

29 January 2019

Australian Mobile Network Rollout Update

TPG Telecom Limited (ASX: TPM) ('TPG' or 'the Company') advises that, due to factors outside TPG control, it has decided to cease the rollout of its mobile network in Australia.

Since the announcement of its mobile network strategy in April 2017, TPG has been in the process of designing and implementing a mobile network based principally on small cell architecture.

The principal equipment vendor selected for use in the network was Huawei. A key reason for the selection of the vendor and the design of TPG's network was that there was a simple upgrade path to 5G, using Huawei equipment.

In light of the Government's announcement in late August 2018 that it would prohibit the use of Huawei equipment in 5G networks, that upgrade path has now been blocked.

Since that announcement, TPG has continued to roll out equipment which it had ordered from Huawei prior to the Government announcement, but the Company has now reached the decision point for whether to place orders for additional Huawei equipment.

The Company has been exploring if there are any solutions available to address the problem created by the Huawei ban but has reached the conclusion that it does not make commercial sense to invest further shareholder funds (beyond that which is already committed) in a network that cannot be upgraded to 5G.

The Company has to-date incurred network rollout capital expenditure of approximately \$100m. It had, prior to August 2018, purchased equipment for 1,500 sites and has fully or partially completed the implementation of just over 900 small cell sites. Additional capital expenditure of approximately \$30m is already committed.

The Board is not in a position at this time to announce any decision on its future strategy for TPG's current spectrum holdings. It will consider carefully all the options available and will update the market once decisions are made.

TPG Executive Chairman David Teoh said, "It is extremely disappointing that the clear strategy the Company had to become a mobile network operator at the forefront of 5G has been undone by factors outside of TPG's control. Over the past two years a huge amount of time and resource has been invested in creating and delivering on a strategy that would have positioned TPG very favourably to exploit the opportunities that the advent of 5G will present."

“While TPG remains committed to the planned merger with Vodafone Hutchison Australia, the Company must continue to make independent business decisions in the best interests of TPG shareholders pending the outcome of the merger process.”

The Company does not expect any impact from this decision on its FY19 guidance and does not anticipate having to write-down, at this time, the mobile network costs capitalised to-date.

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