ASX Announcement – 15 July 2020

Accounting for the investment in TPG Telecom following the merger with Vodafone Hutchison Australia

Washington H. Soul Pattinson and Company Limited (WHSP) (ASX: SOL) advises that it has reassessed the method of accounting for its investment in TPG Telecom Limited (TPG) following the completion of the merger of TPG with Vodafone Hutchison Australia on 29 June 2020 (the Merger Date).

From the Merger Date, WHSP has concluded it no longer holds significant influence over its investment in TPG. The merger has reduced WHSP's percentage holding in TPG (now 12.6% of the merged entity, previously 25.3%) and WHSP has one director on the board of 10 (previously one director on a board of five).

Consequently, WHSP will derecognise its investment in TPG as an associate and no longer apply the equity method of accounting.

With effect from the Merger Date, WHSP's investment in TPG will be carried as a long-term equity investment, with an accounting designation as a financial asset held at fair value through other comprehensive income. Fair value will be determined using the quoted last sale price of TPG shares.

As a result of this change, WHSP will have a material uplift in reported consolidated net profit after tax for its 2020 financial year.

The estimated financial impact of derecognising TPG as an associate is expected to be an after-tax profit to the consolidated entity in the range of $1,120 million to $1,170 million for the year ended 31 July 2020. The estimated gain reflects the initial recognition of the TPG investment at fair value, the TPG special dividend, the in-specie dividend for the Tuas Limited (TPG Singapore) demerger and WHSP's share of the profit from equity accounted investment before the Merger Date.

These figures are preliminary and subject to audit.

WHSP has received the TPG special dividend of $120.9 million or 51.6 cents per share and the 1 for 2 in-specie dividend arising from the demerger of Tuas Limited (TPG Singapore).

In future reporting periods, WHSP will book dividends from TPG as income rather than its equity share of TPG's net profit after tax. It is anticipated dividend income will be lower than an equity share of profits, as TPG has announced that it expects a dividend payout ratio of at least 50% of adjusted net profits after tax.

WHSP expects to equity account its 25.3% holding in Tuas Limited (TPG Singapore).

WHSP does not consider its earnings to be a key indicator of the Company's performance. As with any investment portfolio, the key drivers of success are growth in the capital value of the portfolio and a growing yield.

Washington H. Soul Pattinson and Company Limited
ABN: 49 000 002 728

Level 14, 151 Clarence Street, Sydney NSW 2000 | GPO Box 479, Sydney NSW 2001
T +61 2 9210 7070 F +61 2 9210 7077 www.whsp.com.au

About Washington H. Soul Pattinson and Company Limited

WHSP is Australia's second oldest listed company. Beginning as a pharmacy in Pitt Street, Sydney in 1872, the company listed on the Australian Securities Exchange 30 years later. Since listing, WHSP has paid a dividend every year, and grown into a diversified investor across a range of industries, including telecommunications, building products, mining, equities, pharmaceuticals, property and financial services.

WHSP is a long-term investor with a focus on providing its shareholders with capital growth and increasing fully franked dividends.

Washington H. Soul Pattinson and Company Limited (ASX: SOL)

www.whsp.com.au

This ASX announcement was authorised for release by Ian Bloodworth, Company Secretary.