of VHA's mobile customer base as at 31 December 2019.

EBITDA

355 EBITDA is forecast to increase around 3.2% per annum over the 10 year VHA Forecast Period. This is lower than the rate of growth in earnings achieved over the CY16 to CY19 period (of 4.4%), and reflects:

(a) the high level of mobile phone penetration in the Australian mobile market (as stated above); and

(b) expectations of ongoing aggressive competition amongst the MNOs and MVNOs.

356 Further, in our DCF forecasts the level of EBITDA in CY20 is expected to be lower than that achieved in CY19 due to the impact of COVID-19 on the business. In particular, we note that VHA is likely to experience (inter-alia) lower revenues due to the temporary closure of some retail stores, and a decrease in international roaming revenues due to the decline in international travel (refer paragraphs 342 to 344 for more commentary).

Working capital

357 We set out below a comparison of EBITDA and the net cash generated from operating activities over the four years ended 31 December 2019:

VHA – comparison of EBITDA and operating cash flow

	CY16 $m	CY17 $m	CY18 $m	CY19 $m
EBITDA	912.1	971.8	1,102.2	1,036.6[(1)]
Movement in working capital	128.4	127.4	22.6	85.2
Net cash generated from operating activities	1,040.5	1,099.2	1,124.8	1,121.8
Operating cash flow as a % of EBITDA	114.1%	113.1%	102.1%	108.2%

138 In comparison, VHA had approximately 7,000 fixed broadband customers as at 30 June 2018 and 33,000 fixed broadband customers as at 31 December 2018.

Note:
1 Excluding impact of AASB 16.

358 As shown above, operating cash flow exceeded reported EBITDA over the four years to 31 December 2019 due to positive working capital movements.

359 Given the above we have assumed that future cash flow from operating activities is equal to EBITDA (i.e. no material working capital movements have been assumed).

Capital expenditure (excluding spectrum costs)

360 We set out below a summary of total capital expenditure (including spectrum payments) over recent years:

VHA – capital expenditure (including spectrum)[(1)]

	CY16 $m	CY17 $m	CY18 $m	CY19 $m
Property, plant and equipment	433.9	376.7	350.4	315.3
Intangibles (excluding spectrum)	195.5	215.4	196.1	226.5
Spectrum payments	10.2	613.5	144.8	76.1
Total capital expenditure	639.6	1,205.6	691.3	617.9

Note:
1 Rounding differences exist.

361 The above table indicates that annual capital expenditure costs (excluding spectrum payments) were around $600 million over the two year period to CY17, but fell in CY18 and CY19 to around $540 million. The majority of capital expenditure over the above period was spent on network equipment and infrastructure.

362 We have assumed capital expenditure of a sustaining nature (excluding spectrum costs) of around $500 million per annum over the VHA Forecast Period. This is broadly consistent with the recent experience shown above.

Spectrum costs

363 During CY17, VHA made two significant spectrum payments, resulting in higher levels of capital expenditure in that year. In April 2017, VHA acquired 2 x 5 MHz of spectrum in the 700 MHz band for $286 million and announced that it had renewed its 2100 MHz spectrum licence for $544 million[139].

364 The 2100 MHz spectrum was originally acquired in 2001 for $450 million, implying a 20% increase in the renewal cost over the 16 year period.

365 In December 2018, VHA and TPG's joint venture vehicle (the Mobile JV) was a successful bidder in the auction for 5G spectrum in the 3.6G Hz band. The Mobile JV successfully bid

[139] Payments for the renewal of the 2,100 MHz spectrum occurred in CY17. Payment for the 700 MHz spectrum acquired was paid in three instalments in CY18, CY19 and CY20.

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for 12 lots of 5 MHz (i.e. 60 MHz) in each of the following regions: Sydney, Melbourne, Brisbane, Canberra, Adelaide and Perth.

366 In regional areas, the Mobile JV secured eight lots of 5 MHz (i.e. 40 MHz) in Central and northern Queensland, southern Queensland and Northern NSW, regional Victoria and Tasmania. In regional Western Australia, the Mobile JV acquired nine lots of 5 MHz (i.e. 45 MHz), six lots in southern and western NSW (i.e. 30 MHz), and four lots in regional South Australia (i.e. 20 MHz). The cost of this 5G spectrum (in both metropolitan and regional areas) was $263.3 million (of which 50% is payable by VHA).

367 A summary of VHA's spectrum holdings and their expiry dates is set out below:

Band (MHz)	Expiry date
700	December 2029
850	June 2028
1800	June 2028
2100	October 2032
3600 (5G) (50% interest)	December 2030

368 With the exception of the following, VHA does not expect to incur any significant spectrum costs until CY28:

(a) 26 GHz in 2021

(b) High Band in 2023

(c) 900 MHz in 2024.

369 The cash flow projections reflect an allowance for 5G spectrum costs in 2021, 2023 and in 2024 (consistent with the above).

370 From CY28 we have allowed for future spectrum costs as an annual payment. As the spectrum licenses are finite life assets, their costs are amortised on a straight line basis over the licence term. The amortisation charge is therefore a broad proxy for the annual cash cost of renewal. In CY19, spectrum amortisation costs were $115.4 million. To estimate future spectrum costs in CY28 we have therefore escalated this amount at 2% per annum (consistent with our long-term inflation assumption)[140].

Discount rate

371 A discount rate of 8% per annum (after tax) has been applied for the reasons set out in Appendix C.

Terminal value growth rate

372 A terminal value growth rate of 2% has been adopted at the end of the VHA Forecast Period (CY28). The application of this terminal value growth rate and the discount rate implies a

140 Our analysis recognises that the 5G spectrum will replace some of the older spectrum acquired (e.g. 3G) which will not be renewed.

terminal value EBITDA multiple (on a controlling interest basis) of 6.2 times (which we consider reasonable).

Minority interest discount

373 As we have assessed the value of VHA's contribution to the Merged Group on a portfolio (or minority interest) basis, we have applied a minority interest discount of 10%. This is lower than the conventional minority interest discount applied of 20% to 25% because:

(a) the conventional minority interest discount is derived from takeover (control) premiums, which implicitly reflect a share of the synergy benefits expected to be achieved by the purchaser

(b) in our view, synergies are the key reason why acquirers pay takeover premiums above the listed market prices of acquired companies. In the absence of these synergies the control premium would be lower (as would the implied minority interest discount)

(c) our DCF value of VHA's business does not include any allowance for synergies expected to arise from the Merger

(d) our minority interest discount is applied to the enterprise value rather than the equity value.

Sensitivity analysis

374 The assumptions set out above reflect the base case assumptions adopted in the financial model. There are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.

375 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.

376 In assessing our valuation range, we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

Sensitivity analysis

Variable	Base Case assumption	Sensitivity %	Value range[1] $bn
Discount rate	8.0%	7.8 – 8.2	6.6 – 7.0
Terminal growth rate	2.0%	1.5 – 2.5	6.5 – 7.2
Mobile customer growth per annum	1.6%	1.2 – 2.0	6.3 – 7.3
Mobile ARPU growth per annum	0.75%	0.5 – 1.0	6.5 – 7.1
Mobile gross margin	66.0%	64.0 – 68.0	6.3 – 7.3
Capital expenditure per annum[2] ($m)	500.0	+/- 10	6.3 – 7.3

Note:
1 Minority interest basis.
2 Excluding spectrum costs.

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DCF value

377 Having regard to the above, we have assessed the DCF value of VHA's business (on a portfolio or minority interest basis) at between $6.4 billion and $7.1 billion[141].

Capitalisation of EBITDA approach

EBITDA adopted for valuation purposes

378 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of VHA, and have discussed VHA's financial performance, operating environment and prospects with VHA management.

379 Based on this review we have adopted EBITDA (before non-recurring items) for valuation purposes of $1,037 million. This is consistent with the actual EBITDA achieved in CY19 (excluding the increase in EBITDA arising from the application of AASB 16[142]).

380 Whilst the level of EBITDA in CY20 is likely to be lower than $1,037 million due to the impact of COVID-19, in our opinion, this lower level of EBITDA should not be adopted for valuation purposes as it reflects the short term impact of COVID-19 rather than the level of sustainable long-term earnings.

EBITDA multiple

381 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

141 Our DCF value excludes the benefit of VHA's tax losses which have been valued separately below.

142 The figures for CY19 have been restated to remove the impact of AASB 16, which increased reported EBITDA by $142.1 million and reduced the loss after tax by $48 million. We have excluded the uplift in EBITDA under AASB 16 as it is driven by accounting entries that have no impact on the underlying cash flow or profitability of VHA.

382 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for VHA.

Listed company multiples

383 The EBITDA multiples for selected telecommunications companies are set out in Appendix D and are summarised below.

EBITDA multiples based on share market trading(1)		
	2019(2)	2020(3)
Australasian telecommunication companies		
Median	8.9	9.0
Range	6.5 – 10.3	7.5 – 11.1
International wireless telecommunication companies		
Median	6.6	6.5
Range	3.9 – 9.3	3.9 – 9.4
International diversified telecommunication companies		
Median	7.3	6.5
Range	3.7 – 15.5	3.8 – 15.0
Total sample		
Median	7.5	7.0
Range	3.7 – 15.5	3.8 – 15.0

Note:
1 Based on share prices and earnings forecasts as at 22 April 2020.
2 EBITDA multiple based on FY19 actual (or sometimes forecast earnings).
3 EBITDA multiple based on FY20 forecast earnings.

384 Consistent with the basis of valuation, the above multiples are based on the listed market price of each company's shares and therefore exclude a premium for control.

385 Based on the above, we note that:

(a) the EBITDA multiples for the listed telecommunication companies vary widely, which is likely to reflect differences regarding, inter-alia, perceived risks and expected earnings growth

(b) the median multiples for the international wireless telecommunications companies are notably lower than those for the Australasian and international diversified telecommunication companies. We have attributed this to the higher capital expenditure levels associated with mobile network ownership and the related cost of spectrum licenses.

Transaction evidence

386 Transaction evidence in the telecommunications industry is summarised in Appendix E. However, most of the telecommunications companies acquired provide a diverse range of services including both fixed line and mobile / wireless telecommunications services. As a result, there is only a limited number of transactions in the telecommunications sector involving companies which predominately provide mobile / wireless telecommunication

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services. A summary of the EBITDA multiples implied by these transactions (which reflect the acquisitions of controlling rather than portfolio interests) is shown below:

Transaction evidence – mobile / wireless telecommunications

Date[1]	Target	Acquirer	EV 100%[2] $m	EBITDA multiple[3] x
Jan 20	Vodafone Egypt	Saudi Telecom Company	5,845	7.0 H
May 19	Vodafone NZ	Infratil & Brookfield	3,220	7.2 F
Apr 15	BASE Company NV	Telenet Group Holdings NV	1,842	8.0 F
Dec 14	Orange Communications SA	NJJ Capital	3,499	7.6 F
Dec 14	EE	BT Group	23,804	7.9 H
Jul 13	Leap Wireless International	AT&T Inc	4,387	8.5 F

Note:
1 Date of announcement.
2 Enterprise value on a 100% basis, converted as at the date of the announcement.
3 H = multiple based on historical EBITDA. F = multiple based on forecast EBITDA.
Source: LEA analysis using data from ASX announcements, analyst reports and company annual reports.

387 Of the above transactions, the acquisition of Vodafone NZ in May 2019 is the most relevant. At the date of acquisition:

(a) Vodafone NZ was the largest participant in the mobile market with a 41% subscriber market share, and was the second largest participant in fixed broadband with a 26% connection market share

(b) Vodafone NZ's network infrastructure includes over 1,500 mobile cell sites, delivering a mix of 2G, 3G and 4G services, 80% of which are connected by Vodafone NZ's fibre backhaul network

(c) Vodafone NZ's mobile infrastructure offers 98% population coverage, with over 95% 4G coverage; and

(d) New Zealand had three mobile network operators.

388 In relation to the transaction evidence it should be noted that the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a (takeover) premium for control. The applicable portfolio or minority interest EBITDA multiples (i.e. excluding a premium for control) are likely to be 15% to 20% lower than the EBITDA multiples implied from the above transactions.

Other matters

389 In order to assess the appropriate EBITDA multiple for VHA we have also had regard to the following matters:

(a) TPG's own mobile network (prior to the recent decision to cease its rollout) was expected to cost around $2 billion (excluding start-up losses and 5G spectrum costs). Prima facie, the value of VHA must substantially exceed this amount given that VHA generates positive cash flows and has around 5.7 million customers on its network (as at 31 December 2019)

(b) we understand that VHA has ownership interests in 467 mobile towers / sites[143] which could potentially be sold and leased back to maximise shareholder value. In this regard, we note that Crown Castle announced the sale of its Australian subsidiary (which at the time was the largest independent mobile tower operator in Australia with a nationwide portfolio of 1,800 sites) in May 2015 for approximately $2 billion (representing around $1.1 million per site). Based on public disclosures by Crown Castle, this transaction appears to have taken place at approximately 12.4 times forecast EBITDA. This multiple is substantially above the EBITDA multiples for the listed wireless companies shown above, and therefore highlights the potential value impact of such a sale and leaseback transaction

(c) VHA has invested approximately $6 billion across its telecommunications network (and related technology) over the last five years, with some $2 billion spent in CY17. This network spend comprises expenditure on sites, transmission, spectrum, radio access network, software, hardware and technology operating expenses[144].

Conclusion on appropriate EBITDA multiples

390 As set out in Section VI we have assessed the value of both VHA and TPG on a minority interest (or listed market) basis, which excludes a premium for control.

391 On this basis, in our opinion, an EBITDA multiple range of 6.0 to 6.5 for VHA is appropriate when applied to the level of EBITDA adopted for valuation purposes. This is toward the lower end of the overall EBITDA multiple range implied for the listed telecommunications companies, and is less than the EBITDA multiple ranges applied when valuing TPG's Consumer and Corporate divisions[145] due to the higher capital intensity of VHA's mobile business compared to TPG's Consumer and Corporate divisions (as measured by a comparison of capital expenditure costs as a percentage of EBITDA):

VHA – comparison of EBITDA and capital expenditure

	EBITDA(1) \$m	Capex(2) \$m	Capex / EBITDA %
VHA	1,037(3)	500	48
TPG's Consumer and Corporate divisions	735	220	30

Note:
1 EBITDA adopted by LEA for valuation purposes, refer Section VII for TPG (comprises Consumer division of $355 million and Corporate division of $380 million) and Section VIII for VHA.
2 Estimated ongoing capital expenditure (excluding spectrum costs), refer paragraphs 279 and 362.
3 Prior to impact of COVID-19.

143 We understand that the remaining sites (approximately 5,500) where VHA has installed equipment are either owned or leased by third parties.

144 Source: Page 7 of Merger presentation dated 30 August 2018.

145 Our valuation of TPG's Consumer and Corporate divisions reflected an EBITDA multiple range of 7.0 to 8.0 and 8.5 to 9.0 respectively.

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Value based on capitalisation of EBITDA approach

392 Based on the above, the portfolio value of the VHA business (on a cash and debt free basis) is as follows:

VHA – capitalisation of EBITDA valuation method	Low $m	High $m
EBITDA	1,037	1,037
EBITDA multiple	6.0	6.5
Enterprise value	6,222	6,741

Enterprise value

393 Based on the above the enterprise value of VHA under each method is as follows:

VHA – enterprise value	Low $m	High $m
DCF method	6,400	7,100
Capitalisation of EBITDA method	6,222	6,741
Adopted value	6,300	6,900

Tax losses

394 As at 31 December 2019, VHA had tax losses of $4.36 billion (providing a future tax benefit of up to $1.3 billion). As a result, VHA is unlikely to pay corporate income tax, subject to the satisfaction of the tax loss utilisation rules, for many years.

395 We have assessed the value of these future tax benefits at between $350 million and $400 million. This reflects the present value of the expected future tax saving over a five year period using a discount rate of 8% per annum[146]. In forming this view we have considered:

(a) the extent to which these future tax benefits could be utilised, based on the level of earnings adopted for valuation purposes

(b) the time period over which any utilisation could occur

(c) the possibility of company tax rate reductions over the five year period (which reduces the value of tax losses)

(d) the reluctance by purchasers generally to pay significant value for future tax benefits due to, inter-alia, the uncertainty associated with their ability to utilise the future tax benefits (including the risk of adverse tax legislation changes).

146 As our value assessment only reflects tax losses expected to be utilised within the first five years (and therefore reflects an appropriate risk adjustment by not placing any value on tax losses utilised after five years), we have not increased the discount rate above VHA's assessed cost of capital.

Net debt

396 Pursuant to the terms of the Merger, both TPG and VHA have agreed on the level of net debt which will exist in their respective companies at the Scheme Implementation Date.

397 VHA is required to reduce its net debt to the agreed level of $2,236 million at the Scheme Implementation Date. As VHA's current net debt is significantly higher than this amount, it is proposed that an entity jointly owned by subsidiaries of Vodafone Group and HTA will assume the net debt of VHA in excess of this amount.

398 Consequently, when assessing the equity value contributed by VHA to the Merged Group it is appropriate to adopt net debt of $2,236 million.

Equity value

399 Based on the above, the equity value contributed by VHA to the Merged Group (on a portfolio basis) is shown below:

Enterprise values		
Valuation method	**Low $m**	**High $m**
Enterprise value	6,300	6,900
Add value attributed to tax losses	350	400
Less agreed net debt	(2,236)	(2,236)
Equity value contribution to Merged Group	**4,414**	**5,064**

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IX Synergy benefits

Potential synergies

400 TPG and VHA have not outlined in detail or quantified the level of synergy benefits expected to arise from the Merger. However, on 30 August 2018 (being the date of the Merger announcement), the Merger parties stated that:

"The parties expect to achieve substantial cost synergies from the combination of their complementary networks, rationalisation of duplicated costs and economies of scale. Additionally, both parties recognise the potential for revenue synergies from the opportunity to cross-sell products across both TPG's and VHA's combined corporate and consumer customer bases."

401 Further, the Merger parties noted that the Merged Group would be a more effective competitor to the major network operators (i.e. Telstra and Optus) because:

(a) the Merged Group would be able to provide a complete solution for customers as a result of integrating their fixed line and mobile businesses

(b) the increased scale of the Merged Group would provide economies of scale benefits and lower the cost of capital

(c) the combined access to spectrum will better position the Merged Group to compete with Telstra and Optus across both metropolitan and regional mobile markets. Further, we note that the combination of VHA's national mobile network and TPG's corporate customer base (in fixed broadband products) should provide a greater opportunity to market mobile services to corporate and government customers.

402 The increased scale of the Merged Group is evident from its combined market share in both mobile and fixed line telecommunications services, as shown below:

Merged Group – market share data

	TPG	VHA	Merged Group
Mobile market share[1] (%)	~1[2]	~17	~17[5]
Mobile subscribers (m)	0.4[2][3]	5.7[4]	5.8[5]
Fixed line broadband market share[1] (%)	~24	~1	~25
Fixed line broadband subscribers (m)	1.9[2]	0.1[4]	2.1

Note:
1 Source: TPG and VHA Investor Presentation on Merger dated 30 August 2018 (page 3).
2 Represents TPG and iiNet MVNO customers.
3 As at 31 January 2020.
4 As at 31 December 2019.
5 Merged Group mobile subscribers eliminate the number of TPG mobile subscribers which are already using the VHA mobile network (and are included in VHA's subscriber numbers) to ensure these mobile subscribers are not double counted.
Rounding differences exist.

403 Whilst TPG currently has no material market share in mobile, and VHA has an insignificant market share in fixed line broadband services, we note that the Merged Group would be:

(a) the third largest mobile services provider (with approximately 17% market share)

(b) the second largest provider of fixed broadband services (with approximately 25% market share).

Broker estimates of synergies

404 Investment analyst estimates of the annual revenue and operating cost synergies expected to arise from the Merger are shown below:

Summary of operating cost synergy estimates by investment analysts[1]	Date	Full year estimated synergy benefit[2] $m	Year achieved in full[3]
Broker 1	5 Mar 20	175	FY23
Broker 2	5 May 20	236-332	FY24 or FY25
Broker 3	5 Mar 20	200	Not specified
Broker 4	4 Mar 20	250	Not specified
Broker 5	5 Mar 20	180	FY23
Broker 6	5 Mar 20	286	FY24

Note:
1 The investment analysts providing the above synergy estimates were from Credit Suisse, Goldman Sachs, Jefferies, Morningstar, MST Marquee and UBS.
2 The full year synergy estimates shown above are net of any potential dis-synergies and increased costs.
3 Assumption adopted by investment analysts.

405 The investment analysts generally expect the above synergy benefits to be realised in full in FY23 or FY24. As these synergy benefits are expected to be realised progressively over a number of years, and integration costs will also be incurred, it should be noted that the synergy benefits achieved in the shorter term are likely to be materially lower than the above estimates. For example, Broker 5 is only projecting that $30 million in net synergies will be achieved in FY21.

406 In addition, we note the following comments by investment analysts regarding the merits of the Merger:

(a) Goldman Sachs (14 February 2020):

"In the longer term, we expect a merged TPM/VHA to be a stronger competitor to Telstra & Optus, given their increased scale, complementary infrastructure and balance sheet capacity."

(b) Morningstar (4 March 2020):

"The strategic importance of the combination cannot be understated, as a pathway to circumvent the National Broadband Network, or NBN, which evaporated another AUD 50 million in gross profit (broadband and fixed voice) from TPG's consumer division"

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(c) MST Marquee (5 March 2020):

"we believe that TPG/Vodafone has ideal network assets and customer base to execute on a scale wireless bypass strategy. We calculate that TPG will be spending A$900m on NBN access by FY22F, so savings are substantial if it can move traffic onto its own wireless network."

407 The composition of the above revenue and operating cost synergy estimates are not disclosed in the investment analyst reports. However, we note that the total annual synergy estimates (of say $200 million per annum) represent some 7% of the combined operating cost base of both companies, as shown below:

Operating costs

	TPG(1) $m	VHA(2) $m	Total $m
Network and carrier costs	1,215	795	2,010
Hardware costs(3)	42	1,101	1,143
Employee benefits expense	224	232	457
Other operating expenses	172	359	531
Total operating costs(4)	1,654	2,487	4,140
Total excluding hardware costs	1,612	1,386	2,998

Note:
1 Year ended 31 July 2019. Prior to any impacts from AASB 16.
2 12 months to 31 December 2019. Prior to any impacts from AASB 16.
3 Hardware costs for TPG relate to the cost of modems. Hardware costs for VHA relate to the cost of handsets sold.
4 Excluding depreciation and amortisation.

Capital expenditure synergies

408 As TPG has abandoned its former plans to build its own mobile network in Australia, the capital expenditure savings arising from the Merger are lower than they would have been at the time of the Merger announcement in August 2018. However, as noted in Section VII, TPG has Australian spectrum and mobile network assets with a carrying value of $1,195 million which TPG management expects will be valuable to the Merged Group. The availability of these assets to the Merged Group should therefore result in capital expenditure savings relative to what VHA would have incurred as a separate standalone entity.

X Evaluation of the Merger

409 In our opinion, the Merger is in the best interests of TPG shareholders in the absence of a superior proposal. We have formed this opinion for the reasons detailed below.

Assessment of the Scheme

410 As discussed in Section II, the Scheme should be evaluated as a merger rather than a change of control transaction. In such circumstances, the key issues in the Merger from the perspective of TPG shareholders are whether:

(a) TPG shareholders obtain a collective ownership interest in the Merged Group that is consistent with (or greater than) the relative value they contribute to the Merged Group

(b) from a value perspective, TPG shareholders are likely to be better off if the Merger proceeds

(c) the advantages of the Merger outweigh the disadvantages.

411 We consider each of these factors in the following sections.

Relative value contribution

412 As stated above, in assessing a merger, a key consideration is whether the value contributed by each of the merger parties is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing a merger it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value. This is consistent with RG 111, which states that where there is a "*merger of entities of equivalent value when control of the merged entity will be shared between the 'bidder' and 'target' ... the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'*".

413 Given the above, LEA has compared TPG shareholders' aggregate interest in the Merged Group (i.e. 49.9%) with the relative value contributed to the Merged Group by TPG shareholders.

414 LEA has assessed the underlying value of 100% of TPG and VHA on a minority interest basis in Sections VII and VIII of this report.

415 Our analysis of the relative value contribution by each entity is as follows:

Relative value contribution – LEA's assessment of underlying value	Paragraph	Low $m	High $m
TPG equity value contribution to Merged Group	331	4,292	4,992
VHA equity value contribution to Merged Group	399	4,414	5,064
Relative value contribution – TPG		49.3%	49.6%
Relative value contribution – VHA		50.7%	50.4%

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416 Based upon the above underlying valuation analysis, TPG shareholders will have a collective interest in the Merged Group (49.9%) that is slightly higher than their assessed relative contribution to underlying value. Accordingly, in our view, the terms of the Merger are fair to TPG shareholders.

Position before and after implementation of the Merger

417 As set out in Section IX, neither the management of TPG or VHA have quantified the level of synergy benefits expected to arise from the Merger. As a result, we do not have sufficient information to quantify the value of potential synergy benefits.

418 However, in order to assess whether the Merger is in the best interests of TPG shareholders we have considered (inter-alia):

(a) the nature of the synergies identified by TPG and VHA management (which are discussed in Section IX)

(b) broker estimates of the potential synergies expected to arise as a result of the Merger

(c) the potential for revenue synergies arising from the opportunity to cross-sell products across both the TPG and VHA customer bases

(d) the trading in TPG shares following the announcement of the Merger.

419 As set out in Section IX, investment analyst estimates of the annual synergies expected to arise from the Merger are around $200 million per annum[147]. The realisation of such synergies would be significantly earnings accretive for TPG shareholders, as demonstrated below (based on EBITDA[148]):

Impact of synergies on TPG EBITDA

	EBITDA $m
TPG pre-Merger	735$^{(1)}$
TPG share of EBITDA post Merger and realisation of potential synergies$^{(2)}$	
TPG pre-Merger	735$^{(1)}$
VHA pre-Merger	1,037$^{(3)}$
Annual synergies	200
Total	1,972
49.9% thereof	984
Potential uplift in EBITDA for TPG shareholders	249$^{(4)}$
Potential EBITDA uplift (%)	34%$^{(5)}$

147 The investment analysts generally expect the synergy benefits to be realised in full in FY23 or FY24. As these synergy benefits are expected to be realised progressively over a number of years, and integration costs will also be incurred, it should be noted that the synergy benefits achieved in the shorter term are likely to be materially lower than the full year synergy estimates.

148 EBITDA excludes the impact of AASB 16 for the reasons discussed in the valuation sections.

Note:
1 Being the level of EBITDA adopted by LEA in its capitalisation of EBITDA approach (in Section VII). Comprises Consumer division ($355 million) and Corporate division ($380 million).
2 Assuming realisation of $200 million in annual synergies.
3 CY19 result (refer Section VIII). Note, this is prior to the impact of COVID-19 which will adversely impact profitability in the short term.
4 Being $984 million less $735 million.
5 Being $249 million divided by $735 million.

420 It should be noted that the potential synergy benefits will take a number of years to realise and may be less than investment analyst estimates. However, given the complementary nature of the TPG and VHA businesses it is clear that some synergy benefits will be realised. The realisation of such synergies should be value accretive for both TPG and VHA shareholders.

Other factors

421 We have also considered the following factors when assessing whether the Scheme is in the best interests of TPG shareholders:

(a) the likely market price of TPG shares if the proposed Merger is not approved

(b) the potential for a market re-rating of the shares in the Merged Group (and the extent to which this has already occurred based on post announcement trading)

(c) the impact of the Merger on the control of TPG, including the proposed Board composition and key management positions of the Merged Group

(d) the likelihood of TPG's shareholders receiving a superior proposal prior to implementation of the Merger or in the short term; and

(e) other qualitative and strategic issues associated with the Merger.

422 These issues are discussed in detail below.

Listed market price of TPG shares

423 We note that the initial market reaction to the announcement of the Merger (in August 2018) and following the favourable Federal Court decision (on 13 February 2020) was very positive, with TPG shares significantly outperforming the S&P/ASX Telecommunications Services Index in the periods immediately following the announcement of the Merger and Federal Court decision[149], as shown below:

149 More recent share trading has been negatively impacted by the COVID-19 pandemic and its impact on the Australian economy.

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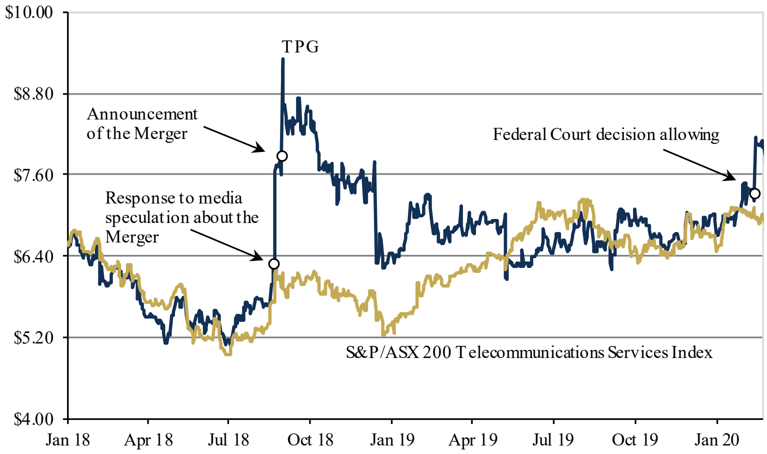
TPG – share price history
1 January 2018 to 21 February 2020[1]



Note:
1 Being the last trading day prior to the broad market sell-off which commenced in late February 2020 following the COVID-19 outbreak.
Source: Bloomberg.

424 The above share market price reaction is consistent with our opinion that the Merger is significantly value accretive for TPG shareholders. It also indicates that the TPG share price would be expected to fall significantly if the Merger does not proceed (other things being equal).

Interest in a larger and more diversified entity

425 If the Merger is approved and implemented, TPG shareholders will hold shares in a much larger and more diversified business. The Merger should also assist the Merged Group compete with the major network operators (i.e. Telstra and Optus) because:

(a) the Merged Group would be able to provide a complete solution for customers as a result of integrating their fixed line and mobile businesses

(b) the increased scale of the Merged Group should provide economies of scale benefits and lower the cost of capital. It should also facilitate further investment in the mobile network (including 5G) and provide greater business diversification for TPG shareholders

(c) the combined access to spectrum is expected to better position the Merged Group to compete with Telstra and Optus' mobile businesses, in both metropolitan and regional areas. Further, we note that the combination of VHA's national mobile network and TPG's corporate customer base (in fixed broadband products) should provide a greater opportunity to market mobile services to corporate and government customers.

Impact on the control of TPG

426 Whilst TPG shareholders' aggregate economic interest in TPG will be diluted (to 49.9%) if the Merger is approved and implemented, TPG shareholders should note that:

(a) TPG shareholders will acquire a corresponding interest in the operations of VHA and the synergy benefits that are expected to arise as a result of the Merger

(b) no single shareholder will own more than 30% of the shares in the Merged Group[150]

(c) the Board of the Merged Group will comprise three members from the current TPG Board, the current CEO of VHA (who will also be the CEO of the Merged Group), two nominees of Vodafone Group, two nominees from HTA and two new independent directors

(d) the key executive positions are being sourced from both companies[151].

Likelihood of an alternative offer

427 We have been advised by the Directors of TPG that no alternative offers have been received subsequent to the announcement of the Merger on 30 August 2018.

428 In addition, we note that pursuant to the SID:

(a) TPG has, subject to certain fiduciary carve-outs, agreed to certain exclusivity provisions. For example, it has undertaken not to solicit, initiate, invite, encourage or participate in any potential competing proposal

(b) TPG must notify VHA if it becomes aware of, amongst other things, negotiations or discussions about an actual, proposed or potential competing proposal

(c) TPG must pay VHA a cost reimbursement fee of $50 million in certain circumstances (e.g. a competing proposal is announced for TPG during the Exclusivity Period and is completed within 12 months of the announcement date).

429 Accordingly, although it is possible that an alternate offer or proposal may emerge, in our opinion, the factors set out above diminish the likelihood of this occurring.

Other qualitative and strategic issues

430 Other qualitative and strategic issues associated with the Merger include:

(a) **future control premium** – TPG shareholders retain the opportunity to realise a control premium through a change of control transaction involving the Merged Group at some time in the future. That said, there can be no assurance that this opportunity will arise

(b) **integration risks** – the benefits of the Merger relate largely to the synergies and broader strategic benefits expected to be realised through the integration of the businesses. There is a risk that implementation may not result in the full realisation of the estimated cost savings due to various factors including unexpected delays, challenges, liabilities

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150 The largest shareholders in the Merged Group will be Vodafone Group and HTA, which will each own 25.05%.

151 The proposed Chairman of the Merged Group is currently the Chairman of TPG and the proposed Managing Director of the Merged Group is the current Managing Director of VHA.

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and costs in relation to, but not limited to, integrating operating and management systems such as IT, information or accounting systems and the loss of key personnel of the Merged Group. However, it should be noted that our opinion that the terms of the Merger are fair to TPG shareholders is not dependent on the realisation of the synergy benefits

(c) **interest in VHA** – some TPG shareholders may not want to acquire an economic interest in the VHA business. However, these TPG shareholders have an opportunity to sell their shares either prior to or post the implementation of the Merger.

Summary of opinion on the Merger

431 We summarise below the likely advantages and disadvantages for TPG shareholders if the Merger proceeds:

Advantages

(a) the Merger of TPG and VHA is expected to result in significant synergies arising from:

(i) the combination of their complementary networks, rationalisation of duplicated costs and economies of scale

(ii) the opportunity to cross-sell products across both TPG's and VHA's combined corporate and consumer customer bases

(b) as a result of expected synergies, in our opinion, the Merger is significantly value accretive for TPG shareholders

(c) TPG shareholders should note that the initial market reaction to the announcement of the Merger has been very positive

(d) TPG shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. Further, the larger scale of the Merged Group should assist it to compete against Telstra and Optus

Disadvantages

(e) some TPG shareholders may not want to acquire an economic interest in the VHA business. However, these TPG shareholders have an opportunity to sell their TPG shares prior to the implementation of the Merger, or their Merged Group shares after implementation of the Merger.

Conclusion

432 Given the above, in our view, the advantages of the Merger significantly outweigh the disadvantages from the perspective of TPG shareholders. Accordingly, we consider the Merger to be in the best interests of TPG shareholders in the absence of a superior proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to TPG shareholders in connection with the Scheme.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at around $700,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

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Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Craig Edwards and Mrs Julie Planinic, who are each authorised representatives of LEA. Mr Edwards and Mrs Planinic each have over 20 years' experience in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Directors of TPG to accompany the Scheme Booklet to be sent to TPG shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Merger is in the best interests of TPG shareholders.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mrs Planinic have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

5 As a condition of LEA's agreement to prepare this report, TPG agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of TPG which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

6 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

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Appendix C

Assessment of appropriate discount rate

1 The determination of the discount rate or cost of capital for a business requires identification and consideration of the factors that affect the returns and risks of that business, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the business.

2 The discount rate applied to the projected cash flows from a business represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the business.

3 Businesses are normally funded by a mix of debt and equity. The weighted average cost of capital (WACC) is a widely used and accepted basis to calculate the "representative" rate of returns required by debt and equity investors. The required rate of return for equity is frequently evaluated using the capital asset pricing model (CAPM) and the required rate of return for debt funding is determined having regard to various factors such as current borrowing costs and prevailing credit ratings. The cost of equity and the cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.

4 Accordingly, we set out below an explanation of:

(a) the WACC and its elements (including the CAPM, its application in determining the cost of equity, the cost of debt and debt equity mix)

(b) our assessment of the appropriate parameters to be used when determining the discount rate for TPG and VHA from the perspective of prospective purchasers.

Impact of COVID-19

5 The discount rates applied have been assessed in the context of the current market environment. Whilst COVID-19 has led to an increase in the overall cost of capital for most businesses, the defensive qualities of the TPG and VHA businesses (e.g. high level of recurring income, provision of essential services) and low debt default risk (based on the debt levels being contributed to the Merged Group) means the impact of COVID-19 on TPG and VHA's long-term cost of capital is likely to be relatively modest. Nonetheless, in the current market environment we believe that it is appropriate to adopt a discount rate at the top end of our assessed range.

Weighted average cost of capital

6 The generally accepted WACC formula is the post-tax WACC, without adjustment for imputation[152] as shown below:

152 Given free capital flows between developed countries and the small size of the Australian stock market (as a percentage of global markets), the cost of capital of listed companies (other than perhaps regulated infrastructure assets) should be assessed in a global context ignoring Australian imputation. This is the approach generally adopted by independent experts.

WACC formula

$$WACC = R_e\frac{E}{V} + R_d(1-t)\frac{D}{V}$$

where:

R_e = expected equity investment return or cost of equity in nominal terms
R_d = interest rate on debt (pre-tax)
t = corporate tax rate
E = market value of equity
D = market value of debt
V = market value of debt plus equity

CAPM and the cost of equity

7 The CAPM stems from the theory that a prudent investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. The CAPM assumes that there is a positive relationship between risk and return. That is, rational investors are risk adverse and demand higher returns for accepting higher levels of risk.

8 The CAPM is based on the concept of non-diversifiable risk and calculates the cost of equity as follows:

Cost of equity calculation

$$R_e = R_f + \beta_e[E(R_m) - R_f]$$

where:

R_e = expected equity investment return or cost of equity in nominal terms
R_f = risk-free rate of return
$E(R_m)$ = expected market return
$E(R_m) - R_f$ = market risk premium (MRP)
β_e = equity beta

9 The individual components of the CAPM are discussed below.

Risk-free rate

10 The risk-free rate is the theoretical rate of return on an investment with no risk of financial loss. It represents the return that an investor would expect to receive from a completely risk-free investment over a given period of time.

11 The risk-free rate is normally approximated by reference to a long-term government bond with a maturity equivalent to the timeframe over which the returns from the assets being valued are expected to be received. Typically, in the Australian context, the yields on long-term Commonwealth Government Bonds (CGBs) are used as a proxy for the long-term risk-free rate.

12 However, when assessing the appropriate long-term risk-free rate for the purposes of calculating the cost of equity capital it should be noted that the yields currently prevailing on long-term CGBs are well below historical levels (as shown in the chart below):

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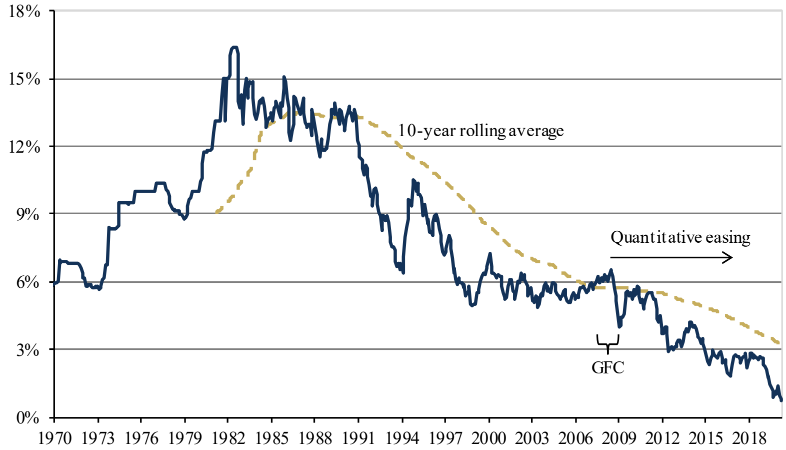
Australian government bond yield – nominal 10-year bonds[(1)]
Monthly data, January 1970 to March 2020



Note:
1 20-year CGBs and 30-year CGBs were only issued in November 2013 and October 2016, respectively.
Source: Bloomberg.

13 In our view, the risk-free rate and the MRP should be assessed in conjunction with each other. Accordingly, the application of current (very low) CGB yields and the long-term average MRP is inappropriate in the context of determining long-term required equity rates of return (discount rates).

14 To address this issue, two approaches are generally adopted:

(a) **Method 1** – calculate WACC using the current CGB yield and an implied MRP that is higher than that derived from the long-term average of historical excess returns (i.e. the rate of return over and above the risk-free rate estimated by CGB yields[153])

(b) **Method 2** – calculate WACC using a "normalised" risk-free rate based on historical averages and an MRP that is based on the observed long-term average of historical excess returns.

15 Method 1 recognises the fact that current abnormally low interest rates coincide with heightened economic uncertainties[154] and/or increased investor risk aversion. However, this

[153] Given the very long-term nature of the measurement, the impact of quantitative easing and other post-global financial crisis (GFC) type government stimulus measures is significantly "averaged" out.

[154] This is particularly the case in Australia at the present time given that Australia's economic growth is linked with China's growth as it has been the engine of growth for Australia and the world during the post-GFC period. As the expectation of economic growth in China tapers off and the associated mining boom in Australia ceases, there are uncertainties as to what will drive domestic growth in Australia going forward. The ongoing uncertainty in regard to the Australian economy and the global economy, and highly expansionary monetary policy adopted in other developed economies, has contributed to both the RBA maintaining the cash rate at record lows and the observed low CGB yields.

approach is difficult to apply in practice because it is difficult to reliably measure short-term changes in the ex-ante MRP.

16 We have therefore adopted the second approach and have adopted a long-term risk-free rate in Australia of 3% per annum.

17 Our adopted risk-free rate is higher than the yield on the 27-year CGB of approximately 1.65% as at 22 April 2020[155]. However, this is consistent with current market practice, which is to apply a normalised risk-free rate having regard to a mix of historical averages and current spot rates (as evidenced by the table in paragraph 31 below).

18 We also note that corporate Australia has generally been reluctant to lower required rates of return notwithstanding the reduction in CGB yields. For example:

(a) Wesfarmers CFO Anthony Gianotti stated in November 2019 that *"it was reluctant to 'bank in' historically low interest rates into its long-term investment view"*[156]

(b) Woodside Petroleum finance chief Sherry Duhe stated in November 2019 that "*it was too soon to start rethinking hurdle rates"*[156]

(c) in October 2019, AGL Energy Chief Financial Officer Damien Nicks stated that AGL's hurdle rates had not changed as a result of the recent reduction in government bond yields[157]

(d) in October 2019, Lendlease Chairman Michael Ulmer said: *"the company's weighted average cost of capital was driven by equity and debt returns, and hadn't changed in any way that 'is significantly changing the ball game'"*[157].

19 Whilst regulatory bodies in Australia generally favour the use of current CGB yields for the risk-free rate (rather than longer term averages or adjusted risk-free rates), it should be noted that these regulatory bodies are not assessing the appropriate risk-free rate in the context of the long-term rate of return required by debt and equity investors (but rather the risk-free rate likely to prevail over a relatively short five-year period, which is then subject to change depending on market conditions at that time). As a result, the risk-free rates adopted by regulatory authorities in Australia are therefore not necessarily the appropriate risk-free rates to adopt when determining the appropriate discount rate for a business.

Market risk premium

20 The MRP represents the additional return above the risk-free rate that investors require in order to invest in a well-diversified portfolio of equity securities (i.e. the equity market as a whole). Strictly speaking, the MRP is equal to the expected return from holding shares over and above the return from holding risk-free government securities. Since expected returns are generally not observable, a common method of estimating the MRP is to average realised (ex-post) returns over a long period.

---

155 The longest term CGB currently on issue. (Source: Bloomberg.)

156 Source: The Australian (8 November 2019) *Changing hurdle rates is 'a danger'*.

157 Source: The Australian Financial Review (30 October 2019) *CEOs blame investors, banks for high hurdle rates*.

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21 In assessing the MRP, it is necessary to recognise that the MRP is a forward-looking concept. It is an expectation, which cannot be directly observed and needs to be estimated. We have also had regard to the MRP adopted by Australian regulators, as discussed below.

MRP – historic excess returns

22 Various academic studies put the historical MRP of the Australian equity market in a wide range from 5% to 7% depending on the historical period chosen, whether the MRP is measured relative to bills or bonds, and whether an arithmetic or geometric mean is used. However, the risk-free rate of return that was used to derive the MRP in those studies was, on average, significantly above both current levels and the 3% risk-free rate adopted above. Because realised rates of return, especially for shares, are highly volatile over short periods, short-term average realised rates of return are unlikely to be a reliable estimate of the expected rate of return or MRP. Consequently, the MRP should be measured over a long period of time. It should also be noted that the standard error of the estimate of the mean for longer periods is typically lower than the standard error of the mean where a shorter period is used. This supports more reliance being placed on the average MRP calculated over the longer term. However, some authors have raised concerns regarding the poor quality of the data available for periods prior to 1958.

23 A study of the MRP in Australia by Brailsford et al. analysed data for the period from 1883 to 2005 (inclusive), and this was later updated for the period 1883 to 2010[158].

24 In October 2015, the ACCC released its final decision regarding the prices that other operators pay to use Telstra's copper network to provide telecommunication services to consumers. In this final decision the ACCC adopted an MRP of 6%[159], having regard to empirical evidence on long-term average of historical excess returns published by Brailsford et al. and updated by the Australian Energy Regulator (AER), as well as survey evidence by market practitioners. The AER has since updated the data to the end of 2018, as shown below:

Australia's MRP – historical excess returns

Sampling period	Years	Arithmetic average %	Geometric average %
1883 – 2018	136	6.2	4.9
1937 – 2018	82	5.9	4.1
1958 – 2018	61	6.4	4.1
1980 – 2018	39	6.2	4.1
1988 – 2018	31	5.8	4.3

Source: AER (2019) *Rate of return: annual update*.

25 The AER provides both arithmetic and geometric averages and comments that:

158 Brailsford et al. (2012) *The historical equity risk premium in Australia: post-GFC and 128 years of data.*

159 Source: ACCC (2015) *Public inquiry into final access determinations for fixed line services - Final Decision,* pages 75-76.

"… we give more weight to the arithmetic average than the geometric, but use the geometric average to highlight when high returns over certain periods may be driven primarily by high volatility and to set a floor when viewing the range of potential results … We consider using both together is more likely to lead to an unbiased estimate of the MRP than exclusive use of either method"[160].

26 A new set of Australian dividend yield data was released in 2019 by the RBA. The RBA data covers the period 1917 to 1979. When combined with data from Datastream for the period 1980 to 2019, the average MRP based on the RBA's data is around 4% based on the geometric mean and around 5% based on the arithmetic mean[161].

27 The returns calculated by the AER and the RBA do not include the impact of franking credits, which were introduced in Australia in July 1987. Bishop et al. (2018) have published MRP data for Australia including the impact of franking credits, as shown below:

Australia's MRP – historical excess returns

Sampling period	Years	Excluding franking credits %	Including franking credits %
1883 – 2017	135	6.5	6.9
1938 – 2017	80	5.7	6.2
1958 – 2017	60	6.0	6.9
1978 – 2017	40	6.6	7.8
1998 – 2017	20	5.4	6.7

Source: Bishop et al. (2018) *Market risk premium: Australian evidence*. Table 8.

28 Bishop et al. (2018) provide only the arithmetic average which, in their view, is more appropriate when considering expectations formed on historical data because it weights the inputs equally.

MRP – Survey data

29 Survey estimates explore investor expectations about the MRP. They achieve this by directly asking investors and market practitioners what their expectations are and/or what they apply in practice. The AER in its 2018 "Rate of return instrument – Explanatory statement" reviewed evidence from relevant surveys. We have updated these results for two more recent surveys. The mean and median MRP across the more recent surveys is supportive of an MRP of 6.5% as indicated in the table below:

160 Source: AER (2018) *Rate of return instrument – Explanatory statement* page 250.

161 Source: RBA (2019) *A history of Australian equities* (Research Discussion Paper 2019-04).

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Australia's MRP – survey results

Survey: Author and publication date	Survey date	Number of responses	Mean %	Median %
Fernandez et al. (2013)	May–Jun 12	73	5.9	6.0
KPMG (2013)[(1)]	na	19	na	6.0
Fernandez et al. (2013)	May–Jun 13	17	6.8	5.8
Asher and Hickling (2013)	Sep 13	46	4.8	5.0
Fernandez et al. (2014)	May–Jun 14	93	5.9	6.0
Asher and Hickling (2015)	Dec 14	27	4.4	4.6
Fernandez et al. (2015)	Mar–Apr 15	40	6.0	5.1
KPMG (2015)[(2)]	na	27	na	6.0
Asher and Carruthers (2016)	Dec 15	29	4.9	na
Fernandez et al. (2016)	Apr 16	87	6.0	6.0
Carruthers (2017)	Nov 16	24	5.3	na
Fernandez et al. (2017)	Mar–Apr 17	26	7.3	7.6
KPMG (2017)	na	45	na	6.0
Fernandez et al. (2018)	Mar–Apr 18	74	6.6	7.1
KPMG (2018)	Jul–Sep 18	56	5.5	6.0 to < 6.5
Fernandez et al. (2019)	Feb–Mar 19	54	6.5	6.1
KPMG (2019)	Oct 19	59	5.9	na

Note:
1 The survey had 23 participants, however only 19 specified the MRP they used.
2 The survey had 29 participants, however it appears that only 27 specified the MRP they used.
na – not available.
Source: AER (December 2018) *Rate of return instrument – Explanatory statement* page 271; Fernandez (2019) *Market risk premium and risk-free rate used for 69 countries in 2019*; KPMG (2018) *Valuation practices survey 2018*; KPMG (2019) *Valuation practices survey 2019*.

30 Having regard to all of the above, we have adopted a long-term MRP of 6.5%.

Total market return

31 Our risk-free rate and MRP implies a required total market rate of return of 9.5% per annum (being a risk-free rate of 3% plus an MRP of 6.5%). Given that the risk-free rate and MRP should be assessed in conjunction with each other, we set out below a summary of the required total market returns adopted by investment banks, stockbrokers and large corporate valuation firms:

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Risk-free rate and MRP – Australia				
Company	**Report date**	**Risk-free rate %**	**MRP %**	**Total equity return %**
BDO	Oct 19	1.5	6.0 – 8.0	7.5 – 9.5
Bell Potter	Oct 19	5.0	6.0	11.0
Citi	Nov 19	2.0	7.5	9.5
Deloitte	Aug 19	2.32	6.25	8.57
Grant Samuel	Oct 19	4.0	6.0	10.0
Grant Thornton	Oct 19	3.5	6.0	9.5
JP Morgan	Nov 19	4.0	6.0	10.0
KPMG	Dec 19	3.3	6.0	9.3
Macquarie	Nov 19	2.2	5.0	7.2
Morgan Stanley	Nov 19	4.5	5.0	9.5
Morgans	Nov 19	4.0	6.0	10.0
PricewaterhouseCoopers Securities	Oct 19	3.75	6.0	9.75

Source: Selected independent expert reports and stockbroker analyst reports.

32 As indicated above:

(a) the majority of investment banks, stockbrokers and large corporate valuation companies apply a risk-free rate for valuation purposes that exceeds the current long-term CGB yield

(b) the required total market return implied by the variables adopted by the investment banks, stockbrokers and large corporate valuation firms is broadly consistent with our own assessment.

33 Whilst, prima-facie, recent lower interest rates globally have lowered the total equity return required by investors, based on our experience, such investors have not reduced their required rates of return by the full extent of the fall in risk-free rates. Accordingly, in our opinion, it is appropriate to adopt an MRP of 6.5% (toward the upper end of the empirical studies) when used in conjunction with our risk-free rate of 3% per annum. This is consistent with the current prevailing total expected equity return adopted by most investment analysts of around 9% to 10% per annum.

34 Given the above, we consider that the risk-free rate and MRP adopted is reasonable and appropriate in the context of long-term required returns / discount rate assessments.

Equity beta

Description

35 Beta is a measure of the expected volatility of the return on an investment relative to the market as a whole. The CAPM assumes that beta is the only reason expected returns on an asset differ from the expected return on the market as a whole. A beta greater than 1.0 suggests that an investment's returns are expected to be more volatile and risky than average (and accordingly a higher return than the market is required), whereas a beta less than 1.0 suggests that future returns will be less volatile and risky.

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36 Similar to MRPs, expected equity betas are not observable. Historical betas are usually estimated and used as a reference to determine the appropriate forward-looking betas. In addition, factors such as betas of comparable companies and relevant industry sectors and a qualitative assessment of the systematic risks of the subject business are also considered. The determination of the appropriate beta to apply is, therefore, ultimately a matter of judgement.

Listed company betas

37 A summary of the equity betas of the ASX and international listed companies that provide telecommunications services are set out below. The companies have been categorised into those operating in Australia and New Zealand (Australasian), wireless operators and other international telecommunications companies (diversified) with an enterprise value of between $2 billion and $30 billion (i.e. of a roughly similar size to the subject entities of this report).

Listed company betas

Company	Primary country of operation	Market cap[(1)] $m	Gearing[(2)] %	Beta[(3)]	R-squared[(4)]
TPG	Australia	6,792	20.2	0.77	0.08
Australasian telecommunications companies					
Singapore Telecommunications[(5)]	Australia / Singapore	49,934	20.8	0.77	0.54
Telstra	Australia	36,037	27.7	0.70	0.25
Spark New Zealand	New Zealand	7,749	14.9	0.61	0.19
Chorus	New Zealand	2,762	44.0	0.39	0.06
HTA	Australia	1,968	3.2	0.83	0.02
Vocus Group	Australia	1,694	37.4	1.06	0.12
Median				0.74	
Wireless telecommunications companies					
T-Mobile US	US	175,393	35.9	0.36	0.07
Vodafone Group	UK	64,828	57.4	1.05	0.32
1&1 Drillsch	Germany	5,813	23.3	0.78	0.15
United States Cellular	US	4,143	32.0	0.44	0.04
Freenet	Germany	3,599	40.6	1.10	0.46
PLAY Communications	Luxemburg	3,090	44.5	0.30	0.02
Median				0.61	

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Listed company betas					
Company	Primary country of operation	Market cap(1) $m	Gearing(2) %	Beta(3)	R-squared(4)
Diversified telecommunications companies					
Elisa	Finland	15,168	11.8	nm	0.00
Koninklijke KPN	Netherlands	14,388	40.3	0.52	0.10
Iliad	France	14,141	26.7	0.02	0.00
Tele2	Sweden	13,690	22.1	0.24	0.04
Telefonica Deutschland	Germany	12,586	19.5	0.64	0.19
GCI Liberty	US	10,202	nm	1.29	0.53
Telekom Austria	Austria	6,893	40.3	0.29	0.13
Sunrise Communications	Switzerland	5,871	28.8	0.06	0.00
Shenandoah Telecommunications	US	4,047	19.5	0.19	0.00
Masmovil Ibercom	Spain	3,603	41.3	1.01	0.11
Telephone & Data Systems	US	3,295	39.8	0.93	0.20
StarHub	Singapore	2,648	27.0	0.64	0.17
Euskaltel	Spain	1,983	55.8	0.82	0.34
TalkTalk Telecom	UK	1,806	45.5	0.98	0.13
Cincinnati Bell	US	1,180	74.2	nm	0.00
Consolidated Com. Holdings	US	650	85.4	0.80	0.04
Median				0.64	

Note:
1 As at 22 April 2020.
2 Gearing equals net debt divided by enterprise value.
3 Betas were obtained from Bloomberg and are based on four years of monthly returns to 22 April 2020.
4 R-squared is a statistical measure of how well the regression line approximates the real data points. It has a value between zero and 1.0. The closer r-squared is to 1.0 the more reliable the beta estimate.
5 Singapore Telecommunications (Singtel) operates as Optus in Australia.

38 The above betas vary widely reflecting differences in size, leverage and operational risks. The calculated beta estimates also vary depending on the index used and the period over which the beta is calculated. Individual stock betas are also generally less reliable than industry betas. As a result, it is important to also consider the related r-squared values shown above.

39 The r-squared value measures the reliability of the beta estimate, and ranges from zero (being not reliable) to 1.0 (highly reliable). As the above individual stock betas generally have low r-squared values we consider them to be of limited reliability for valuation purposes.

Industry betas

40 We have also considered beta estimates for the Australian telecommunications sector as well as the telecommunications sector in other regions. However, it should be noted that differences in the operating and regulatory environments in the international regions will impact the respective betas:

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Sector index betas

Index	Number of companies	Beta	R-squared
S&P/ASX 300 Telecommunication Services Index	8	0.59	0.16
MSCI Telecoms Service Sector			
World – Diversified	28	0.61	0.42
World – Wireless	10	0.68	0.38
World – Small Cap	185	0.78	0.69
Asia Pacific	85	0.75	0.55
Europe	34	0.85	0.51
North America	46	0.81	0.49
FTSE All World			
Fixed Line Teleco	45	0.60	0.40
Mobile Telecommunications	46	0.69	0.57
Dow Jones Telecommunications			
Global	114	0.65	0.60
Pacific excluding Japan	45	0.74	0.58
STOXX Europe 600 Telecommunications	19	0.73	0.42
S&P Telecom Select Industry Index (US)	41	0.89	0.66

Source: Bloomberg, based on four years of monthly returns to 22 April 2020.

41 As indicated above, the r-squared values of the industry betas are generally significantly higher than the individual stock betas, which indicates that they are more reliable.

Business risks

42 When assessing betas, it is also important to consider the overall reasonableness of the beta estimate having regard to, inter-alia, the systematic risks associated with the business:

(a) the NBN has commoditised product offerings, encouraged new entrants and increased competition in the broadband market. However, the significant reduction in TPG's gross margins due to customer transitions to the NBN is reflected in our cash flow forecasts

(b) the fixed broadband and mobile telecommunications markets in Australia are mature. As such, growth in subscriber numbers will become more dependent on market share gains which may lead to greater price competition

(c) technological change has had significant structural impacts on the telecommunications industry and is expected to continue. In particular, there is a risk that the strong growth in wireless internet use could detract from the market share held by fixed broadband services

(d) the telecommunications sector in Australia is heavily regulated and this is expected to continue.

Conclusion on beta

43 Having regard to the above, we have concluded that the beta for TPG should be less than the market average beta of 1.0. Accordingly, we have adopted a beta estimate of 0.85 to 0.95 for the TPG business.

Gearing

44 The gearing level adopted should represent the level of debt that the business can reasonably sustain and is not necessarily equivalent to the gearing level of the entity owning the asset. The factors that affect the "optimum" level of gearing will differ between businesses. Generally, the major issues to address in determining this optimum level will include:

(a) the variability in earnings stream

(b) working capital requirements

(c) the level of investment in tangible assets

(d) the nature and risk profile of the tangible assets.

45 In general, the lower the expected volatility of cash flows (i.e. risk), the higher the debt levels which can be supported (and vice versa). Furthermore, as the equity beta is a function of both business risk and financial risk (being the level of financial leverage or gearing), it is important that the WACC calculation adopts a level of gearing which is consistent with the gearing ratios of the listed companies for which equity betas were used to assess the appropriate beta. If this is not done then, in theory, the equity beta would need to be adjusted to reflect the different level of gearing adopted. However, this adjustment is subject to considerable estimation error and is therefore not preferred. Consequently, when assessing the appropriate gearing level, it is appropriate to consider the gearing levels of "comparable" listed companies over the period over which the beta estimates were calculated.

46 As indicated in paragraph 37 of this Appendix, the gearing ratios of the listed Australian telecommunications companies are generally in the range of 20% to 40%.

47 We also note that TPG and VHA have agreed that TPG can increase its net debt to approximately $2.5 billion by the Scheme Implementation Date. Based on this higher debt level, the enterprise value of TPG prior to the announcement of the Merger reflects the following gearing ratio (net debt divided by enterprise value):

TPG – gearing	Low $m	High $m
Enterprise value implied by TPG share trading(1)(2)	6,608	7,536
Agreed net debt at Scheme Implementation Date	2,508	2,508
Net debt / enterprise value	38.0%	33.3%

Note:
1 Refer Section VII. Based on TPG share price range of $5.50 to $6.50 per share.
2 Excluding the value attributed to TPG Singapore (which will be distributed to TPG shareholders prior to implementation of the Merger).

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48 However, this debt level is expected to decline over time as the business utilises operating cash flows to reduce debt. Accordingly, for the purposes of our discount rate assessment we have adopted a gearing ratio of 20% debt to 80% equity. This gearing ratio also recognises the debt servicing capacity of TPG.

Cost of debt

49 A cost of debt of 5% per annum has been adopted for TPG. This reflects a long-term borrowing margin of 2% above the risk-free rate. When forming this opinion, we have considered the terms of TPG's current debt facility, pursuant to which TPG pays interest equal to the Bank Bill Swap Rate plus a margin depending on TPG's gearing ratio. Whilst the current interest rate on this debt facility is less than 5% per annum, the maturity profile of the facility is only between 1.2 and 5.2 years (as at 31 July 2019), with a weighted average term of 2.6 years.

Calculation of WACC for TPG

50 Based on the above we have adopted a discount rate of 8% per annum (after tax) for TPG. As stated above, in the current market environment (due to COVID-19) we believe that it is appropriate to adopt a discount rate at the top end of our assessed range:

TPG – adopted discount rate[1]

Parameters	Low %	High %
Cost of equity		
Risk-free rate	3.0	3.0
MRP	6.5	6.5
Beta	0.85	0.95
Cost of equity	8.5	9.2
Cost of debt		
Pre-tax	5.0	5.0
After tax (x 0.7)	3.5	3.5
Proportion of equity funding	80.0	80.0
Proportion of debt funding	20.0	20.0
WACC	7.5	8.0
Adopted WACC (top end of range)	8.0%	

Note:
1 Rounding differences exist.

VHA discount rate

51 We have separately considered the appropriate discount rate for VHA. As noted above, the mobile telecommunications market in Australia is mature and price competition is high. However, we do not believe that VHA's discount rate would be materially different from TPG's.

52 We have therefore also applied a discount rate of 8% per annum when valuing VHA under the DCF method.

Appendix D

Listed company multiples

1 A summary of the EBITDA multiples of the ASX and international listed companies that provide telecommunications services are set out below. The companies have been categorised into those operating in Australia and New Zealand (Australasian), wireless operators and other international (diversified) telecommunications companies[162].

Listed company trading multiples(1)

Company	Primary country of operation	Enterprise value(2) $m	EBITDA multiple 2019(3)(4) x	EBITDA multiple 2020(4)(5) x	EBITDA CAGR(6) %
Australasian telecommunications companies					
Singapore Telecommunications	Singapore	62,946	9.0	9.7	(0.4%)
Telstra	Australia	50,761	6.5	7.5	(3.9%)
Spark New Zealand	Australia	9,106	9.6	9.5	2.2%
TPG	New Zealand	8,524	10.3(7)	11.1(7)	(2.8%)
Chorus	New Zealand	4,927	8.7	8.5	1.9%
Vocus Group	Australia	2,705	7.5	7.9	2.4%
HTA	Australia	2,033	na	na	na
		Median	8.9	9.0	
Wireless telecommunications companies					
T-Mobile US	US	273,664	nm(8)	8.2	nm(8)
Vodafone Group	UK	157,820	5.7	6.2	(1.3%)
1&1 Drillisch	Germany	7,579	6.5	6.5	(0.1%)
Freenet	Germany	6,118	3.9	3.9	(3.9%)
United States Cellular	US	6,081	9.3	9.4	(1.2%)
PLAY Communications	Luxembourg	5,566	6.7	6.5	4.0%
		Median	6.6	6.5	
International diversified telecommunications companies					
Koninklijke KPN	Netherlands	24,102	6.1	5.9	2.4%
Iliad	France	19,310	7.1	6.4	11.1%
Tele2	Sweden	17,577	12.0	11.2	6.2%
Elisa	Finland	15,632	4.8	5.0	2.4%
Telefonica Deutschland Holding	Germany	11,549	4.9	4.9	1.2%
Telekom Austria	Austria	8,246	8.1	8.1	1.2%
Sunrise Communications Group	Switzerland	7,449	3.7	3.8	1.0%
Telephone & Data Systems	US	6,140	8.3	6.5	(1.8%)
Masmovil Ibercom	Spain	5,026	12.0	11.3	17.7%
Shenandoah Telecommunications	US	4,577	7.5	7.1	na
Cincinnati Bell	US	4,514	5.5	5.4	1.8%
Consolidated Com. Holdings	US	4,485	8.1	8.0	(1.4%)
Euskaltel	Spain	3,722	6.1	5.9	3.2%
StarHub	Singapore	19,310	7.1	6.4	0.4%
TalkTalk Telecom Group	UK	17,577	12.0	11.2	10.4%
GCI Liberty	US	17,202	15.5	15.0	3.7%
		Median	7.5	7.0	

162 The diversified telecommunications companies included in the table have an enterprise value of between $2 billion and $30 billion (i.e. of a roughly similar size to the subject entities of this report).

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Note:

1 Enterprise value and earnings multiples calculated as at 22 April 2020.
2 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), preference shares, convertible notes, net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and buybacks, and excludes surplus assets.
3 Historical earnings is based on latest statutory full year accounts and excludes non-recurring items, significant write downs, realised investment gains or losses, and restructuring charges.
4 Historical and forecast earnings have been adjusted to remove the impact of IFRS 16 (or the equivalent accounting standards in each respective country).
5 Forecast earnings is based on Bloomberg analyst forecasts (excluding outliers and outdated forecasts).
6 CAGR covers a three year period including the latest historical year.
7 The implied multiples for TPG reflect, inter-alia, the announcement of the Federal Court decision on 13 February 2020 that granted permission for the Merger with VHA to proceed. The implied multiples are therefore not necessarily a representation of the level that TPG would trade on in absence of the Merger.
8 Due to the merger with Sprint Corporation, the historical earnings and hence implied historical EBITDA multiple are not meaningful as they represent the standalone pre-Merger earnings of T-Mobile.

na – not available. nm – not meaningful.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.

Australasian telecommunications companies

Singapore Telecommunications Ltd

2 Singtel owns a diverse range of communication companies in the Asia Pacific region, including in Singapore, Australia, South East Asia and Africa. Its services include fixed line, mobile, data, internet, info-communications technology, satellite and pay television. The company's operations include Optus (Australia's second largest telecommunications company) and investments in a number of regional mobile operators, including Telkomsel (Indonesia), Globe Telecom (the Philippines), Advanced Info Service (Thailand), PBTL (Bangladesh) and Bharti Airtel (India, Sri Lanka and Africa). Singtel is majority owned by the Singaporean Government.

Telstra Corporation Ltd

3 Telstra is Australia's largest telecommunications company, offering a full range of communications services and competing in all telecommunications markets. The company primarily provides mobile, internet, data and IP, network application and digital media services. Telstra also owns 35% of Foxtel with News Corporation Ltd owning 65%. In December 2014, Telstra and the Australian Government amended a 2011 agreement (which originally involved the disconnection of the Telstra copper and HFC networks) to progressively transfer control of its copper and HFC cable network assets to NBN Co.

Spark New Zealand Ltd

4 Spark New Zealand provides digital communications, entertainment and information technology services to New Zealand consumers and businesses. The company represents the larger proportion of the Telecom Corporation of New Zealand business, prior to the split of its

retail operations (Spark New Zealand) and infrastructure assets (Chorus) in December 2011. Spark New Zealand is made up of a number of core businesses, including Spark Home, Mobile & Business, Spark Digital and Spark Ventures.

TPG Telecom Ltd

5 TPG is a provider of consumer, small to medium business, corporate and wholesale telecommunications services including fixed internet, voice, mobile and data services. It owns Australia's second largest fixed voice and data network, with over 27,000 km of metropolitan and inter-capital fibre, as well as end-to-end infrastructure including over 400 DSLAM enabled telephone exchanges and the international submarine cable connecting Australia with Guam. TPG is also in the process of launching a mobile network in Singapore and has on-boarded more than 400,000 subscribers to date for free trial of its service.

Chorus Ltd

6 Chorus is a wholesale focused telecommunications company and is New Zealand's largest fixed line telecommunications infrastructure provider. It was previously a part of Telecom Corporation of New Zealand before its demerger in 2011. The company provides wholesale access to its copper and fibre network infrastructure, in addition to providing backhaul services to retail service providers. Chorus is also involved in the New Zealand Government's rollout of an ultra-high-speed broadband network. The network will provide broadband via FTTP technology to 87% of the population and is expected to be completed by the end of 2023.

Vocus Group Ltd

7 Vocus Group is a provider of integrated telecommunications services, including internet, fibre solutions, international IP transit, data centre facilities, unified communications and cloud services. In February 2016, Vocus Group merged with M2 Group Limited to create the fourth and third largest telecommunications company in Australia and New Zealand respectively. In addition to its fibre network, the company owns submarine cable assets and capacity connecting Australia to Singapore, Hong Kong, New Zealand and the US. Vocus Group also operates a retail business unit, reselling broadband, mobile, voice and energy products and services to business and retail consumers under various brands including Dodo, iPrimus and Commander.

Hutchison Telecommunications Australia Ltd

8 HTA is an Australian listed telecommunications company. The company established operations in Australia in 2003 with the "3" brand which operated Australia's first 3G mobile network. In 2009, the company merged with Vodafone Australia, forming VHA, of which HTA retained 50% ownership of the merged entity. HTA's operations are now entirely focused on its joint venture interest in VHA, which provides mobile voice and broadband services to its customer base of more than 6 million users. VHA has approximately 2,500 employees, operating out of around 100 company owned retail stores and corporate offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

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Wireless telecommunications companies

T-Mobile US Inc.

9 T-Mobile US is a US based wireless communication company whose majority shareholder is the German telecommunications company Deutsche Telekom AG. It provides wireless communication services to over 86 million customers through its two brands, T-Mobile and Metro by T-Mobile, as well as wholesale services through MVNO arrangements. On 29 April 2018, T-Mobile US announced plans to merge with Sprint Corporation, which would combine the third and fourth largest wireless carriers in the US. The merger completed on 1 April 2020 after a favourable decision by the Federal Court in New York allowed the merger to proceed, creating the third largest wireless provider in the US.

Vodafone Group Plc

10 Vodafone Group is a British multinational telecommunications company with operations spanning Europe, Asia, Africa, the Middle East and Oceania. The company has historically focused on the wireless telecommunications sector, with 625 million mobile customers as at 31 December 2019. As at this date, the company also had 27 million fixed broadband and 22 million television customers. Vodafone Group is also the 50% owner of VHA. In May 2018, Vodafone Group completed the acquisition of Liberty Global's assets in Germany, the Czech Republic, Hungary and Romania, positioning the company as Europe's largest next-generation network.

1&1 Drillisch AG

11 1&1 Drillisch is a German based telecommunications company that provides a range of mobile and data services. 1&1 Drillisch operates through its five subsidiaries of 1&1 Telecommunications (a provider of mobile and internet services in Germany), Drillisch online (an MVNO provider), Drillisch Logistik (hardware supplier), IQ Optimize (software technology) and Mobile Ventures (corporate venture capital). As at 30 September 2019, the company had 9.8 million MVNO subscribers and 4.3 million fixed line customers.

Freenet AG

12 Freenet is a German network-independent telecommunications provider with approximately 13 million customers. The company's primary activities are divided into two segments. Its core Mobile Communications segment offers MVNO voice and data services and sells hardware mobile devices. The company's Television and Media segment, through Media Broadcast GmbH (Cologne), and a majority interest in EXARING AG (Munich) are engaged in the transmission of television content from public and private broadcasters.

United States Cellular Corporation

13 United States Cellular is a US based provider of wireless telecommunications services targeting retail consumers, SMEs and government entities. The company offers a range of wireless services from its 3G and 4G LTE networks, which it operates from 6,578 cell sites. As at 31 December 2019, United States Cellular operated across 20 states, serving 4.4 million post-paid and 0.5 million pre-paid customers.

PLAY Communications SA

14 PLAY Communications is the holding company for Play Group, which operates the Play brand. Play is currently the largest mobile network operator in Poland with 15.3 million subscribers (as of 31 December 2019). It provides mobile voice, messaging and data services to consumers and businesses on a contract and pre-paid basis. Play Communications has a mobile network of 7,868 sites which provides 4G coverage. The company has commenced rolling out its 5G network which provides 5G coverage to 48.3% of the Polish population (as at 31 December 2019).

Diversified telecommunications companies

Koninklijke KPN NV

15 Koninklijke KPN is a Netherlands based landline and mobile telecommunications company. The company delivers a range of telephone, internet and TV services through its fixed and mobile networks. In addition to its traditional services, Koninklijke KPN also offers infrastructure and network information communications technology solutions to commercial customers including other telecommunications carriers. As of 31 December 2019, the company had 5.4 million post-paid, 3.2 million broadband, 2.2 million interactive television, 1.4 million fixed mobile households and 1 million wholesale fixed line customers.

Iliad SA

16 Iliad is a French integrated telecommunications company that provides mobile, fixed line telephone and high-speed internet services in Europe. It offers various mobile services, internet access solutions under the “Free” and “Alice” brands, telephony services, TV services and value added services comprising catch up television, video on demand and video games. As of 31 December 2019, the company had 13.3 million subscribers on its mobile plans and 6.5 million broadband subscribers in France.

Tele2 AB

17 Tele2 is a Swedish telecommunications company that provides a range of mobile, data, broadband and telephone services in Europe. In November 2018, Tele2 merged with Swedish fixed line provider Com Hem Holding, and now has operations that cover Sweden, Lithuania, Latvia, Estonia and Germany. In March 2020, the company exited the Croatian market, completing the sale of Tele2 Croatia to United Group. Services are provided on either company owned or rented networks. As of 31 December 2019, Tele2 had revenue generating units totalling 9.6 million across all markets.

Elisa OYJ

18 Elisa OYJ is a Finnish telecommunications and digital services company which operates two segments, being Consumer Customers (voice and data services) and Corporate Customers (voice and data services and contact centre services). As of 31 December 2019, the company had 2.8 million consumers, companies and public administration organisations with a total of over 6.3 million subscriptions across Finland and Estonia. Its services are provided under the “Elisa” and “Saunalahti” brands and the company maintains a global alliance partnership with Vodafone Group.

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Telefonica Deutschland Holding AG

19 Telefonica Deutschland Holding is a German telecommunications company specialising in providing mobile and fixed line services for private and business customers. The company operates its mobile network exclusively in Germany with 43.8 million mobile connections (as of 31 December 2019). Its mobile services are offered through its core brand "O_2" and through its secondary and partner brands of Blau, AY YILDIZ, Ortel Mobile, AldiTalk and Tchibo mobil. The company also offers a range of fixed line telephone and high-speed internet services.

Telekom Austria AG

20 Telekom Austria is a provider of a range of fixed line, broadband internet, multimedia services, data, IT solutions, wholesale and mobile payment solutions. Its largest subsidiary is the Austrian telecommunications provider A1 Telekom Austria. The company also operates in Bulgaria, Croatia, Slovenia (A1), Belarus (velcom), Serbia (Vip mobile) and North Macedonia (one.Vip). As of 31 December 2019, Telekom Austria had 21.3 million mobile subscribers and 6.1 million fixed line subscribers.

Sunrise Communications Group AG

21 Sunrise Communications Group is the largest telecommunications company in Switzerland, providing a range of wireless and fixed network communication and internet based services. As at 31 December 2019, the company serviced approximately 3.4 million mobile connections, 0.5 million fixed line phone connections, 0.5 million fixed line internet connections and 0.3 million TV connections. Sunrise Communications Group operates through its brands Sunrise, Business Sunrise, Aldi Suisse Mobile, yallo, Ortel Mobile and Lebara.

Telephone & Data Systems Inc.

22 Telephone & Data Systems is a diversified US telecommunications company offering wireless services, through its 82% owned business United States Cellular, and a range of other telecommunications services such as fixed line, cable and hosted and managed data services through its TDS Telecom brand. The United States Cellular business operates its wireless business across 4G and 3G networks and services 4.9 million customers, while TDS Telecom provides wireline and cable services to 1.2 million customers. Telephone & Data Systems employs approximately 2,900 staff and operates across 32 states in the US as at 31 December 2019.

Masmovil Ibercom SA

23 Masmovil Ibercom is the fourth largest telecommunications operator in Spain, offering fixed line, mobile, and internet services to residential customers, businesses and other operators. The company has its own network infrastructure for fixed fibre, ADSL, 3G and 4G services. Through its brands Masmovil, Yoigo, Pepephone, Embou, Hits Mobile, Llamaya and Lebara, the company has 8.9 million contracted lines and access to more than 23 million homes with its fixed fibre network. The company's 4G mobile network, which includes its own infrastructure combined with partnerships with other operators, covers 98.5% of the Spanish population.

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Shenandoah Telecommunications Company

24 Shenandoah Telecommunications is the operator of Shentel, a US based telecommunications company operating in the regions of Virginia, West Virginia, central Pennsylvania, western Maryland, and parts of Kentucky and Ohio. The company offers a suite of mobile and fixed line telephone, cable TV and internet services. As at 31 December 2019, the company had around 1.1 million wireless customers through its affiliate agreement with Sprint Corporation, in addition to 100,000 broadband customers. The company also owns 225 cell towers and leases co-location space on those towers internally to its wireless division, and externally to other wireless communications operators.

Cincinnati Bell Inc.

25 Cincinnati Bell is a US based telecommunications company specifically serving customers in Cincinnati, Dayton and other areas of Ohio, as well as Hawai'i (following the acquisition of Hawaiian Telcom). The company offers a range of communication, entertainment and information technology services including high-speed internet, high definition TV and telephone services. Cincinnati Bell has a combined fibre network of approximately 17,000 fibre route miles across Cincinnati and Hawai'i. As at 31 December 2019, the company had a total of approximately 500,000 subscribers in Cincinnati and 140,000 subscribers in Hawai'i.

Consolidated Communications Holdings Inc.

26 Consolidated Communications Holdings is a US broadband and business communications provider serving consumers, businesses and wireless carriers across a service area of 23 states in the US. Leveraging its optical fibre network (which spans more than 37,000 miles), the company offers a wide range of communications solutions, including data, voice, video, managed services, cloud computing and wireless backhaul. As at 31 December 2019, the company had 0.8 million voice connections, 0.8 million data and internet connections and 0.1 million video connections.

Euskaltel SA

27 Euskaltel is the leading telecommunications company in Northern Spain with the largest optical fibre network in the region. The company provides wireless mobile and fixed line telephone, broadband and digital TV services with a total service coverage of 2.8 million residential, business and wholesale customers. Euskaltel delivers fixed line services to its customers through its optical fibre infrastructure and mobile services via MVNO arrangements with retailers Orange España and Telefónica de España.

StarHub Ltd

28 StarHub is a Singapore based company that delivers communications, entertainment and digital solutions. The company provides a range of mobile, pay TV, broadband, fixed network services and equipment sales. It operates 4G, 3G and 2G mobile networks delivering services to 2.2 million consumers. It also services corporate and government clients with solutions incorporating artificial intelligence, cyber security, data analytics and robotics. StarHub services 0.5 million customers on its island wide hybrid fibre coaxial network and 0.3 million pay TV customers.

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TalkTalk Telecom Group Plc

29 TalkTalk Telecom Group is a provider of fixed line broadband, voice telephony, mobile and TV services in the UK. The company serves over 4.3 million residential and business customers under the TalkTalk and TalkTalk Business brands. Its residential packages include broadband, fixed line phone, TV and mobile services. TalkTalk Business is Britain's largest business-to-business broadband provider, partnering with over 650 wholesalers to deliver broadband to over 1 million business and consumer customers across the UK.

GCI Liberty Inc.

30 GCI Liberty is a US based telecommunications company and the largest communications provider in Alaska. The company offers data, wireless, video, voice, and managed services to residential customers, businesses, governmental entities, and educational and medical institutions. It offers wholesale access to GCI's (a subsidiary company) wireless network as well as access to a fixed line network through its hybrid optical fibre cable, satellite communications and digital microwave system. As at 31 December 2019, GCI Liberty had approximately 430,000 consumer customers and 63,000 business customers across its various service offerings.

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Transaction evidence

1 We have considered transactions involving businesses operating in both the Australasian and international telecommunications industry since June 2013[163]. The implied multiples from these transactions and a brief description of the company's activities at the date of the acquisition, are set out below.

Telecommunications transactions					
			Enterprise value[(2)]	EBITDA multiples	
				Historical	Forecast
Date[(1)]	Target	Acquirer	$m	x	x
Australasian telecommunications transactions					
May 19	Vodafone NZ	Infratil & Brookfield	3,220	7.3	7.2
Sep 16	BigAir Group	Superloop	230	10.3	9.2
Jun 16	Nextgen Networks	Vocus Com.	700	na	10.7
Sep 15	M2 Group	Vocus Com.	2,285	11.0	9.7
May15	iiNet	TPG Telecom	1,952	10.0	9.9
Apr 15	Call Plus Group	M2 Group	246	6.9	5.6
Dec 14	Amcom Telecom.	Vocus Com.	608	13.0	12.3
Dec 13	Telecom NZ Australia	TPG Telecom	450	8.2	6.4
Jul 12	TelstraClear	Vodafone NZ	647	6.6	na
International telecommunications transactions[(3)]					
Feb 20[(4)]	Sprint Corporation	T-Mobile	105,572	6.2[(5)]	6.6[(5)]
Jan 20	Vodafone Egypt	Saudi Telecom Company	5,845	7.0	na
Apr 19	DNA	Telenor	5,217	11.6	11.1
Sep 18	M1	Consortium	2,305	7.4	8.0
May 18	Liberty Global businesses	Vodafone Group	28,939	11.1	10.9
Feb 18	TDC	Consortium	12,535	7.2	7.2
Jan 18	Com Hem Holding	Tele2	5,663	12.4	12.1
Apr 17	General Communication	Liberty Interactive	3,541	9.3	8.6
Dec 16	FairPoint Com.	Consolidated Com.	2,221	6.5	6.6
Oct 16	Level 3 Communications	CenturyLink	44,169	12.7	11.6
May 16	Manitoba Telecom Services	BCE	4,065	8.5	8.4
Nov 15	Cable & Wireless Com.	Liberty Global	11,288	10.7	na
Jul 15	R Cable	Euskaltel	1,725	10.9	na
Apr 15	BASE Company	Telenet Group	1,842	7.7	8.0
Dec 14	Orange Communications	NJJ Capital	3,499	7.6	na
Dec 14	EE	BT Group	23,804	7.9	na
Nov 14	Portugal Telecom	Altice	10,465	7.2	na
Sep 14	Jazztel	Orange	5,446	20.7	13.6
Jul 14	Bell Aliant	BCE	10,419	8.3	na
Jun 14	tw telecom	Level 3 Com.	7,743	13.2	12.7
Jan 14	Ziggo	Liberty Global	15,647	11.3	11.1
Dec 13	AT&T's Connecticut fixed line business	Frontier Communications	2,268	6.0	na
Jul 13	E-Plus	Telefonica Deutschland	12,162	7.7	na
Jul 13	Leap Wireless International	AT&T	4,387	7.2	8.5
Jun 13	Kabel Deutschland Holding	Vodafone Group	15,095	12.3	11.2

163 With the exception of the TelstraClear transaction, which was announced in June 2012.

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Note:
1 Date of announcement.
2 100% basis. Transactions denoted in a foreign currency have been translated to Australian dollars at the exchange rate on the relevant transaction dates.
3 International transactions consider those with an enterprise value between \$1.5 billion and \$50 billion (excluding the Sprint transaction).
4 The Sprint Corporation / T-Mobile merger was originally announced on 29 April 2018, with revised terms announced on 20 February 2020.
5 Sprint Corporation accounts for handset transactions in its financial statements as leases and the related operating expense is reported as equipment depreciation. For the year to 31 December 2019, equipment lease depreciation was \$4.18 billion. If equipment lease depreciation is notionally reclassified as an operating expense, EBITDA would reduce by \$4.18 billion and the historical and forecast EBITDA multiples implied by the transaction would increase to 9.8 times and 10.9 times respectively.
na – not available.
Source: LEA analysis using data from ASX announcements, analyst reports and company annual reports.

Australasian telecommunications transactions

Vodafone NZ

2 Vodafone NZ is an integrated telecommunications company that provides mobile, fixed line broadband, telephone and TV services to consumer, enterprise and wholesale customers throughout New Zealand. Vodafone NZ is the largest provider of mobile services in New Zealand and the second largest provider of fixed broadband. The business has an extensive mobile network, providing 98% population coverage across New Zealand, alongside its extensive national infrastructure of mobile towers, spectrum and fibre assets.

BigAir Group Limited

3 BigAir Group is an integrated telecommunications carrier providing network infrastructure, managed services, cloud-based solutions and fully managed campus-based networking solutions to corporate and wholesale customers across Australia. The company owns and operates Australia's largest metropolitan fixed wireless broadband network, which provides extensive coverage across major cities and regional locations.

Nextgen Networks

4 Nextgen Networks is a telecommunications company that provides transmission links, switched data services and high-speed internet to corporate, wholesale, business and government customers. It owns a fibre backhaul network that has taken more than a decade to deploy and represents in excess of \$1 billion of investment. The network covers some 17,000 km, connecting capital cities to regional and remote areas.

M2 Group Ltd

5 M2 Group is a provider of a range of telecommunication services to Australian and New Zealand households and small businesses. In Australia, M2 Group operates under the Commander, Engin, Dodo and iPrimus brands and provides Australian households and businesses with low-cost telecommunications services. In New Zealand, M2 Group operates

under the brands of CallPlus, Slingshot, Orcon, 2Talk and Flip. M2 Group also offers energy and insurance services.

iiNet Ltd

6 iiNet is Australia's second largest DSL internet services provider. The company maintains its own broadband network and provides over 1.9 million broadband, telephony, mobile and IPTV services to approximately 975,000 customers Australia-wide. iiNet employs more than 2,000 staff across three countries, 80% of whom are employed to directly service the customer base.

Call Plus Group

7 Call Plus Group is New Zealand's third largest provider of broadband and fixed voice services, offering more than 400,000 services across the consumer, business and wholesale market segments. Its consumer brands include Slingshot, Orcon and Flip, while the Call Plus Business and 2Talk brands service the small to medium business market. In June 2014, Call Plus Group acquired rival Orcon which at the time gave Call Plus a 15% market share and a customer base of more than 220,000.

Amcom Telecommunications Limited

8 Amcom Telecommunications is an Australian based IT and telecommunications company headquartered in Perth. The company's product set includes national data network access, unified communications, cloud solutions and managed services. These services are supported by its extensive optical fibre network and a range of IT services including advisory, integration and security solutions.

Telecom New Zealand Australia Pty Ltd

9 Telecom New Zealand Australia (including AAPT) is a telecommunications company that offers voice, internet, data and cloud services for business and wholesale customers in Australia. The company owns telecommunications infrastructure including 11,000 km of optical fibre, 15 data centres and fibre access to 1,500 premises with coverage to over 950,000 businesses in metropolitan areas.

TelstraClear Limited

10 TelstraClear owns New Zealand's second largest fixed telecommunications infrastructure, which includes 6,600 km of fibre (connecting 19 of the country's largest cities), an extensive local access network (with 2,000 km of fibre and 4,500 km of copper) as well as a cable TV and broadband access network passing 150,000 homes in Wellington and Christchurch. Its customer base includes government and large corporations, SMEs and consumers.

International telecommunications transactions

Sprint Corporation

11 Sprint Corporation is a US based telecommunications company that provides a range of wireless and wired communications products and services to individual, business, government and wholesale customers. The company services customers under a number of retail brands including Sprint, Boost Mobile, Virgin Mobile and Assurance Wireless. As at 31 December 2019, Sprint Corporation provided approximately 54.2 million connections

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(including 33.8 million post-paid, 8.3 million pre-paid and 12.1 million wholesale and affiliate connections).

Vodafone Egypt

12 Vodafone Egypt is the largest mobile operator in Egypt with a market share of 40% and some 44 million subscribers. The transaction was undertaken pursuant to a long-term Partner Market Agreement (for an annual partner market fee), which included the use of the Vodafone brand, preferential roaming arrangements, access to Vodafone's central procurement function and a range of other services.

DNA Oyj

13 DNA is a telecommunications company that provides voice, data, mobile and cable TV services to customers throughout Finland. At the time of the acquisition, DNA was the third largest mobile services provider in Finland, with a mobile market share of approximately 28% and some 2.9 million subscribers. In addition, DNA was the largest provider of cable TV and second largest provider of fixed broadband services in Finland.

M1 Limited

14 M1 is a Singaporean telecommunications company that provides mobile and fixed services to consumer and corporate customers. The company operates high-speed broadband, fixed voice and other services on Singapore's Next Generation Broadband Network. Around the date of acquisition, M1 serviced around 2 million mobile customers and 0.2 million fixed broadband customers.

Liberty Global's operations in Germany, the Czech Republic, Hungary and Romania

15 Liberty Global's operations included as a part of the transaction comprised Unitymedia in Germany, UPC Czech, UPC Hungary and UPC Romania. Unitymedia is the second largest cable operator in Germany with cable passing 13 million homes and services provided to 7.2 million customers. UPC Czech and UPC Hungary are the largest cable operators in the Czech Republic and Hungary respectively, and UPC Romania is the second largest next-generation network operator in Romania.

TDC A/S

16 TDC is a telecommunications company that provides broadband, landline voice, mobile voice and TV services to residential, business and wholesale customers in Denmark and Norway. At the time of the acquisition, TDC was the largest provider of communication and entertainment services in Denmark and was the second largest provider of both pay TV and internet services in Norway.

Com Hem Holding AB

17 Com Hem Holding is a Swedish telecommunications company providing fixed line high-speed broadband, telephone and digital television. As of 30 June 2018, the company served 1.7 million residential customers through its HFC and local area networks. As at this date the company also serviced 0.8 million broadband subscribers and 0.7 million digital TV subscribers.

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General Communication Inc.

18 General Communication is the largest communications provider in Alaska, providing data, wireless, video, voice and managed services to consumer and business customers in some of the most remote and challenging conditions in North America. The company also operates in other states throughout the US. General Communication is headquartered in Anchorage, Alaska and has approximately 2,300 employees.

FairPoint Communications Inc.

19 FairPoint Communications is a telecommunications company providing internet, phone, TV, business voice and data services to consumers, businesses and telecommunication carriers across 17 states throughout the US. The company operates its own fibre-based ethernet network which spans over 21,000 route miles of fibre, including 17,000 route miles of fibre in northern New England. At the time of the acquisition FairPoint Communications had approximately 2,600 employees.

Level 3 Communications Inc.

20 Level 3 Communications provides telecommunication services to enterprise, government and carrier customers in over 60 countries. The company provides a diverse range of services including fibre and infrastructure solutions, IP-based voice and data communications, wide-area ethernet services, video and content distribution as well as data centre and cloud based solutions.

Manitoba Telecom Services Inc.

21 Manitoba Telecom Services is a telecommunications company that provides a diverse range of wireless and fixed line communication services to residential and commercial customers in the province of Manitoba, Canada. The company's services include wireless, internet, TV, security systems, IP networking, phone services, technology infrastructure, application development, managed services, networking services and unified cloud services.

Cable and Wireless Communications Limited

22 Cable and Wireless Communications provides video, broadband internet, telephone and mobile services to residential and business customers predominantly throughout the Caribbean and Latin America. The company owns extensive sub-sea and terrestrial optical fibre cable networks that connect over 30 markets throughout the Caribbean and Latin America. It also operates the largest telephone network (based on subscribers) in Panama, Jamaica, Barbados and the Bahamas.

R Cable Y Telecomunicaciones De Galicia S.A.

23 R Cable Y Telecomunicaciones De Galicia is a telecommunications company that provides fixed telephone, broadband, TV and mobile services to residential and enterprise customers in Galicia, Spain. The company operates its own fibre network which provides access to more than 935,000 homes and businesses in Galicia as well as a 4G network that covers 63% of Galicia. It also provides mobile services through a MVNO agreement with Vodafone Group.

BASE Company NV

24 Base Company provides mobile and fixed line telephony services to retail and enterprise customers. The company is the third largest MNO in Belgium with some 3.3 million mobile

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subscribers and a mobile services revenue market share of approximately 21%. Base Company operates under the brand names BASE, BASE Business and Ortel Mobile and also provides wholesale services through several MNVO agreements.

Orange Communications SA

25 Orange Communications SA is one of the leading mobile operators in Switzerland. The company provides customers, businesses and telecommunication operators with a wide range of services including mobile telecommunications, data transmission, internet and other value-added services. At the time of the acquisition, the company had 871 employees and operated from more than 2,700 outlets across Switzerland.

EE Limited

26 EE is the UK's largest mobile communications provider which as at 31 December 2014 had approximately 30.9 million connections and a mobile market share of 32%. The company operates exclusively in the UK through the EE, Orange and T-Mobile brands. EE offers mobile services (consisting of voice, messaging and data services), fixed voice and broadband services to both retail and business consumers.

Portugal Telecom

27 Portugal Telecom, a subsidiary of Grupo Oi SA, provides mobile, internet and pay TV services to retail and business customers throughout Portugal. At the time of the acquisition, the company was Portugal's largest provider of fixed broadband and mobile services, with market shares of approximately 51% and 47% respectively. It was also the number one business services operator and a leading cloud services provider.

Jazztel Plc

28 Jazztel is a telecommunications service provider that offers fixed telephone, fixed broadband and mobile services to residential customers throughout Spain as well as specialised telecommunication services for corporate and wholesale customers. The company operates a proprietary network spanning 20,635 km, with 6,954 km of local access fibre and covers more than 1.2 million households in Spain with its fibre to the home network.

Bell Aliant Inc.

29 Bell Aliant is one of North America's largest regional communications providers and was the first company in Canada to cover an entire city with high-speed fibre to the home internet technology. The company provides a diverse range of telecommunication services including voice, data, internet, video and value-added business solutions to customers across six Canadian provinces.

tw telecom Inc.

30 tw telecom is a leading provider of managed services including business ethernet, data networking and converged and IP-VPN solutions for enterprises throughout the US. The company also provides secure, scalable private connections for transport data networking, internet access, voice, VoIP and security to large organisations and communication service providers. tw telecom is headquartered in Littleton, Colorado.

Ziggo N.V.

31 Ziggo is the largest cable operator in the Netherlands, providing digital cable TV, broadband internet and telephone services to residential and commercial customers. As at 31 December 2013, the company had 2.3 million digital TV customers, 1.9 million broadband internet customers and 1.6 million telephone customers. Ziggo is headquartered in Utrecht, Netherlands and has approximately 3,350 employees.

AT&T's Connecticut fixed line business

32 AT&T's Connecticut fixed line business (including a state-wide fibre network) provides broadband, internet and voice services to residential, commercial and wholesale customers. The transaction also included AT&T's U-verse video and satellite TV customers. At the time of the acquisition, the combined businesses had approximately 415,000 data, 900,000 voice and 180,000 video residential connections.

E-Plus Mobilfunk GmbH & Co. KG

33 E-Plus Mobilfunk GmbH & Co. is one of the leading telecommunication providers in Germany, offering mobile, broadband and other telecommunication services to retail customers. At the time of the acquisition, E-Plus was Germany's fourth largest mobile service provider, with a market share of approximately 14.1%. It was also the fastest growing German mobile services company over the two years to 2012.

Leap Wireless International Inc.

34 Leap Wireless International is a wireless communications carrier that offers digital wireless services throughout the US under its "Cricket" brand, which provides customers with unlimited nationwide wireless services for a flat rate without requiring a fixed term contract or credit check. As at 31 December 2012, the company had approximately 5.3 million customers and offered its services across 48 states and the District of Columbia.

Kabel Deutschland Holding AG

35 Kabel Deutschland Holding is one of Germany's leading telecommunications providing cable, TV, telephony and broadband services to approximately 8.5 million connected households across Germany. At the time of the acquisition, Kabel Deutschland Holding had approximately 5 million broadband customers, 7.2 million TV customers and 32.4 million mobile subscribers.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix F

Glossary

Term	Meaning
1HY	First half of financial year
2HY	Second half of financial year
AAPT	AAPT Limited
AASB	Australian Accounting Standards Board
AASB 15	AASB 15 – *Revenue from Contracts with Customers*
AASB 16	AASB 16 – *Leases*
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
ACT	Australian Capital Territory
ADSL	Asymmetrical digital subscriber line
ADSL2+	An ADSL service with extended capability due to doubled downstream channels
AER	Australian Energy Regulator
AFCA	Australian Financial Complaints Authority
ARPU	Average revenue per user
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BAU	Business as usual
CAGR	Compound annual growth rate
CAPM	Capital asset pricing method
CEO	Chief executive officer
CGB	Commonwealth Government Bonds
Corporations Act	*Corporations Act 2001 (Cth)*
Corporations Regulations	*Corporations Regulations 2001*
COVID-19	Coronavirus pandemic
CVC	Connectivity virtual circuit
CY	Calendar year
DCF	Discounted cash flow
DSL	Digital subscriber line
DSLAM	Digital subscriber line access multiplexers
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
FSG	Financial Services Guide
FTTB	Fibre-to-the-building
FTTC	Fibre-to-the-curb
FTTN	Fibre-to-the-node
FTTP	Fibre-to-the-premises
FY	Financial year ended 30 June
GB	Gigabyte
Gbps	Gigabits per second
GFC	Global financial crisis
GHz	Gigahertz
GSM	Global System for Mobile communication
GST	Goods and services tax
HFC	Hybrid fibre-coaxial
HTA	Hutchison Telecommunications (Australia) Limited
IER	Independent expert's report

Appendix F

Term	Meaning
iiNet	iiNet Limited
Implementation Date	The Scheme implementation date to effect the Merger
IoT	Internet-of-Things
IP	Internet protocol
IPTV	Internet protocol televison
IP-VPN	Internet protocol virtual private networks
IRU	Indefeasible rights of use
IT	Information technology
km	Kilometre
Kogan	Kogan.com Limited
LEA	Lonergan Edwards & Associates Limited
Lebara	Lebara Group B.V
LTE	Long Term Evolution
M2M	Machine-to-Machine
Mbps	Megabits per second
Merged Group	The entity resulting from the merger of TPG and VHA
Merger	The proposed merger of TPG and VHA
MHz	Megahertz
MNO	Mobile network operator
Mobile JV	Mobile JV Pt Ltd, being the 50:50 joint venture between TPG and VHA to acquire, hold and licence 3.6 GHz spectrum
MRP	Market risk premium
MVNO	Mobile virtual network operator
NB-IoT	Narrowband Internet-of-things
NBN	National Broadband Network
NBN Co	National Broadband Network Co Limited
NBN tax	Telecommunications (Regional Broadband Scheme) Charge Bill 2019, under which internet providers will be charged a $7.10 monthly fee (indexed on an annual basis) for each household and business customer which is not using the NBN
Nokia	Nokia Solutions and Networks Australia Pty Limited
NPAT	Net profit after tax
NPV	Net present value
NSW	New South Wales
Off-net	Broadband plans offered over a network owned by another provider
On-net	Broadband plans offered over an internet service provider's own network
Optus	Singtel Optus Pty Limited
OTT	Over-the-top
PABX	Private automatic branch exchange
PSTN	Public switch telephone network
RBA	Reserve Bank of Australia
RG 111	Regulatory Guide 111 – *Content of expert reports*
RKR	ACCC Internet Activity Record Keeping Report
S$	Singapore dollar
Scheme	Scheme of arrangement in order to implement the Merger
SID	Scheme Implementation Deed
SIM	Subscriber identification module
Singtel	Singapore Telecommunications Limited
SME	Small to medium enterprise
SMS	Short message Service
Soul Pattinson	Washington H Soul Pattinson and Company Ltd

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix F

Term	Meaning
Special Dividend	TPG expects to declare a fully franked special dividend prior to implementation of the Merger which will be paid to TPG shareholders
Telstra	Telstra Corporation Limited
TPG	TPG Telecom Limited
TPG Forecast Period	Period to 31 July 2022
TPG Singapore	TPG Telecom Pte Limited
TV	Television
US	United States of America
VDSL	Very high bit rate digital subscriber line
VHA	Vodafone Hutchison Australia Pty Ltd
VHA Forecast Period	Period to 31 December 2028
Vodafone Australia	Vodafone Australia Limited
Vodafone Group	Vodafone Group Plc
VoIP	Voice over internet protocol
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares outstanding

ANNEXURE B

INVESTIGATING ACCOUNTANT'S REPORT

KPMG Transaction Services
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Australian Financial Services Licence No. 246901
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www.kpmg.com.au

The Directors
TPG Telecom Limited
63-65 Waterloo Road
Macquarie Park NSW 2113

The Directors
Vodafone Hutchison Australia Pty Limited
Level 1
177 Pacific Highway
North Sydney NSW 2060

19 May 2020

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by TPG Telecom Limited ("TPG") and Vodafone Hutchison Australia Pty Limited ("VHA") to prepare this report for inclusion in the scheme booklet to be dated 19 May 2020 ("Scheme Booklet"), and to be issued by TPG, in respect of the proposed merger (the "Transaction") with VHA (together the "Merged Group").

Expressions defined in the Scheme Booklet have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Scheme Booklet.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Scheme Booklet.

The pro forma historical financial information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Merged Group Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of the Merged Group included in the Scheme Booklet.

The pro forma historical financial information of the Merged Group has been derived from the historical financial information of TPG and VHA, after adjusting for the effects of pro forma adjustments described in Sections 10.8.4, 10.8.7, and 10.8.10 of the Scheme Booklet. The pro forma historical financial information of the Merged Group consists of:

- the Merged Group pro forma historical consolidated income statement for a 12 month period, based on TPG's historical income statement for the 12 month period to 31 January 2020 and VHA's historical income statement for the year ended 31 December 2019 (the "Merged Group Pro Forma Historical Income Statement" as set out in Section 10.8.3 of the Scheme Booklet);

- the Merged Group pro forma historical consolidated statement of cash flows for a 12 month period, based on TPG's historical statement of cash flows for the 12 month period to 31 January 2020 and VHA's historical statement of cash flows for the year ended 31 December 2019 (the "Merged Group Pro Forma Historical Statement of Cash Flows" as set out in Section 10.8.9 of the Scheme Booklet); and

- the Merged Group pro forma historical consolidated statement of financial position, based on TPG's historical statement of financial position as at 31 January 2020 and VHA's historical statement of financial position as at 31 December 2019 (the "Merged Group Pro Forma Historical Statement of Financial Position" as set out in Section 10.8.6 of the Scheme Booklet);

together the "Merged Group Pro Forma Historical Financial Information".

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 10.8.2 of the Scheme Booklet. Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group's actual or prospective financial position, financial performance, and/or cash flows.

The Merged Group Pro Forma Historical Financial Information has been compiled by VHA and TPG for illustrative purposes to provide an indication of the financial performance (income statement and cash flows) and financial position of the Merged Group as if the Scheme had been implemented prior to 1 January 2019 in respect of the financial performance, and prior to 31 December 2019 in respect of the financial position.

The Merged Group Pro Forma Historical Financial Information is based on the:

- audited VHA historical financial information as at, and for the financial year ended, 31 December 2019 (presented in Section 9.13);
- audited or reviewed TPG historical financial information as at, and for the twelve months ended, 31 January 2020 (see below); and
- pro forma adjustments described in Sections 10.8.4, 10.8.7, and 10.8.10.

The VHA historical financial information has been extracted from the consolidated financial statements of VHA for the financial year ended 31 December 2019.

The financial statements of VHA for the year ended 31 December 2019 were audited by VHA's external auditor in accordance with Australian Auditing Standards. The audit opinion issued to the members of VHA relating to those financial statements was unqualified.

The historical financial information of VHA has been prepared in accordance with the significant accounting policies described in the consolidated financial statements of VHA for the financial year ended 31 December 2019.

The TPG historical financial information as at, and for the twelve months ended, 31 January 2020 has been compiled and derived from the:

- consolidated financial statements of TPG for the half year ended 31 January 2020, including the comparative financial statements of TPG for the half year ended 31 January 2019; and
- consolidated financial statements of TPG for the financial year ended 31 July 2019.

The consolidated financial statements of TPG for the financial year ended 31 July 2019 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinion issued to the members of TPG relating to those financial statements was unqualified.

The consolidated financial statements of TPG for the half year ended 31 January 2020 (including the comparative financial statements for the half year ended 31 January 2019) were reviewed by KPMG in accordance with Australian Auditing Standards. The review opinion issued to the members of TPG relating to those financial statements was unqualified.

The historical financial information of TPG has been prepared in accordance with the significant accounting policies described in the consolidated financial statements of TPG for the year ended 31 July 2019, with the exception of the impact of the adoption of AASB16 (Leases) on the half year period to 31 January 2020 (as described in Section 8.12 of the Scheme Booklet).

For the purposes of preparing this report we have performed limited assurance procedures in relation to Merged Group Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Merged Group Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors of VHA and TPG in accordance with the stated basis of preparation as set out in section 10.8.2 of the Scheme Booklet.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Merged Group Pro Forma Historical Financial Information is prepared, in all material respects, by TPG and VHA in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of VHA are responsible for the preparation of the Merged Group Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments, and adequately disclosing and describing the basis of preparation of the Merged Group Pro Forma Historical Financial Information and consistently applying the stated basis of preparation to the Merged Group Pro Forma Historical Financial Information on the basis stated in section 10.8.2 of the Scheme Booklet (save to the extent it relates to the TPG historical financial information for the 12 month period ended 31 January 2020, for which the directors of TPG are responsible).

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Merged Group Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information, comprising the:

- Merged Group Pro Forma Historical Income Statement as set out in Section 10.8.3 of the Scheme Booklet;
- Merged Group Pro Forma Historical Statement of Cash Flows as set out in Section 10.8.9 of the Scheme Booklet; and
- Merged Group Pro Forma Historical Statement of Financial Position as set out in Section 10.8.6 of the Scheme Booklet,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in sections 10.8.4, 10.8.10 and 10.8.7 of the Scheme Booklet, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and VHA's accounting policies.

Limited Assurance Investigating Accountant's Report and
Financial Services Guide
19 May 2020

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of TPG and from time to time, KPMG also provides TPG and / or VHA with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Scheme Booklet to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to Section 10.8.2 of the Scheme Booklet, which describes the purpose of the financial information, being for inclusion in the Scheme Booklet. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Scheme Booklet in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Booklet.

Yours faithfully

Tim Bryan
Authorised Representative

KPMG

KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215
Australian Financial Services Licence No. 246901

Financial Services Guide

Dated 19 May 2020

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Tim Bryan as an authorised representative of KPMG Transaction Services, authorised representative number 000470648 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- How KPMG Transaction Services and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;

- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units,

to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by TPG Telecom Limited ("TPG") and Vodafone Hutchison Australia Pty Limited ("VHA") (together, the "Clients") to provide general financial product advice in the form of a Report to be included in the scheme booklet (the "Document") prepared by TPG in relation to the merger with VHA (the "Transaction").

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Clients.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Clients, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Clients. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Clients have agreed to pay KPMG Transaction Services approximately $1.2 million (excluding GST) for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative, and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Clients or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001(Cth).*

Contact details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Tim Bryan
C/O KPMG
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

ANNEXURE

SCHEME C

HERBERT
SMITH
FREEHILLS

Scheme of arrangement – share scheme

TPG Telecom Limited

Scheme Shareholders

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia
GPO Box 4227 Sydney NSW 2001 Australia
T +61 2 9225 5000 **F** +61 2 9322 4000
herbertsmithfreehills.com DX 361 Sydney

Scheme of arrangement – share scheme

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

TPG	TPG Telecom Limited (**TPG**) ACN 093 058 069 of 63-65 Waterloo Road, Macquarie Park NSW 2113
and	The Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

1.3 Scheme components

This Scheme includes any schedule to it.

2 Preliminary matters

(a) TPG is a public company limited by shares, registered in New South Wales, Australia, and has been admitted to the official list of the ASX. TPG Shares are quoted for trading on the ASX.

(b) As at the date of the Implementation Deed:

(1) 927,811,493 TPG Shares; and

(2) 1,839,575 Performance Rights,

were on issue.

(c) VHA is an unlisted public company limited by shares registered in New South Wales, Australia.

(d) If this Scheme becomes Effective:

(1) VHA will apply (unless it has already applied) for admission to the official list of ASX and for all VHA Shares to be quoted on ASX);

(2) VHA will remove debt equal to the VHA Adjustment Amount from the VHA Group;

(3) VHA must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and

(4) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to VHA and TPG will enter the name of VHA in the Share Register in respect of the Scheme Shares.

(e) TPG and VHA have agreed, by executing the Implementation Deed, to implement this Scheme.

(f) This Scheme attributes actions to VHA but does not itself impose an obligation on it to perform those actions. VHA has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;

(b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;

(c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by VHA and TPG;

(d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by VHA and TPG having been satisfied or waived; and

(e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date TPG and VHA agree in writing).

3.2 Certificate

(a) TPG and VHA will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

(b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:

(a) the Effective Date does not occur on or before the End Date; or

(b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless TPG and VHA otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

TPG must lodge with ASIC an office copy of the Court orders approving this Scheme under section 411(4)(b) of the Corporations Act (the **Court Orders**) as soon as possible after the Court approves this Scheme and in any event, by the later of 5.00pm on the first Business Day after the day on which the Court approves this Scheme or 5.00pm on the Business Day on which the Court Orders are entered, whichever is the later.

4.2 Transfer of Scheme Shares

On the Implementation Date:

(a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5 and VHA removing debt equal to the VHA Adjustment Amount from the VHA Group, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to VHA, without the need for any further act by any Scheme Shareholder (other than acts performed by TPG or its officers as attorney and agent for Scheme Shareholders under clause 8.5), by:

(1) TPG delivering to VHA a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by TPG, for registration; and

(2) VHA duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to TPG for registration; and

(b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), TPG must enter, or procure the entry of, the name of VHA in the Share Register in respect of all the Scheme Shares transferred to VHA in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

VHA must, subject to clauses 5.2, 5.3, 5.4 and 5.6:

(a) on or before the Implementation Date, issue the Scheme Consideration to the Scheme Shareholders and procure that the name and address of each Scheme Shareholder is entered in the VHA Register in respect of those New VHA Shares; and

(b) procure that on or before the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New VHA Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

(a) the New VHA Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;

(b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of TPG, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and

(c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of TPG, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Ineligible Foreign Shareholders

(a) VHA will be under no obligation to issue any New VHA Shares under this Scheme to any Ineligible Foreign Shareholder and instead:

(1) subject to clauses 5.4 and 5.6, VHA must, on or before the Implementation Date, issue the New VHA Shares which would otherwise be required to be issued to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;

(2) VHA must procure that as soon as reasonably practicable on or after the Implementation Date, the Sale Agent, in consultation with VHA and TPG sells or procures the sale of all the New VHA Shares issued to the Sale Agent pursuant to clause 5.3(a)(1) in such manner, at such price and on such other terms as the Sale Agent reasonably determines, and remits to TPG the proceeds of the sale (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges) (**Proceeds**);

(3) promptly after receiving the Proceeds in respect of the sale of all of the New VHA Shares referred to in clause 5.3(a)(1), TPG must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount ‘A’ calculated in accordance with the following formula and rounded down to the nearest cent:

A = (B ÷ C) x D

where

B = the number of New VHA Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent;

C = the total number of New VHA Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and

D = the Proceeds (as defined in clause 5.3(a)(2)).

(b) The Ineligible Foreign Shareholders acknowledge that none of VHA, TPG or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New VHA Shares described in clause 5.3(a) and that VHA, TPG and the Sale Agent expressly disclaim any fiduciary duty to the Ineligible Foreign Shareholders which may arise in connection with this clause 5.3.

(c) TPG must make, or procure the making of, payments to Ineligible Foreign Shareholders under clause 5.3(a) by either (in the absolute discretion of TPG):

(1) where an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the TPG Registry to receive dividend payments from TPG by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;

(2) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to TPG; or

(3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).

(d) If TPG receives professional advice that any withholding or other tax is required by law or by a Government Agency to be withheld from a payment to an Ineligible Foreign Shareholder, TPG is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.3(a)(3)). TPG must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.

(e) Each Ineligible Foreign Shareholder appoints TPG as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.

(f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.

(g) Where the issue of New VHA Shares to which a Scheme Shareholder would otherwise be entitled under this Scheme would result in a breach of law:

(1) VHA will issue the maximum possible number of New VHA Shares to the Scheme Shareholder without giving rise to such a breach; and

(2) any further New VHA Shares to which that Scheme Shareholder is entitled, but the issue of which to the Scheme Shareholder would give rise to such a breach, will instead be issued to the Sale Agent and dealt with under the preceding provisions in this clause 5.3, as if a reference to Ineligible Foreign Shareholders also included that Scheme Shareholder and references to that person's New VHA Shares in that clause were limited to the New VHA Shares issued to the Sale Agent under this clause.

5.4 Fractional entitlements and splitting

(a) Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent or of a New VHA Share, the fractional entitlement will be rounded down to the nearest whole cent or number of New VHA Shares, as applicable.

(b) If VHA and TPG are of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of TPG Shares which results in a fractional entitlement to New VHA Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, VHA and TPG may agree that TPG give notice to those Scheme Shareholders:

(1) setting out the names and Registered Addresses of all of them;

(2) stating that opinion; and

(3) attributing to one of them specifically identified in the notice the TPG Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those TPG Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no TPG Shares.

5.5 Unclaimed monies

(a) TPG may cancel a cheque issued under this clause 5 if the cheque:

(1) is returned to TPG; or

(2) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to TPG (or the TPG Registry) (which request may not be made until the date which is 10 Business Days after the Implementation Date), TPG must reissue a cheque that was previously cancelled under this clause 5.5.

(c) The *Unclaimed Money Act 1995 (NSW)* will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in sections 7, 8 and 10 of the *Unclaimed Money Act 1995 (NSW)*).

5.6 Orders of a court or Government Agency

If written notice is given to TPG (or the TPG Registry) or VHA (or the VHA Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

(a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by TPG or VHA in accordance with this clause 5, then TPG or VHA (as applicable) shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

(b) prevents TPG or VHA from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, TPG or VHA shall be entitled (as applicable):

(1) retain an amount, in Australian dollars, calculated pursuant to clause 5.3(a) in respect of that Scheme Shareholder; or

(2) not to issue (or direct VHA not to issue), or to issue to a trustee or nominee, such number of New VHA Shares as that Scheme Shareholder would otherwise be entitled to under clause 5.1,

until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

5.7 Status of New VHA Shares

Subject to this Scheme becoming Effective, VHA must:

(a) issue the New VHA Shares required to be issued by it under this Scheme on terms such that each such New VHA Share will rank equally in all respects with each existing VHA Share;

(b) ensure that each such New VHA Share is duly and validly issued in accordance with all applicable laws and VHA's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest; and

(c) use all reasonable endeavours to ensure that such New VHA Shares are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and, with effect from the Business Day following the Implementation Date, on an ordinary (T+2) settlement basis.

6 Dealings in TPG Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in TPG Shares or other alterations to the Share Register will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant TPG Shares before the Scheme Record Date; and

(b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and TPG must not accept for registration, nor recognise for any purpose (except a transfer to VHA pursuant to this Scheme and any subsequent transfer by VHA or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

(a) TPG must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires TPG to register a transfer that would result in a TPG Shareholder holding a parcel of TPG Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).

(b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and TPG shall be entitled to disregard any such disposal.

(c) For the purpose of determining entitlements to the Scheme Consideration, TPG must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

(d) All statements of holding for TPG Shares (other than statements of holding in favour of VHA) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of VHA) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the TPG Shares relating to that entry.

(e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, TPG will ensure that details of the names, Registered Addresses and holdings of TPG Shares for each Scheme Shareholder as shown in the Share Register are available to VHA in the form VHA reasonably requires.

7 Quotation of TPG Shares

(a) TPG must apply to ASX to suspend trading on the ASX in TPG Shares with effect from the close of trading on the Effective Date.

(b) On a date after the Implementation Date to be determined by VHA, TPG must apply:

(1) for termination of the official quotation of TPG Shares on the ASX; and

(2) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

(a) TPG may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which VHA has consented; and

(b) each Scheme Shareholder agrees to any such alterations or conditions which TPG has consented to.

8.2 Scheme Shareholders' agreements and warranties

(a) Each Scheme Shareholder:

(1) agrees to the transfer of their TPG Shares together with all rights and entitlements attaching to those TPG Shares in accordance with this Scheme;

(2) agrees to the variation, cancellation or modification of the rights attached to their TPG Shares constituted by or resulting from this Scheme;

(3) agrees to, on the direction of VHA, destroy any holding statements or share certificates relating to their TPG Shares;

(4) agrees to become a member of VHA and to be bound by the terms of the constitution of VHA;

(5) who holds their TPG Shares in a CHESS Holding agrees to the conversion of those TPG Shares to an Issuer Sponsored Holding and irrevocably authorises TPG to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and

(6) acknowledges and agrees that this Scheme binds TPG and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).

(b) Each Scheme Shareholder is taken to have warranted to TPG and VHA on the Implementation Date, and appointed and authorised TPG as its attorney and agent to warrant to VHA on the Implementation Date, that:

(1) all their TPG Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the

date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their TPG Shares to VHA together with any rights and entitlements attaching to those shares. TPG undertakes that it will provide such warranty to VHA as agent and attorney of each Scheme Shareholder; and

(2) it has no existing right to be issued any other TPG Shares or any other form of TPG securities. TPG undertakes that it will provide such warranty to VHA as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to VHA will, at the time of transfer of them to VHA vest in VHA free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

(b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, VHA will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by TPG of VHA in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, and until TPG registers VHA as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

(a) is deemed to have appointed VHA as attorney and agent (and directed VHA in each such capacity) to appoint any director, officer, secretary or agent nominated by VHA as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;

(b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));

(c) must take all other actions in the capacity of a registered holder of Scheme Shares as VHA reasonably directs; and

(d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), VHA and any director, officer, secretary or agent nominated by VHA under clause 8.4(a) may act in the best interests of VHA as the intended registered holder of the Scheme Shares.

8.5 Authority given to TPG

Each Scheme Shareholder, without the need for any further act:

(a) on the Effective Date, irrevocably appoints TPG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against VHA, and TPG undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against VHA on behalf of and as agent and attorney for each Scheme Shareholder; and

(b) on the Implementation Date, irrevocably appoints TPG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and TPG accepts each such appointment. TPG as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to TPG that are binding or deemed binding between the Scheme Shareholder and TPG relating to TPG or TPG Shares, including instructions, notifications or elections relating to:

(a) whether dividends are to be paid by cheque or into a specific bank account;

(b) payments of dividends on TPG Shares; and

(c) notices or other communications from TPG (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by VHA in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to VHA and to be a binding instruction, notification or election to, and accepted by, VHA in respect of the New VHA Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to VHA at its registry.

8.7 Binding effect of Scheme

This Scheme binds TPG and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of TPG.

9 General

9.1 Stamp duty

VHA will:

(a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and

(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to TPG doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, TPG or otherwise.

9.3 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to TPG, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at TPG's registered office or at the office of the TPG Registry.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a TPG Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

(a) This Scheme is governed by the laws in force in New South Wales.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

TPG must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that none of TPG nor VHA nor any director, officer, secretary or employee of TPG or VHA shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

HERBERT SMITH FREEHILLS

Schedule 1

Definitions and interpretation

1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
CHESS Holding	has the meaning given in the Settlement Rules.
Corporations Act	the *Corporations Act 2001* (Cth).
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing by VHA and TPG.
Deed Poll	the deed poll under which VHA covenants in favour of the Scheme Shareholders to perform the obligations attributed to VHA under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.

Term	Meaning
Effective Date	the date on which this Scheme becomes Effective.
End Date	31 August 2020, or such other later date as agreed in writing by VHA and TPG.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by TPG and VHA.
Implementation Deed	the scheme implementation deed dated 30 August 2018 between, among others, TPG and VHA relating to the implementation of this Scheme.
Ineligible Foreign Shareholder	a Scheme Shareholder whose address shown in the TPG Share Register on the Scheme Record Date is a place outside Australia and its external territories or New Zealand, unless VHA and TPG (each acting reasonably) determine that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New VHA Shares when the Scheme becomes Effective.
Issuer Sponsored Holding	has the meaning given in the Settlement Rules.
Listing Rules	the official listing rules of ASX.
New VHA Share	a fully paid ordinary share in VHA to be issued to Scheme Shareholders under this Scheme.
Operating Rules	the official operating rules of ASX.
Registered Address	in relation to a TPG Shareholder, the address shown in the Share Register as at the Scheme Record Date.

Term	Meaning
Sale Agent	a nominee to be appointed by TPG (on terms reasonably acceptable to VHA) to sell the New VHA Shares that are to be issued under clause 5.3(a)(1) of this Scheme.
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between TPG and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by TPG and VHA.
Scheme Consideration	for each TPG Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of one New VHA Share, subject to the terms of this Scheme.
Scheme Meeting	the meeting of the TPG Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7.00pm on the fifth Business Day after the Effective Date or such other time and date as TPG and VHA agree in writing.
Scheme Shares	all TPG Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Shareholder	a holder of TPG Shares recorded in the Share Register as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of VHA as transferee, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Settlement Rules	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.

Term	Meaning
Share Register	the register of members of TPG maintained in accordance with the Corporations Act.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
TPG	TPG Telecom Limited ACN 093 058 069 of 63-65 Waterloo Road, Macquarie Park NSW 2113.
TPG Registry	Computershare Investor Services Pty Ltd ACN 078 279 277 of Level 4, 60 Carrington Street, Sydney NSW 2000.
TPG Share	a fully paid ordinary share in the capital of TPG.
TPG Shareholder	each person who is registered as the holder of a TPG Share in the Share Register.
VHA	Vodafone Hutchison Australia Limited ACN 096 304 620 of Level 1, 177 Pacific Highway, North Sydney NSW 2060.
VHA Adjustment Amount	has the meaning given to the term in the Implementation Deed.
VHA Register	the register of shareholders maintained by VHA or its agent.
VHA Registry	A registry provider to be nominated by VHA.

2 Interpretation

In this Scheme:

(a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

(d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;

(e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;

(f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;

(g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);

(h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;

(i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;

(j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney, Australia;

(k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Schedule 1, has the same meaning when used in this Scheme;

(l) a reference to a party to a document includes that party's successors and permitted assignees;

(m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;

(n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;

(o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions;

(p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;

(q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and

(s) a reference to the Listing Rules and the Operating Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

ANNEXURE D

DEED POLL

HERBERT SMITH FREEHILLS

Deed

Share scheme deed poll

Vodafone Hutchison Australia Pty Limited

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia
GPO Box 4227 Sydney NSW 2001 Australia
T +61 2 9225 5000 **F** +61 2 9322 4000
herbertsmithfreehills.com DX 361 Sydney

Share scheme deed poll

Date ▸ **12 May 2020**

This deed poll is made

By	**Vodafone Hutchison Australia Pty Limited** ACN 096 304 620 of Level 1, 177 Pacific Highway, North Sydney NSW 2060 (**VHA**)
in favour of	each person registered as a holder of fully paid ordinary shares in TPG in the Share Register as at the Scheme Record Date.
Recitals	1 TPG and VHA entered into the Implementation Deed. 2 In the Implementation Deed, VHA agreed to make this deed poll. 3 VHA is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Implementation Deed	the scheme implementation deed entered into between, among others, TPG and VHA dated 30 August 2018.

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Term	Meaning
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between TPG and the Scheme Shareholders, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by VHA and TPG.
TPG	TPG Telecom Limited ACN 093 058 069 of 63-65 Waterloo Road, Macquarie Park NSW 2113.

(b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

VHA acknowledges that:

(a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and

(b) under the Scheme, each Scheme Shareholder irrevocably appoints TPG and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against VHA.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of VHA under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of VHA under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

(a) the Implementation Deed is terminated in accordance with its terms; or

(b) the Scheme is not Effective on or before the End Date,

unless VHA and TPG otherwise agree in writing.

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2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) VHA is released from its obligations to further perform this deed poll except those obligations under clause 7.1; and

(b) each Scheme Shareholder retains the rights they have against VHA in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to issue Scheme Consideration

Subject to clause 2, VHA undertakes in favour of each Scheme Shareholder to:

(a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and

(b) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme.

subject to and in accordance with the provisions of the Scheme.

3.2 Shares to rank equally

VHA covenants in favour of each Scheme Shareholder that the New VHA Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

(a) rank equally with all existing VHA Shares; and

(b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4 Warranties

VHA represents and warrants in favour of each Scheme Shareholder, that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and

(e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

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5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) VHA has fully performed its obligations under this deed poll; or

(b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

(a) in writing and in English and signed by or on behalf of the sending party; and

(b) addressed to VHA in accordance with the details set out below (or any alternative details nominated by VHA by Notice).

Attention	Trent Czinner, VHA Company Secretary
Address	Level 1, 177 Pacific Highway, North Sydney NSW 2060
Email address	Trent.Czinner@vodafone.com

With a copy (for information purposes only) to:

Name	Norton Rose Fulbright
Attention	John Elliott / Jeremy Wickens
Address	Level 5, 60 Martin Place, Sydney NSW 2000
Email addresses	john.elliott@nortonrosefulbright.com / jeremy.wickens@nortonrosefulbright.com

6.2 How Notice must be given and when Notice is received

(a) A Notice must be given by one of the methods set out in the table below.

(b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business**

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hours period), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By email to the nominated email address	The first to occur of: • when the sender receives an automated message confirming delivery; or • four hours after the time sent (as recorded on the device from which the sender sent the email), unless the sender receives an automated message that the email has not yet been delivered or an automated "out of office" reply.

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

7 General

7.1 Stamp duty

VHA:

(a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under or in connection with the Scheme and this deed poll; and

(b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

(a) This deed poll is governed by the law in force in New South Wales.

(b) VHA irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. VHA irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

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7.3 Waiver

(a) VHA may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

(b) No Scheme Shareholder may rely on words or conduct of VHA as a waiver of any right unless the waiver is in writing and signed by VHA.

(c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes a failure or delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless:

(a) if before the First Court Date, the variation is agreed to by TPG; or

(b) if on or after the First Court Date, the variation is agreed to by TPG and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event VHA will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of VHA and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Partial exercising of rights

Unless this deed expressly states otherwise, if VHA does not exercise a right, power or remedy in connection with this deed fully or at a given time, it may still exercise it later.

7.7 Assignment

(a) The rights created by this deed poll are personal to VHA and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of VHA.

(b) Any purported dealing in contravention of clause 7.7(a) is invalid.

7.8 Further action

VHA must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

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Signing page

Executed as a deed poll

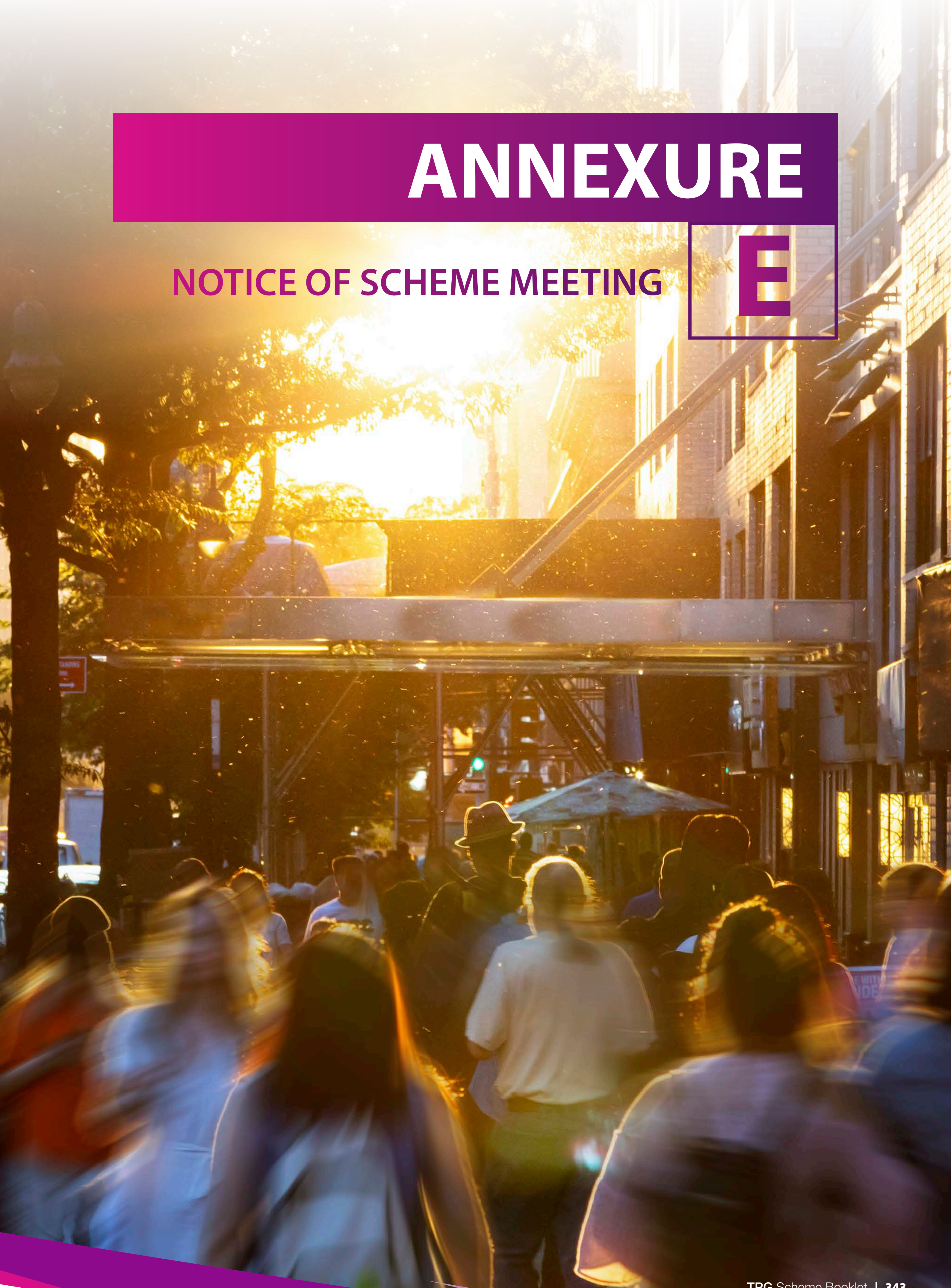
Signed sealed and delivered by
Vodafone Hutchison Australia Pty Limited
by

sign here ►	Company Secretary/Director	sign here ►	Director
print name	Trent Czinner	print name	Barry Roberts-Thomson

85238488 Share scheme deed poll page 9

ANNEXURE E

NOTICE OF SCHEME MEETING



TPG Telecom Limited (ABN 46 093 058 069) (**TPG** or **Company**) hereby gives notice that by order of the Supreme Court of New South Wales (**Court**) made on 19 May 2020 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the holders of fully paid ordinary shares in TPG (**Scheme Meeting**) will be held at Level 22, 207 Kent Street, Sydney, NSW 2000 at 10.30am (Sydney time) on 24 June 2020.

The Company is also pleased to provide shareholders with the opportunity to participate in the Scheme Meeting virtually through an online platform provided by the TPG Share Registry at https://web.lumiagm.com or using the Lumi AGM application. Further information about virtual participation in the Scheme Meeting is set out in this Notice of Scheme Meeting and the Lumi AGM User Guide available at www.edocumentview.com.au/LumiMeetingGuide.

Information about the Scheme

Information about the Scheme is set out in the Scheme Booklet, of which this Notice of Scheme Meeting forms part. Terms used in this Notice of Scheme Meeting have the same meaning as set out in the Glossary to the Scheme Booklet, unless indicated otherwise.

Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement proposed to be made between TPG and the holders of its fully paid ordinary shares.

Scheme Meeting and COVID-19

As a result of the potential health risks and the government's restrictions in response to the COVID-19 pandemic, the Company encourages shareholders to attending the Scheme Meeting online or lodge a directed proxy in advance of the Scheme Meeting rather than planning on attending the meeting in person. If you wish to appoint a proxy, please follow the steps on your enclosed Scheme Meeting Proxy Form and lodge it by **10.30am (Sydney time) on 22 June 2020**.

Shareholders who are unable to attend the Scheme Meeting in person will have the opportunity to participate in the meeting:

- online at https://web.lumiagm.com; or
- using the Lumi AGM application.

TPG Shareholders will be able to view the Scheme Meeting live, vote on the Scheme Resolution and ask questions online. More information regarding online attendance is set out in this Notice of Scheme Meeting.

TPG Shareholders will need the following details to access the Scheme Meeting online or using the Lumi AGM application:

1. The meeting ID is 332-899-736.
2. Your username is your SRN/HIN.
3. Your password is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the Lumi AGM User Guide for their password details.

More information regarding participating in the Scheme Meeting, including browser requirements and how to download the Lumi AGM application, is detailed in the Lumi AGM User Guide available at www.edocumentview.com.au/LumiMeetingGuide.

If you plan to attend the Scheme Meeting in person, you should ensure you register for the meeting no less than 30 minutes before the time designated for the Scheme Meeting, so that your shareholding may be checked against the Register and your attendance noted.

Any shareholder who may still wish to physically attend the Scheme Meeting should be mindful of government warnings and recommendations and monitor the Company's website and ASX announcements for any updates about the Scheme Meeting.

Chairman of the Meeting

The Court has directed that David Teoh, or failing him Robert Millner, be Chairman of the meeting and has directed the Chairman to report the result of the Scheme Meeting to the Court.

Agenda

Scheme Resolution

To consider and, if thought fit, to pass (with or without amendment) the following resolution:

> 'That pursuant to, and in accordance with, section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed between TPG Telecom Limited and the holders of its fully paid ordinary shares as contained in and more precisely described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification or conditions as approved by the Court to which TPG and VHA agree).'

Scheme Booklet

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this Notice of Scheme Meeting forms part.

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification or conditions approved by the Court to which TPG and VHA agree) must be approved by an order of the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC. If the Scheme Resolution put to the Scheme Meeting is passed by the Requisite Majority and the other conditions to the Scheme are satisfied or (where applicable) waived in accordance with the Scheme Implementation Deed, TPG intends to apply to the Court on Friday, 26 June 2020 for the necessary orders to give effect to the Scheme.

Advertisement

Where this Notice of Scheme Meeting is advertised unaccompanied by the remainder of the Scheme Booklet, a copy of the full Scheme Booklet and the Singapore Co Information Memorandum can be obtained by anyone entitled to attend the Scheme Meeting from the ASX website at www.asx.com.au and on TPG's website at www.tpg.com.au or by calling the Shareholder Information Line on 1300 855 080 (callers within Australia) or +61 3 9415 4000 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

Voting and proxy instructions

YOUR VOTE IS IMPORTANT

You are entitled to vote at the Scheme Meeting only if you are registered as a shareholder of the Company at 7.00pm (Sydney time) on Monday, 22 June 2020

Voting procedure

The Chairman of the meeting intends to put the Scheme Resolution set out in the agenda to a poll at the Scheme Meeting. Voting results will be announced on the ASX as soon as practicable after the Scheme Meeting.

The Chairman of the meeting intends to vote any undirected proxies in favour of the Scheme Resolution.

Passing the Scheme Resolution

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be passed by:

- a majority in number (more than 50%) of TPG Shareholders present and voting at the Scheme Meeting (in person or by representative or proxy); and
- TPG Shareholders holding at least 75% of the total number of votes cast by TPG Shareholders present and voting at the Scheme Meeting (in person or by representative or proxy).

Appointing a proxy

If you are unable to attend the Scheme Meeting, you may appoint a proxy to attend and vote on your behalf by completing the Scheme Meeting Proxy Form that accompanies this Scheme Booklet. A proxy need not be a shareholder of the Company and may be an individual or a body corporate.

A shareholder entitled to attend and cast at least two votes at the meeting is entitled to appoint up to two proxies. If a shareholder appoints two proxies, the shareholder may specify the proportion or number of votes each proxy may exercise. If a shareholder appoints two proxies but does not specify on the Scheme Meeting Proxy Form the proportion or number of votes each proxy may exercise, each proxy may exercise half the votes regardless of any proportion stated on any other form. If a member appoints two proxies, neither may vote on a show of hands if they both attend the meeting, however, they will be entitled to vote on a poll.

The appointment of one or more duly appointed proxies will not preclude a member from attending the meeting and voting personally. The appointment of a proxy is not revoked by the member attending and taking part in the meeting, however, if the member votes on the Scheme Resolution, the proxy/proxies will not be entitled to vote, and must not vote, as the member's proxy on the Scheme Resolution.

For your vote to count, your Scheme Meeting Proxy Form must be received by the TPG Share Registry, Computershare Investor Services Pty Limited, no later than 48 hours prior to the commencement of the Scheme Meeting i.e. by 10.30am (**Sydney time**) **on 22 June 2020**. You may lodge a proxy vote:

- online at www.investorvote.com.au and following the instructions on the website. You will need to enter the secure access information set out on the Scheme Meeting Proxy Form; or
- by completing and signing the Scheme Meeting Proxy Form enclosed and returning it to the TPG Share Registry by:
  - mail to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia; or
  - hand at Level 3, 60 Carrington Street, Sydney, NSW 2000, Australia;
  - fax on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- for Intermediary online subscribers only (custodians), please visit www.intermediaryonline.com to submit your voting intentions.

Additional or replacement Scheme Meeting Proxy Forms can be obtained from the TPG Share Registry.

Further instructions for appointing a proxy are included in the Scheme Meeting Proxy Form.

Default of proxy votes to Chairman in certain circumstances

If:

- a poll is duly demanded at the Scheme Meeting in relation to the Scheme Resolution; and
- a member has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the Scheme Resolution; and
- that member's proxy is either not recorded as attending the Scheme Meeting or does not vote on the Scheme Resolution,

the Chairman of the Scheme Meeting will, before voting on the Scheme Resolution closes, be taken to have been appointed as the proxy for the member for the purpose of voting on the Scheme Resolution and must vote in accordance with the written direction of that member.

Corporate representatives

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the Scheme Meeting and vote on its behalf. The appointment may be for this meeting only or for all meetings of the Company, and may set out restrictions on the representative's powers. Corporate shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the Scheme Meeting for the purpose of registration. Shareholders can download an Appointment of Corporate Representation form from www.investorcentre.com/au (click on 'printable forms').

Power of attorney

If the Scheme Meeting Proxy Form is signed by an attorney, the original power of attorney under which the Scheme Meeting Proxy Form was signed, or a certified copy, must be received by the TPG Share Registry or the Company at least 48 hours before the Scheme Meeting i.e. by 10.30am (Sydney time) on Monday, 22 June 2020 (unless it has been previously provided).

Virtual participation in the Scheme Meeting

Shareholders participating in the Scheme Meeting online or using the Lumi AGM application will be able to vote between the commencement of the Scheme Meeting and the closure of voting as announced by the Chairman during the Scheme Meeting.

More information regarding online participation at the Scheme Meeting (including how to vote and ask questions virtually during the meeting) is available in the Lumi AGM User Guide, which is available at www.edocumentview.com.au/LumiMeetingGuide.

The Scheme Meeting is viewable online from desktops and laptops and from personal devices using the Lumi AGM application. To participate and vote online you will need your SRN/HIN and your password is your postcode if you are an Australian shareholder. Overseas shareholders should refer to the Lumi AGM User Guide for their password details. Proxy holders will need their proxy number which will be provided by the TPG Share Registry, Computershare Investor Services Pty Limited, no later than 24 hours prior to the meeting and following lodgement of the proxy appointment. Please ensure that your internet browser is compatible, by following the instructions in the Lumi AGM User Guide – we recommend confirming this prior to determining whether to participate in the Scheme Meeting online or using the Lumi AGM application. It is also recommended that shareholders who elect to participate in the Scheme Meeting online or using the Lumi AGM application log in at least 15 minutes prior to the scheduled start time for the meeting.

Shareholder questions

If you have any additional questions in relation to this Notice of Scheme Meeting or the Scheme, call the Shareholder Information Line on 1300 855 080 (callers within Australia) or +61 3 9415 4000 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

Questions may also be asked at the meeting in person, online or via the Lumi AGM application.

By order of the Court and of the TPG Board

Stephen Banfield
Company Secretary
19 May 2020

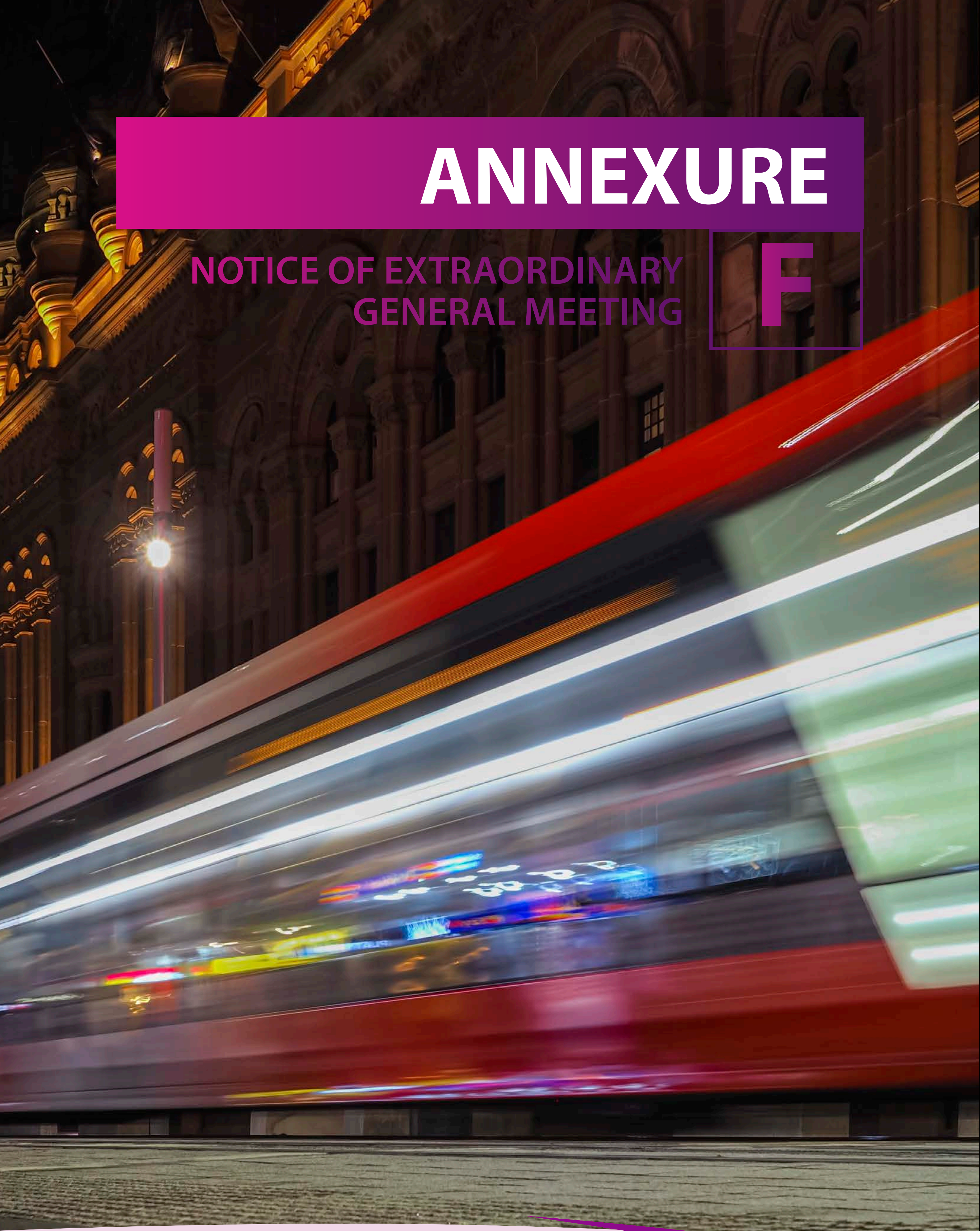
Registered Office

TPG Telecom Limited
65 Waterloo Rd
North Ryde NSW 2113

ANNEXURE

F

NOTICE OF EXTRAORDINARY GENERAL MEETING



TPG Telecom Limited (ABN 46 093 058 069) (**TPG** or **Company**) hereby gives notice that a General Meeting of TPG Shareholders (**EGM**) will be held on 24 June 2020 at Level 22, 207 Kent Street, Sydney, NSW 2000 at 10.30am (Sydney time), or as soon as after that time as the Scheme Meeting of TPG Shareholders that is the subject of a separate notice of the Company has concluded.

The Company is also pleased to provide shareholders with the opportunity to participate in the EGM virtually through an online platform provided by the TPG Share Registry at https://web.lumiagm.com or using the Lumi AGM application. Further information about virtual participation in the EGM is set out in this Notice of Meeting and the Lumi AGM User Guide available at www.edocumentview.com.au/LumiMeetingGuide.

Information about the EGM

This Notice of EGM relates to the EGM Resolution (described below) and should be read in conjunction with the Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the EGM Resolution. Terms used in this Notice of EGM have the same meaning as set out in the Glossary to the Scheme Booklet, unless indicated otherwise.

Purpose of the EGM

If the Scheme becomes Effective, TPG will need to change its name in order to free the name so that VHA can adopt the name 'TPG Telecom Limited' on listing as the Merged Co.

The purpose of the EGM is to consider and, if thought fit, to approve the change of name of TPG Telecom Limited to TPG Corporation Limited, subject to the Scheme becoming Effective.

The Scheme Resolution is not conditional on the EGM Resolution.

EGM and COVID-19

As a result of the potential health risks and the government's restrictions in response to the COVID-19 pandemic, the Company encourages shareholders to attending the EGM online or lodge a directed proxy in advance of the EGM rather than planning on attending the meeting in person. If you wish to appoint a proxy, please follow the steps on your enclosed EGM Proxy Form and lodge it by **10.30am** (**Sydney time**) **on Monday, 22 June 2020.**

Shareholders who are unable to attend the EGM in person will have the opportunity to participate in the meeting:

- online at https://web.lumiagm.com; or
- using the Lumi AGM application.

TPG Shareholders will be able to view the EGM live, vote on the EGM Resolution and ask questions online. More information regarding online attendance is set out in this Notice of EGM.

TPG Shareholders will need the following details to access the EGM online or using the Lumi AGM application:

1. The meeting ID is 332-899-736.
2. Your username is your SRN/HIN.
3. Your password is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the Lumi AGM User Guide for their password details.

More information regarding participating in the EGM, including browser requirements and how to download the Lumi AGM application, is detailed in the Lumi AGM User Guide available at www.edocumentview.com.au/LumiMeetingGuide.

If you plan to attend the EGM in person, you should ensure you register for the meeting no less than 30 minutes before the time designated for the Scheme Meeting, so that your shareholding may be checked against the Register and your attendance noted.

Any shareholder who may still wish to physically attend the EGM should be mindful of government warnings and recommendations and monitor the Company's website and ASX announcements for any updates about the EGM.

Agenda

Change of Company Name

To consider and, if thought fit, to pass the following resolution as a special resolution:

> 'That, for the purposes of section 157(1) of the *Corporations Act 2001* (Cth) and for all other purposes, subject to the proposed scheme of arrangement between TPG Telecom Limited and the holders of its fully paid ordinary shares becoming effective, TPG Telecom Limited change its name to TPG Corporation Limited.'

TPG Board recommendation

The TPG Directors unanimously recommend that TPG Shareholders vote in favour of the EGM Resolution.

Chairman of the Meeting

David Teoh is to act as Chairman of the meeting (if David Teoh is unable or unwilling to attend, Robert Millner is to act as Chairman of the meeting).

Passing the EGM Resolution

In accordance with section 157 of the Corporations Act, shareholders are required to approve the change of the Company's name by special resolution. At least 75% of votes cast by TPG Shareholders must be in favour of the EGM Resolution for it to be passed.

Voting and proxy instructions

YOUR VOTE IS IMPORTANT

You are entitled to vote at the EGM only if you are registered as a shareholder of TPG at 7.00pm (Sydney time) on Monday, 22 June 2020

Voting procedure

The Chairman of the meeting intends to put the EGM Resolution set out in the agenda to a poll at the meeting. Voting results will be announced to the ASX as soon as practicable after the meeting.

The Chairman of the meeting intends to vote any undirected proxies in favour of the EGM Resolution, in the absence of a Superior Proposal.

Appointing a proxy

If you are unable to attend the meeting, you may appoint a proxy to attend and vote on your behalf by completing the EGM Proxy Form that accompanies this Scheme Booklet. A proxy need not be a shareholder of the Company and may be an individual or a body corporate.

A shareholder entitled to attend and cast at least two votes at the meeting is entitled to appoint up to two proxies. If a shareholder appoints two proxies, the shareholder may specify the proportion or number of votes each proxy may exercise. If a shareholder appoints two proxies but does not specify on the EGM Proxy Form the proportion or number of votes each proxy may exercise, each proxy may exercise half the votes regardless of any proportion stated on any other form. If a member appoints two proxies, neither may vote on a show of hands if they both attend the meeting, however, they will be entitled to vote on a poll.

The appointment of one or more duly appointed proxies will not preclude a member from attending the meeting and voting personally. The appointment of a proxy is not revoked by the member attending and taking part in the meeting, however, if the member votes on the EGM Resolution, the proxy/proxies will not be entitled to vote, and must not vote, as the member's proxy on the EGM Resolution.

For your vote to count, your EGM Proxy Form must be received by the TPG Share Registry, Computershare Investor Services Pty Limited, no later than 48 hours prior to the commencement of the meeting i.e. by 10.30am (**Sydney time**) **on 22 June 2020**. You may lodge a proxy vote:

- online at www.investorvote.com.au and following the instructions on the website. You will need to enter the secure access information set out on the EGM Meeting Proxy Form; or
- by completing and signing the EGM Proxy Form enclosed and returning it to the TPG Share Registry by:
  - mail to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia;
  - hand at Level 3, 60 Carrington Street, Sydney NSW 2000; or
  - fax on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- for Intermediary online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Additional or replacement EGM Proxy Forms can be obtained from the TPG Share Registry.

Further instructions for appointing a proxy are included in the EGM Proxy Form.

Default of proxy votes to Chairman in certain circumstances

If:

- a poll is duly demanded at the meeting in relation to the EGM Resolution;
- a member has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the EGM Resolution; and
- that member's proxy is either not recorded as attending the meeting or does not vote on the EGM Resolution,

the Chairman of the meeting will, before voting on the EGM Resolution closes, be taken to have been appointed as the proxy for the member for the purpose of voting on the EGM Resolution and must vote in accordance with the written direction of that member.

Corporate representatives

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the meeting and vote on its behalf. The appointment may be for this meeting only or for all meetings of the Company, and may set out restrictions on the representative's powers. Corporate shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the meeting for the purpose of registration. Shareholders can download an Appointment of Corporate Representation form from www.investorcentre.com/au (click on 'printable forms').

Power of attorney

If the EGM Proxy Form is signed by an attorney, the original power of attorney under which the EGM Proxy Form was signed, or a certified copy, must be received by the TPG Share Registry or the Company at least 48 hours before the meeting i.e. by 10.30am (Sydney time) on 22 June 2020 (unless it has been previously provided).

Virtual participation in the EGM

Shareholders participating in the EGM online or using the Lumi AGM application will be able to vote between the commencement of the EGM and the closure of voting as announced by the Chairman during the EGM.

More information regarding online participation at the EGM (including how to vote and ask questions virtually during the meeting) is available in the Lumi AGM User Guide, which is available at www.edocumentview.com.au/LumiMeetingGuide.

The EGM is viewable online from desktops and laptops and from personal devices using the Lumi AGM application. To participate and vote online you will need your SRN/HIN and your password is your postcode if you are an Australian shareholder. Overseas shareholders should refer to the Lumi AGM User Guide for their password details. Proxy holders will need their proxy number which will be provided by the TPG Share Registry, Computershare Investor Services Pty Limited no later than 24 hours prior to the meeting and following lodgement of the proxy appointment. Please ensure that your internet browser is compatible, by following the instructions in the Lumi AGM User Guide – we recommend confirming this prior to determining whether to participate in the EGM online or using the Lumi AGM application. It is also recommended that shareholders who elect to participate in the EGM online or using the Lumi AGM application log in at least 15 minutes prior to the scheduled start time for the meeting.

Shareholder questions

If you have any additional questions in relation to this Notice of EGM or the Scheme, call the Shareholder Information Line on 1300 855 080 (callers within Australia) or +61 3 9415 4000 (callers outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

Questions may also be asked at the EGM in person, online or via the Lumi AGM application.

By order of the TPG Board

Stephen Banfield
Company Secretary
19 May 2020

Registered Office

TPG Telecom Limited
65 Waterloo Rd
North Ryde NSW 2113

Corporate directory

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