



Telstra Corporation Limited: Scheme Booklet

For the proposed restructure of the Telstra Group.

Vote in favour



The Telstra Directors unanimously recommend that you vote in favour of the Scheme Resolution.

The Independent Expert has concluded that the Scheme is in the best interests of Telstra Shareholders.

Dated 23 August 2022

Telstra Corporation Limited (ABN 33 051 775 556)

This is an important document and requires your immediate attention. You should read this Scheme Booklet in full before deciding how to vote on the Scheme Resolution. If you have any doubt as to what you should do, you should consult an independent and appropriately licensed and authorised professional adviser without delay.

Telstra Shareholders can also call the Telstra Shareholder Information Line on 1300 88 66 77 (within Australia) or on +61 1300 88 66 77 (outside Australia) at any time from 8:00am to 8:00pm (Sydney time) Monday to Friday (excluding Public Holidays) if they have any questions.

Important notices

This Scheme Booklet is issued by Telstra. It contains information on the Scheme. The Scheme is an arrangement between Telstra and Telstra Shareholders and is one of the steps that Telstra needs to complete to finalise the restructure of the Telstra Group first announced in November 2020. The Scheme requires Telstra Shareholder approval and approval by the Court.

The purpose of this Scheme Booklet is to provide Telstra Shareholders with information relevant to their decision on whether to approve the Scheme at the Scheme Meeting.

It includes the explanatory statement required to be sent to each Telstra Shareholder under Part 5.1 of the Corporations Act in relation to the Scheme, and the notice of the Scheme Meeting. This Scheme Booklet is an important document and requires your immediate attention. You should read this Scheme Booklet in full before deciding how to vote on the Scheme Resolution. If you have any doubt as to what you should do, you should consult an independent and appropriately licensed and authorised professional adviser without delay.

Lodgement and listing

A copy of this Scheme Booklet has been lodged with, and registered by, ASIC for the purposes of section 412(6) of the Corporations Act.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing where the Court is asked to approve the Scheme. The Second Court Hearing will be held following the Scheme Meeting. ASIC's policy is that it will not provide a statement under section 411(17)(b) of the Corporations Act until the Second Court Hearing because it will not be in a position to advise the Court until it has had an opportunity to observe the entire process for the Scheme.

A copy of this Scheme Booklet has also been lodged with the ASX and New Telstra Corp will apply for admission to the official list of the ASX and for quotation of New Telstra Corp Shares on the ASX by 21 October 2022, those applications being conditional on the Scheme becoming Effective.

The fact that the ASX may admit New Telstra Corp to the official list does not in any way represent, and should not be taken in any way as an indication of, the merits of the Scheme or New Telstra Corp.

None of ASIC, the ASX nor their respective officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court orders under section 411(1) of Corporations Act

At the First Court Hearing (which has already been held), the Court ordered that the Scheme Meeting be convened and ordered the dispatch of this Scheme Booklet under section 411(1) of the Corporations Act. However, that does not mean that the Court:

- has formed any view as to the merits of the Scheme or as to how Telstra Shareholders should vote on the Scheme Resolution. On this matter Telstra Shareholders must reach their own decision;
- has prepared, or is responsible for the content of, this Scheme Booklet; or
- will approve the Scheme at the Second Court Hearing.

Responsibility for information

Except for the Independent Limited Assurance Report, the Independent Expert's Reports and sections 5 and 6.10, this Scheme Booklet has been prepared by, and is the responsibility of, Telstra.

King & Wood Mallesons has prepared the information set out in section 5 on the Australian income tax considerations for certain Telstra Shareholders in connection with the Top Hat Component and takes responsibility for that information.

The Independent Expert has prepared the Independent Expert's Reports and takes responsibility for those reports and the information on those reports in section 6.10.

Ernst & Young Strategy and Transactions Limited (**Ernst & Young Strategy and Transactions**) has prepared the Independent Limited Assurance Report set out in Annexure B and takes responsibility for that report.

Not investment advice

The information provided in this Scheme Booklet is not financial product advice and has been prepared without taking into account any Telstra Shareholder's individual investment objectives, financial circumstances or particular needs. Accordingly, nothing in this Scheme Booklet should be construed as a recommendation or statement of opinion by Telstra or any other person concerning an investment in the Telstra Group.

Privacy and personal information

Telstra may collect personal information in the process of conducting the Scheme Meeting, implementing the Scheme and administering shareholdings arising from the Scheme. That personal information may include the names, addresses, other contact details and details of the shareholdings of Telstra Shareholders, and the names of individuals appointed by Telstra Shareholders as proxies, corporate representatives or attorneys for the purposes of the Scheme Meeting.

Telstra Shareholders who are individuals, and the other individuals who have their personal information collected as outlined above, have certain rights to access the personal information collected in relation to them. Those individuals should contact the Registry on 1300 88 66 77 (within Australia) or on +61 1300 88 66 77 (outside Australia) on Monday to Friday Telstra Shareholders can also call the Telstra Shareholder Information Line on 1300 88 66 77 (within Australia) or on +61 1300 88 66 77 (outside Australia) at any time from 8:00am to 8:00pm (Sydney time) Monday to Friday (excluding Public Holidays) if they have any questions from 8:00am to 8:00pm (Sydney time) in the first instance if they wish to request access to that personal information.

The personal information may be disclosed to the Registry, to securities brokers, to print and mail service providers and to any other service providers and advisers engaged by Telstra for the purposes described above.

The main consequence of not collecting the personal information outlined above would be that Telstra may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme. Telstra Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Important notices

Foreign jurisdictions

This Scheme Booklet does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Other than as set out in this Scheme Booklet, no action has been taken to register Telstra Shares or New Telstra Corp Shares or otherwise permit an offering of New Telstra Corp Shares in any jurisdiction outside of Australia.

The distribution of this Scheme Booklet (electronically or otherwise) outside Australia may be restricted by law. If you come into possession of this Scheme Booklet (electronically or otherwise), you should observe any such restrictions and you should seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws.

New Telstra Corp Shares to be issued pursuant to the Scheme are expected to be exempt from the registration requirements of the US Securities Act pursuant to an exemption provided by section 3(a)(10) of the US Securities Act. Telstra will advise the Court that its making of orders to approve the Scheme at the Second Court Hearing will be relied upon as an approval for qualifying for that exemption.

None of the SEC, any United States state securities commission or any other United States regulatory authority has passed comment upon, approved or disapproved, or endorsed the merits of the Scheme, New Telstra Corp Shares or the accuracy, adequacy or completeness of this Scheme Booklet. Any representation to the contrary is a criminal offence in the United States.

Refer to section 7.10 for information about selling restrictions in foreign jurisdictions.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Scheme which is not contained in this Scheme Booklet. Any information or representation not contained in this Scheme Booklet may not be relied on as having been authorised by Telstra in connection with the Scheme.

Forward-looking statements

This Scheme Booklet includes forward-looking statements.

The forward-looking statements are based on assumptions and information known by Telstra as at the date of this Scheme Booklet. The forward-looking statements are provided as a general guide only and are not guarantees or predictions of future performance. Telstra believes the expectations reflected in these statements are reasonable as at the date of this Scheme Booklet, but acknowledges they involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause Telstra's actual results, performance and achievements to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include general economic conditions in Australia, such as interest rates, inflation and foreign exchange rates, competition in the markets in which the Telstra Group operates, the inherent regulatory risks in the businesses of the Telstra Group, the substantial technological changes taking place in the telecommunications industry, the ongoing impacts of the COVID-19 pandemic, the geopolitical environment (including the impacts of sanctions and trade controls and broader supply chain impacts), and the continuing growth in the data, internet, mobile and other telecommunications markets where the Telstra Group operates.

In addition, there are particular risks and uncertainties in connection with the implementation of Telstra's T25 strategy (T25). Detailed business plans have not been developed for the entirety of the strategy and the full scope and cost of T25 may vary as plans are developed. Further there are risks associated with the Telstra Group's ability to execute and manage the elements of T25 in a sequenced, controlled and effective manner and realise the planned benefits, cost savings and growth opportunities.

Telstra Shareholders should not place undue reliance on the forward-looking statements. To the maximum extent permitted by law, Telstra gives no representation, warranty or other assurance in connection with the currency, accuracy, reliability and completeness of the forward-looking statements, whether as a result of new information, future events or otherwise.

Past performance information

This Scheme Booklet contains information relating to the past performance of the Telstra Group. Past performance information may not be a reliable indicator of the performance of the Telstra Group going forward.

Up to date information

In certain circumstances, Telstra may provide other additional disclosure to Telstra Shareholders after the date of this Scheme Booklet that may be relevant to their decision on how to vote on the Scheme Resolution. Telstra will also issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Top Hat Implementation Date:

- a material statement in this Scheme Booklet that is misleading or deceptive;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new circumstance that has arisen that would have been required to be included in this Scheme Booklet.

To the extent applicable, Telstra Shareholders should have regard to any supplemental information or document in determining how to vote on the Scheme Resolution.

Estimates and the effects of rounding

This Scheme Booklet contains various references to estimates. Those estimates are forward-looking statements where the actual outcomes may be different from the estimates and the differences may be material. Additionally, a number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

Pro forma historical financial information

The pro forma historical financial information included in this Scheme Booklet does not purport to be in compliance with Article 11 of Regulation S-X of the SEC.

The pro forma adjustments made in arriving at the pro forma historical financial information included in this Scheme Booklet would not be permissible under the SEC's rules and regulations on pro forma financial information presentations.

Financial amounts and currency

Monetary amounts referred to in this Scheme Booklet are in Australian dollars unless otherwise indicated.

Further information

Any Telstra Shareholder requiring assistance understanding the matters in this Scheme Booklet can call the Telstra Shareholder Information Line on 1300 88 66 77 (within Australia) or on +61 1300 88 66 77 (outside Australia) at any time from 8:00am to 8:00pm (Sydney time) Monday to Friday (excluding Public Holidays).

However, for legal reasons, the Telstra Shareholder Information Line will not provide advice on the merits of the Scheme or give any financial, legal or taxation advice. If you have any doubt as to what you should do, you should consult an independent and appropriately licensed and authorised professional adviser without delay.

Definitions and abbreviations

Defined terms and abbreviations used in this Scheme Booklet are explained in the Glossary at the end of this Scheme Booklet.

References to time

Unless otherwise specified, all dates and times in this Scheme Booklet refer to the time in Sydney, Australia.

Date of this Scheme Booklet

This Scheme Booklet is dated 23 August 2022. Unless otherwise indicated, all information included in this Scheme Booklet (including views, recommendations and statements of intention) is current as at that date.

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Key dates and Scheme Meeting details

Key dates leading up to and including the Scheme Meeting

Event	Indicative Date
Date of the First Court Hearing at which the Court ordered the convening of the Scheme Meeting	23 August 2022
Last time to lodge your vote before the Scheme Meeting or to appoint a proxy for the Scheme Meeting	12:30pm on 9 October 2022
Time for determining eligibility to vote at the Scheme Meeting	12:30pm on 9 October 2022
2022 Annual General Meeting	9:30am on 11 October 2022
Scheme Meeting	To follow the 2022 Annual General Meeting, but not to commence before 12:30pm on 11 October 2022

Key dates following the Scheme Meeting

Event	Indicative Date
Date of the Second Court Hearing for approval of the Scheme	19 October 2022
Effective Date Last day of trading in Telstra Shares on the ASX	20 October 2022
New Telstra Corp Shares commence trading on the ASX on a deferred settlement basis	21 October 2022
Record Date for the Top Hat Component All Telstra Shareholders on the Register at this time will be entitled to Participate in the Top Hat Component unless they are Ineligible Foreign Shareholders	24 October 2022
Top Hat Implementation Date Eligible Shareholders receive New Telstra Corp Shares	31 October 2022
Despatch of holding statements for New Telstra Corp Shares to Eligible Shareholders commences New Telstra Corp Shares commence trading on a normal settlement basis on the ASX	1 November 2022
Settlement of on-market trades in New Telstra Corp Shares conducted on a deferred settlement basis on the ASX and first settlement of trades in New Telstra Corp Shares conducted on a normal T+2 settlement basis on the ASX	3 November 2022
Business Restructure Implementation Date	1 January 2023

Other than the date of the First Court Hearing (which has already occurred), the dates and times in this Scheme Booklet for the events referred to above are indicative only and Telstra reserves the right to vary them. Telstra will make an announcement to the ASX if that occurs.

Unless otherwise specified, all dates and times in this Scheme Booklet refer to the time in Sydney, Australia.

Letter to Telstra Shareholders

Dear Telstra Shareholders,

On behalf of the Telstra Board, I am pleased to present you with this Scheme Booklet, which provides information on our proposed restructure. It is being provided to you because one of the steps needed to finalise the restructure requires shareholder approval.



The restructure was a key component of our T22 strategy and is also a key component of our new T25 strategy, announced last year. It is an important next step in our drive to increase the transparency of our infrastructure assets and to improve management focus on our infrastructure and customer businesses, and consequently provides us more flexibility to create additional value for you, our shareholders.

It also recognises the world has changed significantly on the back of the pandemic. This is expected to accelerate digitisation in the home, the workplace and economies more broadly, and reinforces the importance and value of the telecommunications infrastructure and connectivity that enables that digitisation.

Delivering on our strategy, including the investments we have made in digitisation and networks, together with the benefits that will flow from the restructure, positions us well to capitalise on these changes.

The restructure involves the establishment of New Telstra Corp as the head entity of the Telstra Group and the movement of entities, assets and liabilities within the Telstra Group. While we outline the various steps that will occur as part of the restructure in this Scheme Booklet, it is only the step referred to as the Scheme that needs shareholder approval.

The restructure is an internal legal re-organisation and will not itself result in any immediate change to the underlying assets or business activities of the Telstra Group. It will provide us with more options and potential to realise additional value for Telstra Shareholders from our infrastructure assets.

If the Scheme is approved there will be no change to the level of your shareholding and you will receive one New Telstra Corp Share for each of your existing Telstra Shares.¹ New Telstra Corp Shares will have the same dividend and voting rights as Telstra Shares.

1. Unless you are an Ineligible Foreign Shareholder – see section 6.4 for more information.

The detailed information within this Scheme Booklet explains why the Telstra Directors will all be voting their Telstra Shares in favour of the Scheme, and unanimously recommend you do the same.

This recommendation is based on our detailed assessment of the potential advantages and disadvantages of the Scheme, set out in this Scheme Booklet, as summarised below.

Advantages/reasons to vote in favour:

- increased transparency of the assets of our customer and infrastructure businesses, allowing management to drive performance and efficiencies while also providing a clearer picture for shareholders and potential investors to value the business;
- increased focus on our customer and infrastructure businesses through separate management teams with business-specific strategies, supported by dedicated risk teams under a group-wide risk management and compliance framework. It will do this while limiting disruption to the Telstra Group's businesses, including its arrangements with nbn. This heightened standalone focus is expected to deliver value to Telstra Shareholders over time; and
- greater flexibility and optionality to realise value from the Telstra Group's fixed infrastructure assets over time, and potential to take advantage of opportunities that may arise to create value for Telstra Shareholders.

Disadvantages/reasons to vote against:

- the one-off costs to the Telstra Group that are expected to arise if the Scheme is implemented. Those costs (excluding stamp duty)² are not considered to be material to the Telstra Group. The overall one-off costs associated with the Scheme, most of which have already been incurred or will be incurred regardless of whether the Scheme is implemented, are expected to be \$126 million (excluding stamp duty) and comprise incremental IT systems and process costs, adviser fees, the cost of the Independent Expert, and costs associated with the Scheme Meeting;
- additional ongoing costs for the Telstra Group that might not otherwise arise. They will mainly be incremental costs in connection with the administration of the new corporate structure and, in aggregate, are not considered to be material to the Telstra Group;
- one or more of the risks associated with the implementation of the restructure occurring. Those risks are summarised in FAQ A.15 and are outlined in more detail in section 2.9; and
- you may disagree with the recommendation of the Telstra Board and the conclusion of the Independent Expert outlined below.

The Independent Expert has concluded that the Scheme is in the best interests of Telstra Shareholders. The report from the Independent Expert is included in this Scheme Booklet. In that report the Independent Expert states:

“The critical question is whether shareholders are likely to realise greater value over time if the Scheme is implemented than if the Telstra Group's current structure is maintained. The evaluation is essentially subjective. However, on balance, in Grant Samuel's view, the potential advantages of the Scheme outweigh the disadvantages and risks. While implementation of the Scheme is not a guarantee of future performance or of any value enhancing transaction, shareholders are ultimately likely to be better off if the Scheme proceeds.”

The full detail on the advantages, disadvantages and risks is set out in section 2.

The Scheme Meeting will be held on 11 October 2022 immediately following Telstra's 2022 Annual General Meeting, but not before 12:30pm (Sydney time). Both the Annual General Meeting and the Scheme Meeting will be held as hybrid meetings. That means Telstra Shareholders will be able to attend the Scheme Meeting in person at the Hilton Sydney Ballroom, Level 3, 488 George Street, Sydney or online through

meetings.linkgroup.com/TLSScheme22. Further details on how to attend and vote at the Scheme Meeting are set out in this Scheme Booklet and in the Notice of the Scheme Meeting in Annexure D.

If you have any questions about this Scheme Booklet, please consult an independent and appropriately licensed and authorised professional adviser.

You are also welcome to call the Telstra Shareholder Information Line on 1300 88 66 77 (within Australia) or on +61 1300 88 66 77 (outside Australia) at any time from 8:00am to 8:00pm (Sydney time) Monday to Friday (excluding Public Holidays) if you have any questions.

We thank you for your continued support as a Telstra Shareholder and encourage you to vote on this important decision which will set Telstra up for the future.

Yours sincerely,

John Mullen
Chairman

2. Information on the stamp duty costs associated with implementing the Scheme is set out in sections 2.8.1, 2.9.3 and 7.7.3.

This Scheme Booklet contains information on the “Scheme”. The Scheme is an arrangement between Telstra and Telstra Shareholders and is one of the steps that Telstra needs to complete to finalise the restructure of the Telstra Group it first announced in November 2020. That restructure is referred to in this Scheme Booklet as the “Corporate Restructure”. The Scheme requires Telstra Shareholder approval and approval by the Court.

The Scheme is being used to establish a new head entity for the Telstra Group (referred to as the **Top Hat Component**) and to separate the Telstra Group’s operating and infrastructure businesses into separate subsidiaries (referred to as the **Business Restructure Component**).

What is the Corporate Restructure?

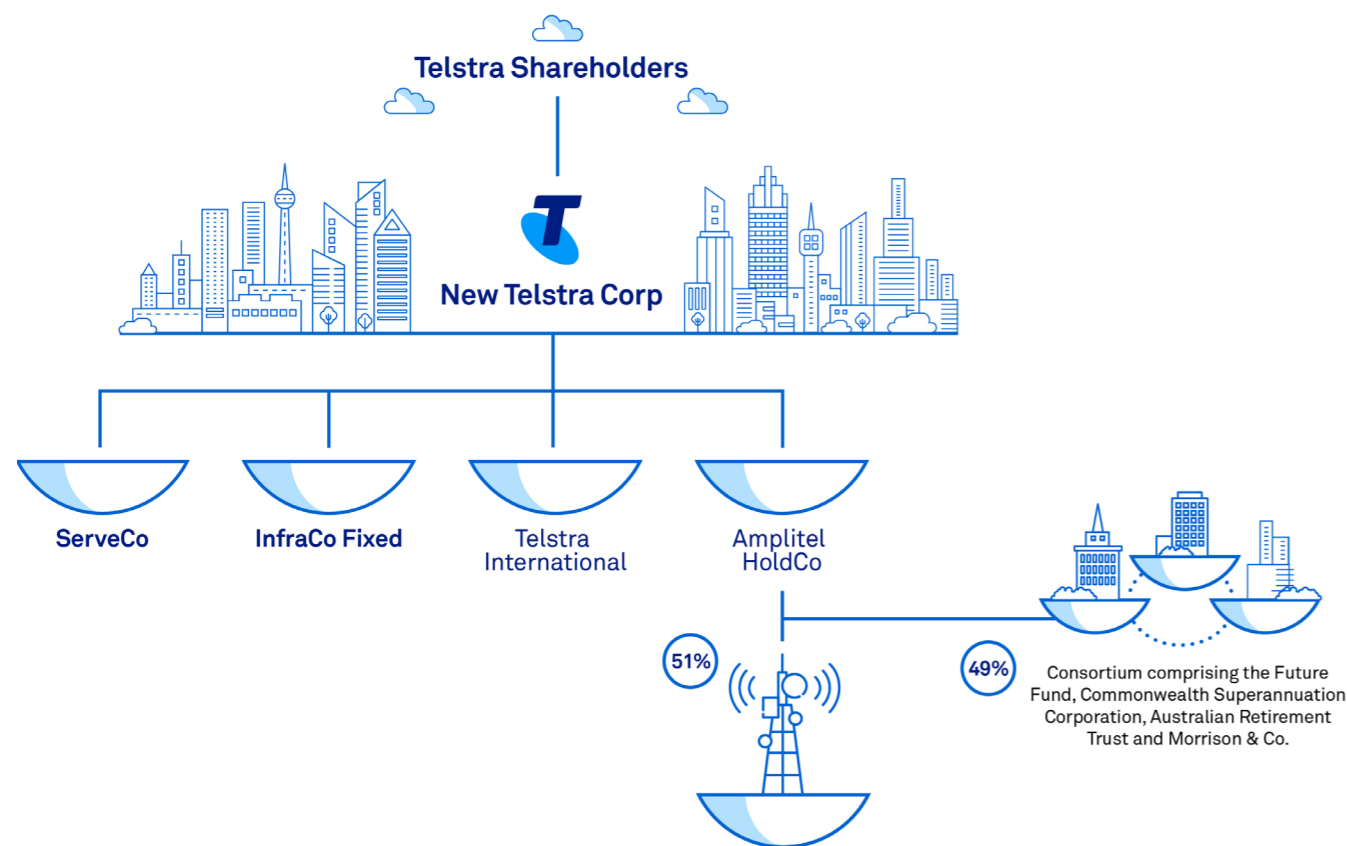
The Corporate Restructure is a legal re-organisation of the Telstra Group. Under the Corporate Restructure, a new structure will be established, with New Telstra Corp as the head entity of the Telstra Group. Four key subsidiaries will sit under New Telstra Corp:

- **ServeCo** – which will own and operate the ServeCo Business;
- **InfraCo Fixed** – which will own and operate the InfraCo Fixed Business;
- **Amplitel** – which owns and operates the Amplitel Business. The Telstra Group’s 51% interest in Amplitel is held by Amplitel HoldCo; and
- **Telstra International** – which will own and operate the International Businesses.

A description of each of these businesses is set out below.

All of these businesses will continue to focus on creating innovative products and services, supporting customers and delivering an exceptional customer experience. Intercompany agreements (ICAs) have been or will be established between the entities to help ensure they each have the infrastructure access, services and support required to enable them to achieve this.

Corporate structure after the implementation of the Corporate Restructure³



3. Simplified structure diagram illustrating the key entities only. The Telstra International Steps are intended to occur gradually following the Top Hat Implementation Date, but remain subject to relevant approvals and engagement with appropriate stakeholders.

Why is Telstra undertaking the Corporate Restructure?

The Corporate Restructure is a key component of the T25 strategy Telstra announced last year. It is an important next step in Telstra’s drive to increase focus on its customer and infrastructure businesses, increase transparency of the assets in these businesses, and create greater flexibility and optionality to realise value from the Telstra Group’s fixed infrastructure assets over time.

The Corporate Restructure is an internal legal re-organisation and will not, in itself, result in any immediate change to the underlying assets and business activities of the Telstra Group as a whole.

How is the Telstra Group’s current business being divided between the four key subsidiaries?

The table below outlines how the Telstra Group’s current business will be split between ServeCo, InfraCo Fixed, Amplitel and Telstra International following completion of the Corporate Restructure.⁴

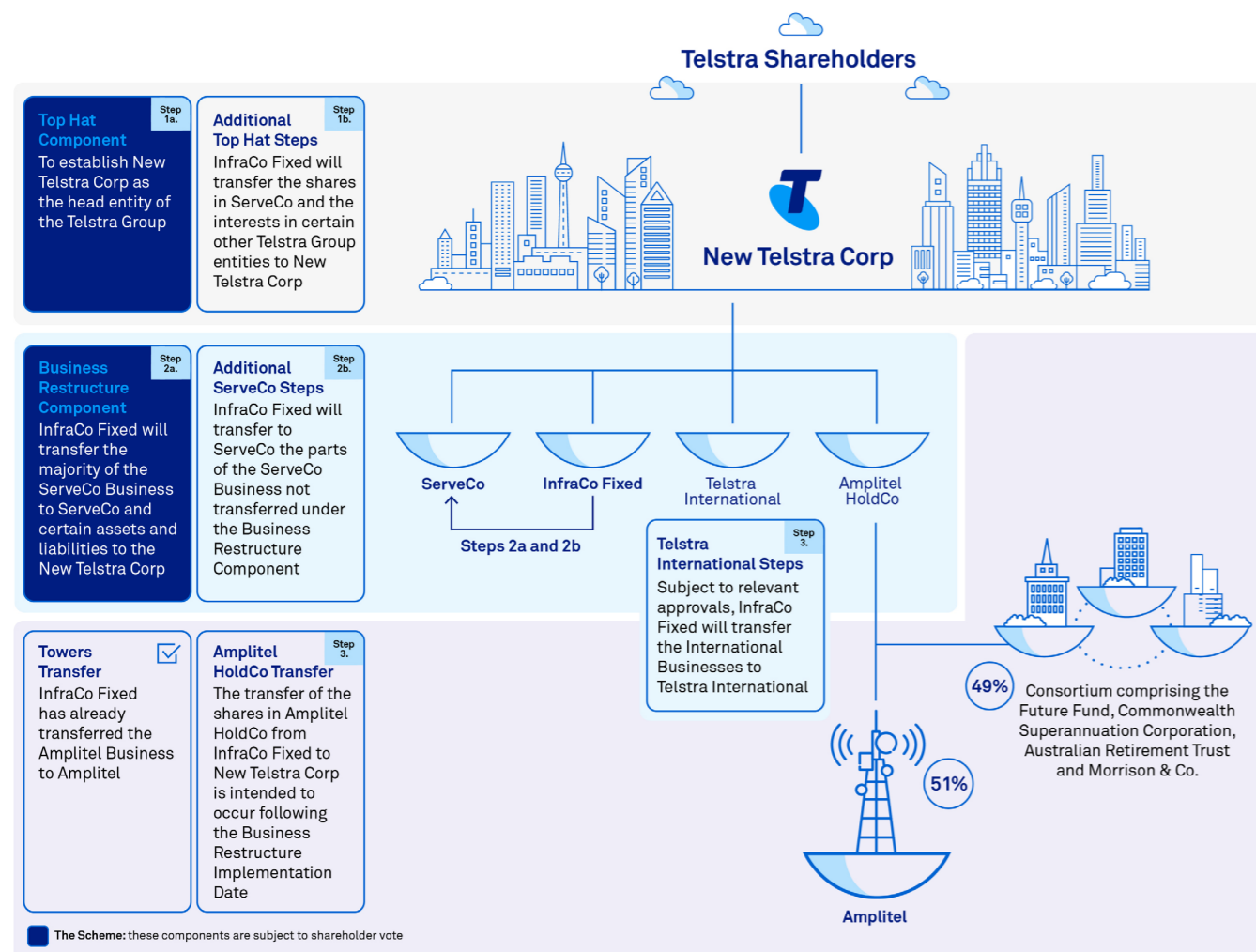
ServeCo Business	InfraCo Fixed Business	Amplitel Business	International Businesses
<p>The Telstra Group’s current business, including:</p> <ul style="list-style-type: none"> • the retail business of providing fixed, data, mobility, wireless, entertainment and ancillary services and products to retail, government and enterprise customers; • the Telstra wholesale business; • the Telstra Health business; • the Telstra Energy business; and • the Telstra Purple business, but excluding: • the InfraCo Fixed Business; • the International Businesses; and • the Amplitel Business. 	<p>The passive infrastructure asset business currently undertaken by Telstra’s “InfraCo” business unit that comprises:</p> <ul style="list-style-type: none"> • the nbn Services Business; • the business of designing, constructing, operating, maintaining, relocating and rationalising or decommissioning: <ul style="list-style-type: none"> – passive fibre networks; and – ducts, pits, poles, tunnels, certain fixed network sites and structures (including data centres); and • the ownership of infrastructure assets, including the Telstra Group’s copper and HFC networks,⁵ but excludes the Amplitel Business and the International Businesses. 	<p>The separate business undertaken by Amplitel of providing access to passive tower assets owned or operated by Amplitel.</p>	<p>The Telstra Group’s business of providing international services using the International Assets, including Digicel’s business in the South Pacific.</p>

4. The transfer of certain of the Telstra Group’s joint venture interests proposed to occur under the Additional ServeCo Steps may not occur until significantly after the Business Restructure Implementation Date. Those joint venture interests will continue to be held by InfraCo Fixed after the Business Restructure Implementation Date unless and until they are transferred to ServeCo. The Telstra International Steps are intended to occur gradually following the Top Hat Implementation Date, but remain subject to relevant approvals and engagement with appropriate stakeholders.

5. ServeCo will operate and maintain the Telstra Group’s copper and HFC networks pursuant to the ICAs.

How is the Corporate Restructure being implemented?

As outlined in the diagram and table below, the Corporate Restructure comprises a number of components, including the Scheme. The Scheme is the key component of the Corporate Restructure and is the focus of this Scheme Booklet. Telstra Shareholders are only being asked to vote on the Scheme. Information on the other components is included in this Scheme Booklet to provide a clear picture of how the Telstra Group is intended to be structured following the implementation of the Corporate Restructure and because, in some cases, those components support the Scheme.



	Scheme: Top Hat Component & Business Restructure Component	Additional Top Hat Steps	Additional ServeCo Steps	Towers Transfer	Amplitel HoldCo Transfer	Telstra International Steps
Why are we doing it?	<p><i>Top Hat Component:</i> To establish a new structure for the Telstra Group with New Telstra Corp as the head entity</p> <p><i>Business Restructure Component:</i> To help separate the Telstra Group's infrastructure and operating businesses by transferring the majority of the ServeCo Business to ServeCo and certain assets and liabilities from InfraCo Fixed to New Telstra Corp</p>	Supports the Top Hat Component. The steps will involve InfraCo Fixed transferring to New Telstra Corp the shares in ServeCo and the interests in certain other Telstra Group entities	Supports the Business Restructure Component. The steps will involve InfraCo Fixed transferring to ServeCo the assets and liabilities needed to operate the ServeCo Business that are not transferred under the Scheme	The Towers Transfer was undertaken to facilitate the Towers Transaction. It involved the transfer of the Amplitel Business to Amplitel. The Telstra Group's 51% interest in Amplitel is held by Amplitel HoldCo	To transfer the shares in Amplitel HoldCo from InfraCo Fixed to New Telstra Corp	To establish Telstra International as a subsidiary sitting under New Telstra Corp and the International Businesses under Telstra International
When are we doing it?	<p><i>Top Hat Implementation Date:</i> Expected to be 31 October 2022</p> <p><i>Business Restructure Implementation Date:</i> Expected to be 1 January 2023</p>	Expected to occur between the Top Hat Implementation Date and the Business Restructure Implementation Date	On or after the Business Restructure Implementation Date	Complete	On or following the Business Restructure Implementation Date This step will only occur if the Scheme becomes Effective	Gradually following the Top Hat Implementation Date, subject to relevant approvals and engagement with appropriate stakeholders Some of these steps will only occur if the Scheme becomes Effective
		These steps will only occur if the Scheme becomes Effective				

What am I being asked to vote on?

Telstra Shareholders are being asked to vote on the Scheme, which comprises the Top Hat Component and the Business Restructure Component. Therefore, you should read this Scheme Booklet in full and vote at the Scheme Meeting.

The Telstra Directors unanimously recommend that you vote in favour of the Scheme Resolution. The Telstra Directors intend to vote the Telstra Shares they hold or control in favour of the Scheme Resolution.

The Independent Expert has concluded that the Scheme is in the best interests of Telstra Shareholders.

Why is a shareholder vote required?

The Scheme is an arrangement between Telstra and its shareholders. It relies on a procedure and regime set out in the Corporations Act that can be used by companies to restructure their business and operations and it has been used by other companies in Australia to put similar structural arrangements in place to those contemplated by the Corporate Restructure.

Legally, for the Scheme to become Effective and be implemented it must be approved by Telstra Shareholders and the Court.

What impact will the Scheme have on my Telstra Shares?

If the Scheme becomes Effective and you are an Eligible Shareholder, you will receive one New Telstra Corp Share for every Telstra Share you hold on the Record Date (expected to be 7:00pm on 24 October 2022).

If the Scheme becomes Effective and you are an Ineligible Foreign Shareholder, you will cease to be a Telstra Shareholder and you will not receive any New Telstra Corp Shares. The New Telstra Corp Shares you would otherwise have been entitled to will be sold through the Sale Facility and you will receive the proceeds from the sale of those New Telstra Corp Shares.

No other aspect of the Corporate Restructure will result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued.

What other conditions need to be satisfied for the Scheme to be implemented?

There are a number of other conditions that need to be satisfied or waived (where applicable) for the Scheme to be implemented, in addition to Telstra Shareholder and Court approval.

The key condition relates to the competition law authorisation required to enable Telstra, ServeCo and nbn to give effect to the amended Definitive Agreements they have negotiated to accommodate the Scheme coming into force, either on an unconditional basis or subject to conditions acceptable to Telstra and nbn. That authorisation is expected to be provided through the ACCC Authorisation. The ACCC is expected to issue its final determination in respect of the ACCC Authorisation by the end of September 2022 and, in any event, before the Scheme Meeting. If the ACCC Authorisation is granted, it will come into force a short time later.⁶

On 14 July 2022, the ACCC issued the Draft ACCC Authorisation. The Draft ACCC Authorisation is in a form that is acceptable to both Telstra and nbn. However, public consultation in relation to the ACCC Authorisation is ongoing and there remains a risk that the ACCC Authorisation may not be granted or could differ in some way from the Draft ACCC Authorisation. Those differences could arise through the imposition of conditions that Telstra and nbn need to satisfy to benefit from the authorisation, that were not contemplated in the Draft ACCC Authorisation. If that situation were to arise and the conditions were not acceptable to Telstra or nbn, the Scheme may not proceed.

Why is the Corporate Restructure being implemented in this way?

The series of steps that are being used to implement the Corporate Restructure have been designed with a focus on efficiency.

In particular, the Scheme is the most practical and efficient way to establish New Telstra Corp as the head entity of the Telstra Group. The establishment of ServeCo as a subsidiary of New Telstra Corp will be implemented as part of the Additional Top Hat Steps but the transfer of the ServeCo Business to ServeCo requires the transfer of a very large number of assets and liabilities (including the transfer of a large number of existing customer and supply contracts). The Scheme enables the majority of those assets and liabilities (including those contracts) to be transferred efficiently by order of the Court.

A number of assets and liabilities will be transferred separately through contractual arrangements between InfraCo Fixed and ServeCo (the Additional ServeCo Steps) because either they cannot legally be transferred under the Scheme or it is more practical to transfer them under contractual arrangements.

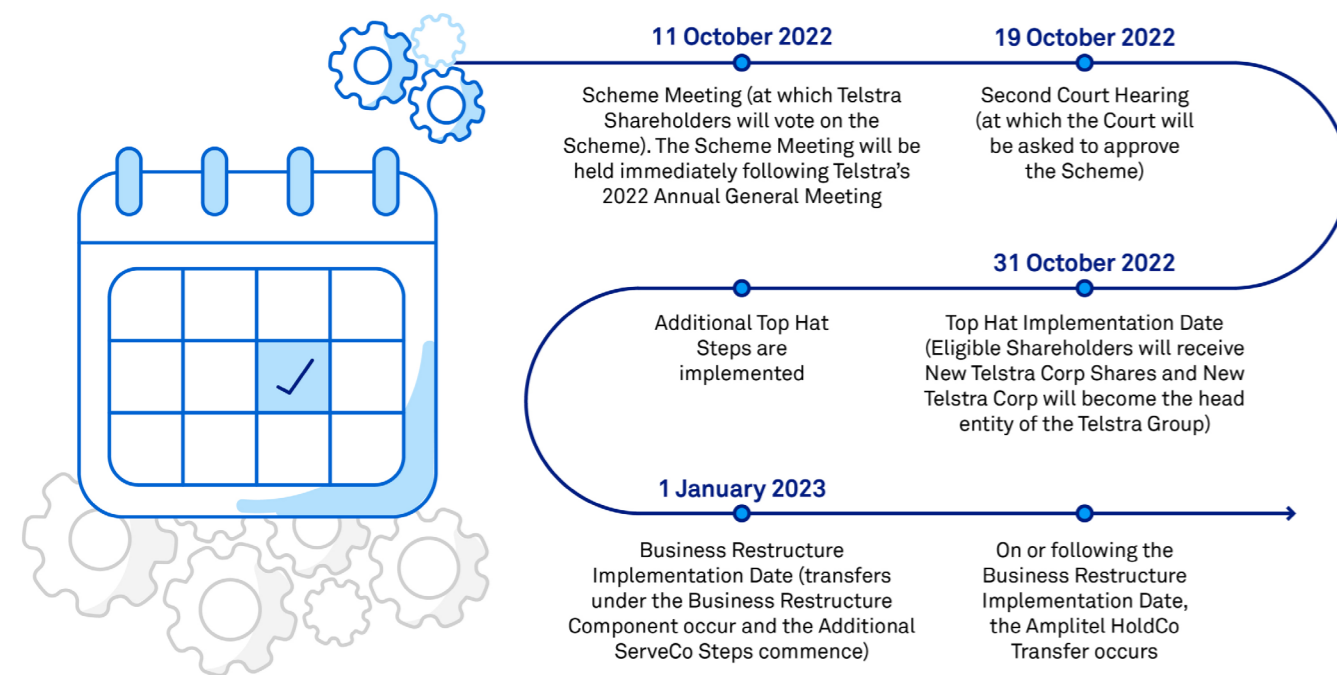
The Telstra International Steps and the Amplitel HoldCo Transfer will occur through contractual agreements for the same reason. The Telstra International Steps are intended to occur gradually following the Top Hat Implementation Date, but remain subject to relevant approvals and engagement with appropriate stakeholders.

The establishment of Amplitel was possible outside of the Scheme (and therefore without Telstra Shareholder approval) because it involved the transfer of a much smaller number of assets and liabilities.

What should you do next?

Step	Details
Step 1: Carefully read this Scheme Booklet	<p>You should read this Scheme Booklet in full before deciding how to vote on the Scheme Resolution.</p> <p>If you have any doubt as to what you should do, you should consult an independent and appropriately licensed and authorised professional adviser without delay. You can also call the Telstra Shareholder Information Line on 1300 88 66 77 (within Australia) or on +61 1300 88 66 77 (outside Australia) at any time from 8:00am to 8:00pm (Sydney time) Monday to Friday (excluding Public Holidays) if you have any questions.</p>
Step 2: Vote at the Scheme Meeting	<p>How will the Scheme Meeting be held</p> <p>The Scheme Meeting will be held on 11 October 2022 immediately following Telstra's 2022 Annual General Meeting, and will not commence before 12:30pm (Sydney time). Both the Annual General Meeting and the Scheme Meeting will be held as hybrid meetings. That means Telstra Shareholders will be able to attend the Scheme Meeting in person at the Hilton Sydney Ballroom, Level 3, 488 George Street, Sydney or online at meetings.linkgroup.com/TLSScheme22.</p> <p>The Notice of Scheme Meeting in Annexure D and the Telstra Virtual Meetings Guide available at telstra.com/meetings22 provide all the information you need to know about attending the Scheme Meeting.</p> <p>If it becomes necessary or appropriate for Telstra to make alternative arrangements for the holding or conduct of the Scheme Meeting (e.g., to comply with any public health orders or to help ensure the health and wellbeing of attendees), Telstra will make an ASX announcement, and the information will also be made available at telstra.com/meetings22.</p> <p>Who is entitled to vote?</p> <p>Telstra Shareholders on the Register at 12:30pm (Sydney time) on 9 October 2022 may vote at the Scheme Meeting.</p> <p>How to vote</p> <p>You can lodge your vote before the Scheme Meeting:</p> <ul style="list-style-type: none"> • online at vote.linkmarketservices.com/tls To log in you will need your SRN or HIN and the postcode or country code for your Telstra Shareholding. • by returning your hard-copy proxy/voting form by mail: Telstra Share Registry Link Market Services Limited PO Box A942 Sydney South NSW 1234 • by returning your hard-copy proxy/voting form by fax: +61 (2) 9287 0309 • by returning your hard-copy proxy/voting form by hand: Telstra Share Registry Link Market Services Limited Level 12, 680 George St Sydney NSW 2000 <p>Your vote must be received (if sent by mail or fax or delivered by hand) or submitted online by 12:30pm (Sydney time) on 9 October 2022.</p> <p>You will also be able to vote during the Scheme Meeting.</p> <p>See section 6.6 and the Notice of Scheme Meeting in Annexure D for further information.</p> <p>The Telstra Directors unanimously recommend that you vote in favour of the Scheme Resolution. The Telstra Directors intend to vote the Telstra Shares they hold or control in favour of the Scheme Resolution.</p> <p>The Independent Expert has concluded that the Scheme is in the best interests of Telstra Shareholders.</p>
Step 3: Participate in the Top Hat Component	<p>You do not need to do anything to Participate in the Top Hat Component.</p> <p>If the Scheme becomes Effective and you are an Eligible Shareholder, you will receive one New Telstra Corp Share for every Telstra Share you hold on the Record Date (expected to be 7:00pm on 24 October 2022).</p> <p>You will be an Eligible Shareholder if you are recorded as a holder of Telstra Shares on the Register on the Record Date and your Registered Address is in Australia or an Eligible Foreign Jurisdiction, or you have otherwise been determined by Telstra to be an Eligible Foreign Shareholder.</p> <p>You will be able to trade any New Telstra Corp Shares you receive under the Top Hat Component on the ASX on a deferred settlement basis from 21 October 2022. However, on that day you will not have received your holding statement which sets out the number of New Telstra Corp Shares you hold. If you trade your New Telstra Corp Shares on the ASX before you receive your holding statement you do so at your own risk.</p> <p>Holding statements are expected to be despatched from 1 November 2022. Normal T+2 settlement trading of New Telstra Corp Shares will commence on 3 November 2022.</p> <p>Ineligible Foreign Shareholders</p> <p>Unless Telstra determines otherwise, you will be an Ineligible Foreign Shareholder if you are recorded as a holder of Telstra Shares on the Register on the Record Date and your Registered Address is not in Australia or an Eligible Foreign Jurisdiction.</p> <p>If the Scheme becomes Effective and you are an Ineligible Foreign Shareholder, you will cease to be a Telstra Shareholder and you will not receive any New Telstra Corp Shares under the Top Hat Component. The New Telstra Corp Shares you would otherwise have been entitled to under the Top Hat Component will be sold through the Sale Facility and you will receive the proceeds from the sale of those New Telstra Corp Shares.</p>

What are the key dates??



6. The ACCC's published timeline is available at <https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/telstra-corporation-limited-nbn-co-and-ors>.

7. The Telstra International Steps are intended to occur gradually following the Top Hat Implementation Date, but remain subject to relevant approvals and engagement with appropriate stakeholders.

1 | Frequently asked questions

Question	Answer	Where to find more information
A. Details of the Corporate Restructure		
A.1 What is the Corporate Restructure?	<p>The Corporate Restructure is a legal re-organisation of the Telstra Group. Under the Corporate Restructure, a new structure will be established, with New Telstra Corp as the head entity of the Telstra Group. Four key subsidiaries will sit under New Telstra Corp:</p> <ul style="list-style-type: none"> • ServeCo – which will own and operate the ServeCo Business; • InfraCo Fixed – which will own and operate the InfraCo Fixed Business; • Amplitel – which owns and operates the Amplitel Business. The Telstra Group's 51% interest in Amplitel is held by Amplitel HoldCo; and • Telstra International – which will own and operate the International Businesses. <p>All of these businesses will continue to focus on creating innovative products and services, supporting customers and delivering an exceptional customer experience. ICAs have been or will be established between the entities to help ensure they each have the infrastructure access, services and support required to enable them to achieve this.</p>	Section 2.1
A.2 How is the Corporate Restructure being implemented?	<p>The key component of the Corporate Restructure is the Scheme.</p> <p>The Scheme is being used to:</p> <ul style="list-style-type: none"> • establish New Telstra Corp as the head entity of the Telstra Group (the Top Hat Component); and • transfer the majority of the ServeCo Business from InfraCo Fixed to ServeCo and certain assets and liabilities from InfraCo Fixed to New Telstra Corp (the Business Restructure Component). <p>To implement the Corporate Restructure, InfraCo Fixed is also proposing to transfer:</p> <ul style="list-style-type: none"> • to New Telstra Corp, the shares in ServeCo and the interests in certain other Telstra Group entities between the Top Hat Implementation Date and the Business Restructure Implementation Date (the Additional Top Hat Steps); • to ServeCo, the parts of the ServeCo Business that are not transferred under the Scheme, on or after the Business Restructure Implementation Date (the Additional ServeCo Steps); and • the shares in Telstra International to New Telstra Corp, and the International Businesses to Telstra International, gradually following the Top Hat Implementation Date, subject to relevant approvals and engagement with appropriate stakeholders (the Telstra International Steps). <p>The Corporate Restructure also includes the transfer of the Amplitel Business from InfraCo Fixed to Amplitel (the Towers Transfer) which was undertaken to facilitate the Towers Transaction that completed on 1 September 2021.</p>	Section 2.2
A.3 What am I being asked to vote on?	Telstra Shareholders are being asked to approve the Scheme at the Scheme Meeting.	
A.4 Why is a shareholder vote required?	<p>The Scheme is an arrangement between Telstra and its shareholders that relies on a procedure and regime in the Corporations Act that can be used to restructure the business and operations of companies. This type of procedure has been used by other companies in Australia to put similar arrangements in place with a new head entity and to also restructure subsidiary operating businesses.</p> <p>Legally, for the Scheme to become Effective and be implemented it must be approved by Telstra Shareholders and the Court.</p>	

5. Although the transfer of the interests in some of those other Telstra Group entities may occur later.

Question	Answer	Where to find more information
A.5 How will the Scheme impact my Telstra Shareholding?	<p>If the Scheme becomes Effective and you are an Eligible Shareholder, you will receive one New Telstra Corp Share for every Telstra Share you hold on the Record Date (expected to be 7:00pm on 24 October 2022). You will be able to trade those New Telstra Corp Shares in the same way you can currently trade your Telstra Shares and the New Telstra Corp Shares will have the same dividend and voting rights as Telstra Shares.</p> <p>You will be an Eligible Shareholder if you are recorded as a holder of Telstra Shares on the Register on the Record Date and your Registered Address is in Australia or an Eligible Foreign Jurisdiction, or you have otherwise been determined by Telstra to be an Eligible Foreign Shareholder.</p> <p>If the Scheme becomes Effective and you are an Ineligible Foreign Shareholder, you will cease to be a Telstra Shareholder and you will not receive any New Telstra Corp Shares under the Scheme. Instead, the New Telstra Corp Shares you would otherwise have been entitled to under the Top Hat Component will be sold through the Sale Facility and you will receive the proceeds from the sale of those New Telstra Corp Shares.</p> <p>Unless Telstra determines otherwise, you will be an Ineligible Foreign Shareholder if you are recorded as a holder of Telstra Shares on the Register on the Record Date and your Registered Address is not in Australia or an Eligible Foreign Jurisdiction.</p> <p>Neither the Scheme (nor the Corporate Restructure as a whole) will change the economic interest of Eligible Shareholders in the Telstra Group. Following implementation of the Top Hat Component, Eligible Shareholders will continue to hold the same number of New Telstra Corp Shares as the number of Telstra Shares they hold on the Record Date.</p> <p>Additionally, Telstra Shareholders will not have to make any payment in connection with the Scheme.</p> <p>A general summary of the Australian income tax implications of the Scheme for certain Australian tax resident Eligible Shareholders and certain Eligible Foreign Shareholders is included FAQ A.19 and section 5.</p>	Section 2.11
A.6 Who is New Telstra Corp?	<p>New Telstra Corp is Telstra Group Limited, an Australian company that has been incorporated specifically for the purpose of implementing the Corporate Restructure and operating as the head entity of the Telstra Group with effect from the Top Hat Implementation Date.</p> <p>New Telstra Corp will be listed on the ASX and will be subject to the requirements of the Corporations Act and the ASX Listing Rules.</p> <p>The rights attaching to the New Telstra Corp Shares are set out in the New Telstra Corp Constitution, and the terms of the New Telstra Corp Constitution are substantially the same as the existing Telstra Constitution.</p>	Sections 2.1 & 7.1
A.7 What is the ServeCo Business?	<p>The Telstra Group's current business, including:</p> <ul style="list-style-type: none"> • the retail business of providing fixed, data, mobility, wireless, entertainment and ancillary services and products to retail, government and enterprise customers; • the Telstra wholesale business; • the Telstra Health business; • the Telstra Energy business; and • the Telstra Purple business, <p>but excluding:</p> <ul style="list-style-type: none"> • the InfraCo Fixed Business; • the International Businesses; and • the Amplitel Business. 	Section 3.2.2

Question	Answer	Where to find more information
A.8 What is the InfraCo Fixed Business?	<p>The passive infrastructure asset business currently undertaken by Telstra's "InfraCo" business unit that comprises:</p> <ul style="list-style-type: none"> the nbn Services Business; the business of designing, constructing, operating, maintaining, relocating and rationalising or decommissioning: <ul style="list-style-type: none"> passive fibre networks; ducts, pits, poles, tunnels, certain fixed network sites and structures (including data centres); and the ownership of infrastructure assets, including the Telstra Group's copper and HFC networks,⁸ <p>but excludes the Amplitel Business and the International Businesses.</p>	Section 3.2.3
A.9 What is the Amplitel Business?	The separate business undertaken by Amplitel of providing access to passive tower assets owned or operated by Amplitel.	Section 3.2.4
A.10 What are the International Businesses?	The Telstra Group's business of providing international services using the International Assets, including Digicel's business in the South Pacific.	Section 3.2.5
A.11 What is the rationale for the Corporate Restructure?	<p>The Corporate Restructure will transform the Telstra Group's legal structure to align it with how Telstra management currently views and operates the Telstra Group's businesses. It will deliver a modern, optimal long term portfolio structure that enables each key subsidiary to realise the benefits of operating as a standalone business, while maintaining the interests, economies of scale and competitive advantages of the overall Telstra Group through various ICAs.</p> <p>The increased focus on and transparency of the operations and strategy for each of the subsidiaries will create greater flexibility and optionality to take advantage of value enhancing transactions in the future. These benefits are expected to deliver value to Telstra Shareholders over time.</p> <p>The Corporate Restructure is focussed on optimising outcomes for the Telstra Group as a whole, while limiting disruption to the Telstra Group's businesses, including its arrangements with nbn.</p>	
A.12 What are the advantages of the Scheme or the reasons to vote in favour of the Scheme Resolution?	<p>The key advantages of the Scheme or the reasons to vote in favour of the Scheme Resolution are:</p> <ul style="list-style-type: none"> The Scheme will increase transparency of the InfraCo Fixed and ServeCo businesses within the Telstra Group, allowing and encouraging management to drive performance and efficiencies, while also enabling each of the businesses to be more easily monitored and reported. It will provide a clearer view of each business and allow Telstra Shareholders and potential investors to more accurately value each business. The Scheme will increase focus on the operations of, and facilitate specific strategies for, InfraCo Fixed and ServeCo through separate management teams, supported by dedicated risks teams under a group-wide risk management and compliance framework. It will do this while limiting disruption to the Telstra Group's businesses, including its arrangements with nbn. This will enable Telstra to more quickly react to potential value enhancing transactions for InfraCo Fixed and reinforce the discipline with which capital allocation occurs across the Telstra Group. This heightened standalone focus is expected to deliver value to Telstra Shareholders over time. The Scheme will create greater flexibility and optionality to realise value from the Telstra Group's fixed infrastructure assets over time, and potential to take advantage of future market conditions and opportunities that may arise to create value for Telstra Shareholders. The Telstra Directors unanimously recommend that you vote in favour of the Scheme Resolution. The Independent Expert has concluded that the Scheme is in the best interests of Telstra Shareholders. 	Section 2.7

8. ServeCo will operate and maintain the Telstra Group's copper and HFC networks pursuant to the ICAs.

Question	Answer	Where to find more information
A.13 What are the disadvantages of the Scheme or the reasons why I might vote against the Scheme Resolution?	<p>The key disadvantages of the Scheme or the reasons you may vote against the Scheme Resolution are:</p> <ul style="list-style-type: none"> There are certain one-off costs to the Telstra Group that are only expected to arise if the Scheme is implemented. Those costs (excluding stamp duty) are not considered to be material to the Telstra Group. The overall one-off costs associated with the Scheme, most of which have already been incurred or will be incurred regardless of whether the Scheme is implemented, are expected to be \$126 million (excluding stamp duty). There are additional ongoing costs that might not otherwise arise. Those costs are not considered to be material to the Telstra Group. You may disagree with the conclusion of the Telstra Directors. You may disagree with the conclusion of the Independent Expert. You may believe that one or more of the risks associated with the implementation of the Scheme outlined in section 2.9 will occur and that they are of sufficient materiality to warrant voting against the Scheme Resolution. 	Section 2.8
A.14 What will prevent the Scheme from being implemented?	<p>There are a number of conditions that must be satisfied or waived (where applicable) for the Scheme to be implemented. Those conditions are outlined in section 6.3 and include:</p> <ul style="list-style-type: none"> the Scheme Resolution being approved by the requisite majorities of Telstra Shareholders at the Scheme Meeting (see FAQ D.7 for further details); the Scheme being approved by the Court at the Second Court Hearing; and the ACCC Authorisation being obtained either on an unconditional basis or on conditions that are acceptable to Telstra and nbn. <p>If any of those conditions are not satisfied or waived (where applicable) then the Scheme will not be implemented.</p>	Section 6.3
A.15 What are the risks associated with the implementation of the Scheme and the Corporate Restructure?	<p>Potential risks associated with the implementation of the Scheme and the Corporate Restructure include that:</p> <ul style="list-style-type: none"> The Scheme may give some material customers of and suppliers to the Telstra Group the ability to terminate or renegotiate their contracts with the Telstra Group. The Scheme may impact on the Telstra Group's ability to share services received from third party suppliers. The stamp duty relief that Telstra intends to apply for in relation to the Scheme and the Additional Steps will not be formally granted until after the implementation of the Scheme. If that relief is not applied for, or is not granted, in one or more states or territories, implementation of the Scheme and the Additional Steps will attract additional stamp duty costs. Even where the stamp duty relief is granted, some states and territories may be entitled to subsequently revoke that relief in certain circumstances and additional associated costs may be incurred. See section 2.9.3 for further detail. The Corporate Restructure may result in higher ongoing costs than expected. The new structure may increase the costs and complexity associated with the Telstra Group complying with its regulatory obligations. There may be unexpected issues and complications that arise in implementing changes to the Telstra Group's technology, management systems and processes to reflect its new structure and the ICAs. <p>There are also risks which relate to:</p> <ul style="list-style-type: none"> the ACCC Authorisation being issued by the ACCC in a way that differs from the Draft ACCC Authorisation. That may include by imposing conditions that have a negative impact on the Telstra Group's business, but that Telstra is willing to accept after assessing the negative impact against the benefits associated with implementing the Scheme and the Corporate Restructure. Any conditions will also need to be acceptable to nbn; and the Telstra Group's business. Telstra Shareholders are already exposed to those risks through their investment in Telstra and those risks will continue to apply to the Telstra Group immediately following the implementation of the Scheme. 	Sections 2.9 and 2.10

Question	Answer	Where to find more information
A.16 What alternatives has Telstra considered?	The Telstra Directors considered a number of alternatives to the Scheme, including maintaining the current corporate structure and alternative holding company structures. Those alternatives were assessed against Telstra's objectives to create a modern portfolio structure with the benefits that would provide, as set out in FAQ A.12, and to achieve this while limiting disruption to the Telstra Group's businesses, including its arrangements with nbn. The Telstra Directors determined that the Scheme best achieves Telstra's objectives, having regard to the need to balance execution risk, long term flexibility and transaction costs.	
A.17 What will happen if the Scheme is not implemented?	<p>If the Scheme is not implemented:</p> <ul style="list-style-type: none"> the main parts of the existing legal structure will remain in place. Telstra will remain the head entity of the Telstra Group, listed on the ASX, and there will be no legal separation of the InfraCo Fixed Business or the ServeCo Business. Telstra InfraCo will continue to operate as a standalone business unit; the advantages of the Scheme, as described in section 2.7, may not be realised; the disadvantages and risks of the Scheme, as described in sections 2.8, 2.9 and 2.10, may not arise; the Additional Steps will not occur; the Telstra International Steps may not occur; and there would be no impact on the Towers Transfer or the Towers Transaction which has already completed (although the Amplitel HoldCo Transfer would not occur and Amplitel HoldCo would continue to be a subsidiary of Telstra (as opposed to New Telstra Corp)). <p>Regardless of whether the Scheme is implemented, some parts of the Telstra Corporation and Other Legislation Amendment Act would still apply. For more details, see section 3.3.</p>	
A.18 Do I need to do anything in connection with the Scheme?	<p>Yes – you should:</p> <ul style="list-style-type: none"> carefully read this Scheme Booklet; decide how to vote on the Scheme Resolution; and vote at the Scheme Meeting. <p>If the Scheme becomes Effective, you will be bound by the Scheme irrespective of whether or how you voted on the Scheme Resolution.</p> <p>Please refer to the section titled “What should you do next?” for further information.</p>	“What should you do next?”
A.19 What are the tax implications of the Scheme?	<p>A general summary of the Australian income tax implications of the Top Hat Component for certain Australian tax resident Eligible Shareholders and certain Eligible Foreign Shareholders is included in section 5.</p> <p>Rollover relief should be available to Australian tax resident Eligible Shareholders that hold their Telstra Shares on capital account, as trading stock or as revenue assets for tax purposes when they exchange their Telstra Shares for New Telstra Corp Shares under the Top Hat Component. Where rollover relief is available, no income tax consequences on the implementation of the Top Hat Component should arise for Eligible Shareholders. Telstra has applied for a class ruling from the ATO on behalf of certain Australian tax resident Eligible Shareholders to confirm this treatment.</p> <p>Telstra Shareholders will not have to pay brokerage fees, GST or stamp duty in connection with the Top Hat Component.</p> <p>Telstra Shareholders should seek their own advice on the consequences of the Top Hat Component under any relevant foreign tax laws.</p>	Section 5

Question	Answer	Where to find more information
B. Impact of the Scheme on the Telstra Group's business		
B.1 What impact will the Scheme have on the Telstra Group's business?	<p>The Scheme will not in itself, result in any immediate change to the underlying assets and business activities of the Telstra Group as a whole.</p> <p>However, the Scheme will enable Telstra to provide increased focus on the operations and strategy for each of the standalone businesses, ensure greater transparency of those businesses, and create greater flexibility to take advantage of value enhancing transactions in the future. These benefits are expected to deliver value to Telstra Shareholders over time. Further details on the key benefits of the Scheme are set out in section 2.7.</p> <p>The Scheme will not itself raise any funds for Telstra.</p> <p>As a result of the Scheme, certain agreements have been or are expected to be put in place between the newly separated entities. These include the ICAs described in section 3.2.6. Additionally, as noted in section 3.5, the Scheme will result in some changes to Telstra's external debt arrangements.</p>	Section 2.7
B.2 What does the Scheme mean for Telstra's Enterprise and Consumer & Small Business customers?	<p>Telstra's existing contracts with most Telstra Enterprise and Consumer & Small Business customers will be transferred to ServeCo as part of the Scheme and, unless different arrangements have been separately notified to or agreed with a customer, there will be no other changes to those contracts as a result of the Scheme.</p> <p>Following implementation of the Business Restructure Component, ServeCo will be responsible for satisfying all terms and conditions of the contracts transferred to it.</p> <p>Telstra continues to engage with existing Telstra Enterprise and Consumer & Small Business customers on how the Scheme will impact them. There are also detailed FAQs for those customers available at www.telstra.com.au/aboutus/investors/frequently-asked-questions/legalrestructure.</p>	
B.3 What does the Scheme mean for Telstra's wholesale business in Australia?	<p>Telstra's existing contracts with Telstra Wholesale customers, except those contracts relating only to the supply of passive products, will be transferred to ServeCo as part of the Scheme and, unless different arrangements have been separately notified to or agreed with a customer, there will be no other changes to those contracts as a result of the Scheme.</p> <p>Following implementation of the Business Restructure Component:</p> <ul style="list-style-type: none"> the Telstra Wholesale customer channel will continue to be run as a separate function within the Telstra Group and those customers will continue to deal with the Telstra Group, and generally with the same people to purchase both active and passive infrastructure products and solutions, as they currently do; and ServeCo will be responsible for satisfying all terms and conditions of the contracts transferred to it and will be bound by the confidentiality obligations currently imposed on Telstra under those contracts. <p>Telstra has contacted Telstra Wholesale customers to advise them of how the Scheme will impact them and there are detailed FAQs for those customers available at www.telstrawholesale.com.au/legalrestructure.</p>	
B.4 What does the Scheme mean for Telstra's existing suppliers?	<p>As part of the Scheme, most suppliers to the Telstra Group will have their contracts transferred from Telstra to ServeCo and ServeCo will be bound by those contracts in the same way as Telstra is immediately before the Business Restructure Implementation Date.</p> <p>Telstra continues to provide communications to impacted suppliers in connection with the Scheme and there are detailed FAQs for suppliers available at www.telstra.com.au/aboutus/investors/frequently-asked-questions/legalrestructure.</p>	

Question	Answer	Where to find more information
B.5 What does the Scheme mean for Telstra's employees?	<p>In connection with the Scheme, most current employees of Telstra will have their employment transferred to ServeCo, executives will have their employment transferred to New Telstra Corp and the remainder of the employees will stay employed by Telstra (which will be InfraCo Fixed).</p> <p>The Telstra Group has committed to maintaining its current employment terms and conditions. Additional protections built into Telstra's enterprise agreements and employment policies provide certainty for those who transfer to a Telstra subsidiary, including that there would be no overall disadvantage to employment terms and conditions if an employee is offered the same, or a substantially similar role, with a subsidiary.</p> <p>Telstra has been consulting with employees and their unions regarding a restructure of the type contemplated by the Corporate Restructure since November 2020.</p>	
B.6 What does the Scheme mean for Telstra's arrangements with nbn?	<p>Telstra, ServeCo and nbn have negotiated agreements, including amendments to the Definitive Agreements, to accommodate the Scheme. The amendments to the Definitive Agreements (which include the addition of ServeCo as a party to certain provisions of those agreements) are intended to:</p> <ul style="list-style-type: none"> maintain the status quo in respect of the existing competitive environment between Telstra and nbn; preserve the intended effect of the Definitive Agreements following implementation of the Corporate Restructure; and address some legitimate practical and commercial issues arising from the Definitive Agreements, including some issues that needed to be addressed to accommodate the Scheme. <p>Telstra, ServeCo and nbn have made a joint application to the ACCC for final authorisation under section 88(1) of the Competition and Consumer Act to enable them to give effect to the amended Definitive Agreements. The ACCC's final decision to grant that authorisation is referred to as the ACCC Authorisation in this Scheme Booklet. The ACCC Authorisation is necessary because the current legislative competition law authorisation in connection with the Definitive Agreements is not broad enough for the proposed amendments to the Definitive Agreements. It only covers actions taken by Telstra, nbn and nbn's related entities, not other related entities of Telstra (including ServeCo) that are required to take actions under the amended Definitive Agreements.</p> <p>The ACCC is expected to issue its final determination in respect of the ACCC Authorisation by the end of September 2022 and, in any event, before the Scheme Meeting. If the ACCC Authorisation is granted, it will come into force a short time later.⁹</p> <p>On 14 July 2022, the ACCC issued the Draft ACCC Authorisation. The Draft ACCC Authorisation is in a form that is acceptable to both Telstra and nbn. However, public consultation in relation to the ACCC Authorisation is ongoing and there remains a risk that the ACCC Authorisation may not be granted or could differ in some way from the Draft ACCC Authorisation. Those differences could arise through the imposition of conditions that Telstra and nbn need to satisfy to benefit from the authorisation, that were not contemplated in the Draft ACCC Authorisation. If that situation were to arise and the conditions were not acceptable to Telstra or nbn, the Scheme may not proceed. That is because the Scheme is conditional on the necessary competition law authorisation coming into force, either on an unconditional basis or subject to conditions acceptable to Telstra and nbn.</p>	Sections 2.10, 3.4 and 6.3
B.7 Where can I find more information on the financial impact of the Scheme on the Telstra Group?	Information about the financial impact of the Scheme on the Telstra Group is set out in section 4.	Section 4

9. The ACCC's published timeline is available at <https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/telstra-corporation-limited-nbn-co-and-ors>.

Question	Answer	Where to find more information
B.8 What impact will the Scheme have on dividends paid by the Telstra Group?	<p>The implementation of the Scheme is not expected to impact the ability of New Telstra Corp to pay dividends when compared to Telstra.</p> <p>Telstra's capital management framework and dividend policy will continue to apply to New Telstra Corp and should not change as a consequence of the implementation of the Scheme.</p> <p>As is currently the case with Telstra, any future dividend payments by New Telstra Corp will depend on its financial position and capital requirements, among other criteria, and will be subject to the discretion of the New Telstra Corp Directors.</p> <p>As announced by Telstra on 11 August 2022, the final dividend for FY22 (scheduled to be paid on 22 September 2022) will be paid by Telstra (not New Telstra Corp) and Telstra will operate its DRP for that dividend. Following implementation of the Top Hat Component, New Telstra Corp intends to establish a DRP on substantially the same terms as Telstra's DRP.</p>	Section 6.8
B.9 What impact will the Scheme have on Telstra's existing financial guidance?	The Scheme does not impact the financial guidance for FY23 provided by Telstra on 11 August 2022 in connection with the release of its full year results for FY22. That financial guidance excludes material one-off costs, such as one-off costs associated with the Scheme (including stamp duty) and other items determined by the Telstra Board and management. Information on the stamp duty costs associated with implementing the Scheme is set out in sections 2.8.1, 2.9.3 and 7.7.3.	Telstra's FY22 results presentation
B.10 What are the overall costs of the Scheme?	<p>There are certain one-off costs to the Telstra Group that are only expected to arise if the Scheme is implemented. Those costs (excluding stamp duty) are not considered to be material to the Telstra Group.</p> <p>The overall one-off costs associated with the Scheme, most of which have already been incurred or will be incurred regardless of whether the Scheme is implemented, are expected to be \$126 million (excluding stamp duty). This comprises incremental IT systems and process costs, adviser fees, the cost of the Independent Expert and costs associated with the Scheme Meeting.</p> <p>Telstra has received rulings in each state and territory (other than Tasmania, which does not grant pre transaction rulings) to confirm the availability of stamp duty relief in relation to the Scheme and the Additional Steps. However, as is usual, if that relief is applied for it will not be formally granted until after the implementation of the Scheme.</p> <p>Even with the stamp duty relief, there will be a stamp duty cost in Victoria associated with implementing the Scheme and the Additional Steps which is estimated by Telstra to be at least \$18 million (for further detail, see section 7.7.3). This estimate is based on the most recently available valuations of all of Telstra's underlying assets as at 31 December 2021 (or, for Amplitel only, 31 August 2021). The actual stamp duty cost in Victoria will be based on the applicable values of Telstra's assets when the Scheme is implemented and may be more than the estimate of \$18 million.</p> <p>If relief is applied for and granted, no up-front stamp duty is expected to be payable in any other state or territory on implementation of the Scheme and the Additional Steps.</p> <p>If Telstra does not apply for stamp duty relief, or relief is not granted, in one or more states and territories, implementation of the Scheme and the Additional Steps will attract additional stamp duty costs.</p> <p>Even where the stamp duty relief is granted, some states and territories may be entitled to subsequently revoke that relief in certain circumstances and additional associated costs may be incurred.</p> <p>The risk regarding stamp duty relief and the potential risk of a higher stamp duty cost is described in section 2.9.3.</p>	Section 2.8.1

Question	Answer	Where to find more information
B.11 How do the arrangements with nbn impact the Telstra Group's ability to undertake transactions involving InfraCo Fixed in the future?	<p>The agreements Telstra and nbn have negotiated in connection with the Scheme provide New Telstra Corp with additional certainty on its ability to undertake certain transactions involving InfraCo Fixed should it decide to do so following implementation of the Corporate Restructure.</p> <p>In particular, New Telstra Corp will have the freedom to undertake, following prior consultation with nbn but without requiring nbn consent, a transaction involving:</p> <ul style="list-style-type: none"> • the disposal of securities in InfraCo Fixed; • an issue of new securities by InfraCo Fixed; • a demerger of InfraCo Fixed from the Telstra Group; or • a public offer (IPO) of InfraCo Fixed, <p>provided certain conditions outlined in section 3.4 are satisfied, including that New Telstra Corp retains control of InfraCo Fixed (other than in the case of a full demerger of InfraCo Fixed).</p> <p>Certain other potential transactions involving InfraCo Fixed that New Telstra Corp may consider following implementation of the Corporate Restructure may require consent from nbn and other stakeholders.</p>	Section 3.4
C. The Scheme		
C.1 What is the Scheme?	<p>The Scheme is an arrangement between Telstra and its shareholders that relies on a procedure and regime in the Corporations Act that can be used to restructure the business and operations of companies. This type of procedure has been used by other companies in Australia to put similar arrangements in place with a new head entity and to also restructure subsidiary operating businesses.</p> <p>The Scheme is the key component of the Corporate Restructure and is the means by which the Top Hat Component and Business Restructure Component will be implemented. Legally, for the Scheme to become Effective and be implemented it must be approved by Telstra Shareholders and the Court.</p>	
C.2 What is the Top Hat Component?	<p>The Top Hat Component is the component of the Scheme under which New Telstra Corp will become the head entity of the Telstra Group. It will do this by acquiring all of the Telstra Shares on issue and, as consideration:</p> <ul style="list-style-type: none"> • Eligible Shareholders (other than the Sale Nominee) will be issued one New Telstra Corp Share for every Telstra Share they hold on the Record Date; and • the Sale Nominee will be issued one New Telstra Corp Share for every Telstra Share held by an Ineligible Foreign Shareholder on the Record Date. Those New Telstra Corp Shares will be sold by the Sale Nominee through the Sale Facility with the proceeds paid to the Ineligible Foreign Shareholders. 	Section 6.2.1
C.3 What are the Additional Top Hat Steps?	<p>The Additional Top Hat Steps support the Top Hat Component of the Scheme and will be used to transfer the shares in ServeCo and the interests in certain other Telstra Group entities from InfraCo Fixed to New Telstra Corp.</p> <p>The Additional Top Hat Steps are expected to be completed between the Top Hat Implementation Date and the Business Restructure Implementation Date.</p> <p>The Additional Top Hat Steps:</p> <ul style="list-style-type: none"> • do not form part of the Top Hat Component of the Scheme and do not require Telstra Shareholder approval, but they support the Scheme and are therefore relevant to your decision on whether to approve the Scheme; • will not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you; and • will not occur unless the Scheme becomes Effective. 	Section 2.3

Question	Answer	Where to find more information
C.4 What is the Business Restructure Component?	<p>The Business Restructure Component is a component of the Scheme and is the main mechanism that will be used to enable the assets and liabilities that are needed to operate the ServeCo Business to be transferred from InfraCo Fixed to ServeCo by order of the Court. The remaining assets and liabilities needed to operate the ServeCo Business will be transferred from InfraCo Fixed to ServeCo under the Additional ServeCo Steps. The Business Restructure Component will also be used to transfer certain assets and liabilities from InfraCo Fixed to New Telstra Corp.</p> <p>Importantly for Telstra Shareholders, the Business Restructure Component itself will not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you.</p>	Section 6.2.2
C.5 What are the Additional ServeCo Steps?	<p>The Additional ServeCo Steps are the transfer of the assets and liabilities from InfraCo Fixed to ServeCo needed to operate the ServeCo Business, that are not transferred under the Business Restructure Component of the Scheme.</p> <p>The Additional ServeCo Steps:</p> <ul style="list-style-type: none"> • do not form part of the Business Restructure Component of the Scheme and do not require Telstra Shareholder approval, but they support the Scheme and are therefore relevant to your decision on whether to approve the Scheme; • will not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you; and • will not occur unless the Scheme becomes Effective. 	Section 2.4
C.6 Why use the Scheme?	<p>The series of steps that are being used to implement the Corporate Restructure have been designed with a focus on efficiency.</p> <p>In particular, the Scheme is the most practical and efficient way to establish New Telstra Corp as the head entity of the Telstra Group. The establishment of ServeCo as a subsidiary of New Telstra Corp will be implemented as part of the Additional Top Hat Steps but the transfer of the ServeCo Business to ServeCo requires the transfer of a very large number of assets and liabilities (including the transfer of a large number of existing customer and supply contracts). The Scheme enables the majority of those assets and liabilities (including those contracts) to be transferred efficiently by order of the Court.</p> <p>A number of assets and liabilities will be transferred separately through contractual arrangements between InfraCo Fixed and ServeCo (the Additional ServeCo Steps) because either they cannot legally be transferred under the Scheme or it is more practical to transfer them under contractual arrangements.</p> <p>The Telstra International Steps and the Amplitel HoldCo Transfer are also occurring through contractual agreements for the same reason. The Telstra International Steps are intended to occur gradually following the Top Hat Implementation Date, but remain subject to relevant approvals and engagement with appropriate stakeholders.</p>	
C.7 What is the Towers Transfer?	<p>The Towers Transfer has already occurred. It was the initial component of the Corporate Restructure.</p> <p>The Towers Transfer was undertaken to facilitate the Towers Transaction that completed on 1 September 2021. It involved the transfer of certain of the Telstra Group's passive mobile tower assets to Amplitel and was able to occur outside of the Scheme (and therefore without Telstra Shareholder approval) because the number of assets transferred was relatively small compared to the number of assets being transferred under the Business Restructure Component.</p> <p>Amplitel HoldCo holds the Telstra Group's 51% interest in Amplitel.</p> <p>The Towers Transfer:</p> <ul style="list-style-type: none"> • has completed and will not be impacted if the Scheme does not become Effective; • did not require Telstra Shareholder approval, and you are not being asked to vote on it directly; and • did not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you. <p>In May 2022, Telstra completed an on-market ordinary share buy-back that returned approximately \$1.35bn (approximately 50% of the net proceeds of the Towers Transaction) to Telstra Shareholders.</p>	Section 2.5

Question	Answer	Where to find more information
C.8 What is the Amplitel HoldCo Transfer?	Amplitel HoldCo holds the Telstra Group's 51% interest in Amplitel. The shares in Amplitel HoldCo are intended to be transferred from InfraCo Fixed to New Telstra Corp on or following the Business Restructure Implementation Date so that Amplitel HoldCo sits directly beneath New Telstra Corp. The Amplitel HoldCo Transfer does not form part of the Scheme (or the Corporate Restructure) and therefore does not require Telstra Shareholder approval, but will not occur unless the Scheme becomes Effective.	Section 2.5
C.9 What are the Telstra International Steps?	The Telstra International Steps will transfer the shares in Telstra International to New Telstra Corp and the International Businesses to Telstra International gradually following the Top Hat Implementation Date so that the International Businesses sit beneath New Telstra Corp, subject to relevant approvals and engagement with appropriate stakeholders. The Telstra International Steps do not form part of the Scheme and therefore do not require Telstra Shareholder approval.	Section 2.6
C.10 What approvals are required for the Scheme to become Effective?	For the Scheme to become Effective, the Scheme Resolution must be approved by the requisite majorities of Telstra Shareholders at the Scheme Meeting (see FAQ D.7 for further details) and the Scheme must be approved by the Court at the Second Court Hearing.	Section 6.5
C.11 Are there any other conditions that need to be satisfied for the Scheme to become Effective?	The Scheme is subject to the following conditions that need to be satisfied or waived (where applicable) for the Scheme to become Effective (in addition to Telstra Shareholder and Court approval): <ul style="list-style-type: none"> • The competition law authorisation required to enable Telstra, ServeCo and nbn to give effect to the amendments to the Definitive Agreements they have negotiated to accommodate the Scheme coming into force, either on an unconditional basis or subject to conditions acceptable to Telstra and nbn; • ASIC, ASX and any other relevant Government Agencies providing such other consents, approvals or declarations that Telstra believes are reasonably necessary or desirable to implement the Scheme (including relevant ASIC relief and ASX waivers); • ASIC, ASX and any other relevant Government Agencies not issuing or taking steps to issue any order or injunction preventing the implementation of the Scheme or the Additional Steps; • Telstra obtaining all other authorisations or relief from third parties that it believes are necessary or desirable to implement the Scheme and the Additional Steps; • ASX confirming that it will grant permission for New Telstra Corp to be admitted to the official list of the ASX and New Telstra Corp Shares to be quoted on the ASX; • all the representations and warranties made by Telstra, New Telstra Corp and ServeCo in the Implementation Deed being correct and not misleading; and • the Implementation Deed not being terminated. <p>These conditions, other than the Court making orders to approve the Scheme at the Second Court Hearing, need to be satisfied or waived (where applicable) before the Second Court Hearing. Details on the status of these conditions are set out in section 6.3 and an update on the status of these conditions will be provided at the Scheme Meeting.</p>	Section 6.3
C.12 What is the Sale Facility?	The Sale Facility will only be relevant to you if you are an Ineligible Foreign Shareholder. The Sale Facility forms part of the Scheme. It is the facility under which the New Telstra Corp Shares that Ineligible Foreign Shareholders would otherwise have been entitled to under the Top Hat Component will be sold and the proceeds from the sale of those New Telstra Corp Shares will be distributed to those Ineligible Foreign Shareholders.	Section 6.4
C.13 Who are the Eligible Shareholders?	You will be an Eligible Shareholder if you are recorded as a holder of Telstra Shares on the Register on the Record Date and your Registered Address is in Australia or an Eligible Foreign Jurisdiction, or you have otherwise been determined by Telstra to be an Eligible Foreign Shareholder.	Section 7.10

Question	Answer	Where to find more information
C.14 Who are the Ineligible Foreign Shareholders?	Unless Telstra determines otherwise, you will be an Ineligible Foreign Shareholder if you are recorded as a holder of Telstra Shares on the Register on the Record Date and your Registered Address is not in Australia or an Eligible Foreign Jurisdiction.	Section 7.10
C.15 What other alternatives do Ineligible Foreign Shareholders have?	As an alternative to participating in the Sale Facility, Telstra Shareholders who expect to be Ineligible Foreign Shareholders may choose to sell their Telstra Shares on market. The last day that Telstra Shares trade on the ASX is expected to be 20 October 2022.	Section 6.4.3
D. The Scheme Meeting		
D.1 When is the Scheme Meeting?	The Scheme Meeting will be held on 11 October 2022 immediately following the conclusion of Telstra's 2022 Annual General Meeting, but will not commence before 12:30pm (Sydney time).	Annexure D
D.2 Where will the Scheme Meeting be held?	Both Telstra's 2022 Annual General Meeting and the Scheme Meeting will be held as hybrid meetings. That means Telstra Shareholders will be able to attend the Scheme Meeting in person at Hilton Sydney Ballroom, Level 3, 488 George Street, Sydney or online at meetings.linkgroup.com/TLSScheme22 . The Notice of Scheme Meeting in Annexure D and the Telstra Virtual Meetings Guide available at telstra.com/meetings22 provide all the information you need to know about attending the Scheme Meeting.	"Key dates and Scheme Meeting details"
D.3 What is the Scheme Resolution?	The Scheme Resolution to be considered at the Scheme Meeting will cover both the Top Hat Component and the Business Restructure Component. By voting in favour of the Scheme Resolution, Telstra Shareholders will be voting in favour of both the Top Hat Component and the Business Restructure Component. Further details on the Scheme Resolution are set out in the Notice of Scheme Meeting in Annexure D.	Annexure D
D.4 Am I entitled to vote on the Scheme Resolution at the Scheme Meeting and, if so, how do I vote?	You can vote on the Scheme Resolution if you are a Telstra Shareholder on the Register at 12:30pm (Sydney time) on 9 October 2022. If you are eligible to vote, you can lodge your vote before the Scheme Meeting: <ul style="list-style-type: none"> • online at vote.linkmarketservices.com/tls To log in you will need your SRN or HIN and the postcode or country code for your Telstra Shareholding. • by returning your hard-copy proxy/voting form by mail: Telstra Share Registry Link Market Services Limited PO Box A942 Sydney South NSW 1234 • by returning your hard-copy proxy/voting form by fax: +61 (2) 9287 0309 • by returning your hard-copy proxy/voting form by hand: Telstra Share Registry Link Market Services Limited Level 12, 680 George St Sydney NSW 2000 <p>Your vote must be received (if sent by mail or fax or delivered by hand) or submitted online by 12:30pm (Sydney time) on 9 October 2022. If you attend the Scheme Meeting, you will also be able to vote during the Scheme Meeting.</p>	Section 6.6 & Annexure D

2 | Description of the Corporate Restructure

Question	Answer	Where to find more information
D.5 How does the Telstra Board recommend I vote on the Scheme Resolution?	The Telstra Directors unanimously recommend that you vote in favour of the Scheme Resolution. The Telstra Directors intend to vote the Telstra Shares they hold or control in favour of the Scheme Resolution. Additionally, the Telstra Directors do not believe that the Business Restructure Component will materially prejudice the interests of creditors of Telstra Corporation Limited.	
D.6 What is the Independent Expert's opinion?	The Independent Expert has concluded that the Scheme is in the best interests of Telstra Shareholders. Information on the factors the Independent Expert took into account in reaching that conclusion, and the Independent Expert's assessment of the advantages and disadvantages of the Scheme are set out in the Independent Expert's Report for Shareholders in Annexure A. The Telstra Directors encourage you to read that report. The Independent Expert has also concluded that the Business Restructure Component will not materially prejudice the interests of creditors of Telstra Corporation Limited. Information on that conclusion and a summary of the reasons supporting it are set out in section 6.10.2.	Section 6.10 and Annexure A
D.7 What result is needed for the Scheme Resolution to be approved?	For the Scheme Resolution to be approved at the Scheme Meeting, it must be approved by: <ul style="list-style-type: none"> a majority in number of Telstra Shareholders who vote on the Scheme Resolution at the Scheme Meeting (either in person or by proxy or representative);¹⁰ and at least 75% of the votes cast on the Scheme Resolution at the Scheme Meeting (either in person or by proxy or representative). 	Section 6.5.2
D.8 What happens if I don't vote on the Scheme Resolution or I vote against the Scheme Resolution but the Scheme becomes Effective?	If you are a registered holder of Telstra Shares on the Record Date and the Scheme becomes Effective, you will be bound by the Scheme irrespective of whether or how you voted on the Scheme Resolution.	Section 6.6.2

10. The Court has the power to waive this approval requirement.

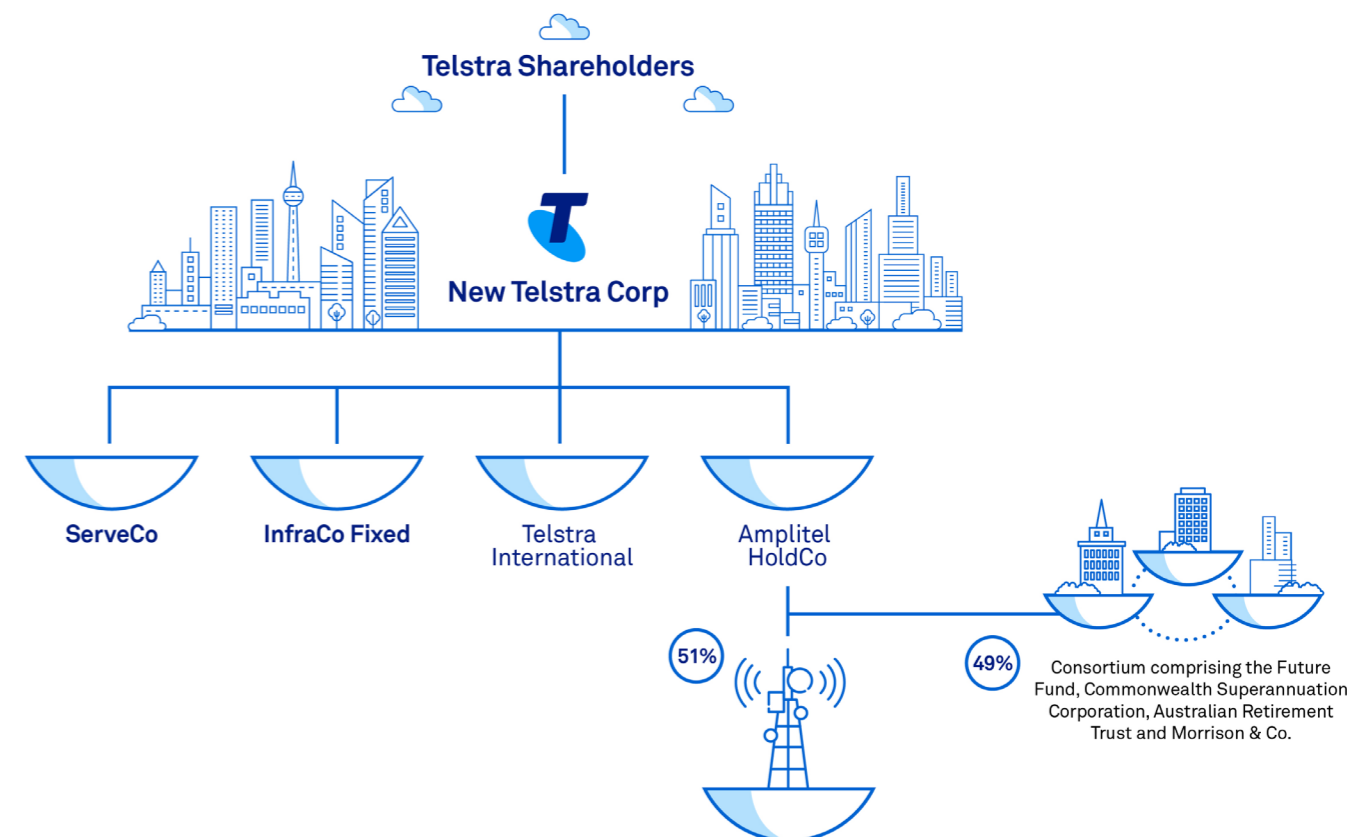
2.1 Overview of the Corporate Restructure

Telstra has historically operated its business in an integrated manner, including both its infrastructure and operating businesses. In 2018, under Telstra's T22 strategy, Telstra announced the establishment of InfraCo as a standalone business unit comprising Telstra's passive infrastructure assets. Since the establishment of InfraCo, Telstra has operated InfraCo as a separate business unit.

The Corporate Restructure is a legal re-organisation of the Telstra Group. Under the Corporate Restructure, a new structure will be established, with New Telstra Corp as the head entity of the Telstra Group. Four key subsidiaries will sit under New Telstra Corp:

- **ServeCo** – which will own and operate the ServeCo Business;
- **InfraCo Fixed** – which will own and operate the InfraCo Fixed Business;
- **Amplitel** – which owns and operates the Amplitel Business. The Telstra Group's 51% interest in Amplitel is held by Amplitel HoldCo; and
- **Telstra International** – which will own and operate the International Businesses.

Corporate structure after the implementation of the Corporate Restructure¹¹



11. Simplified structure diagram illustrating the key entities only. The Telstra International Steps are intended to occur gradually following the Top Hat Implementation Date, but remain subject to relevant approvals and engagement with appropriate stakeholders.

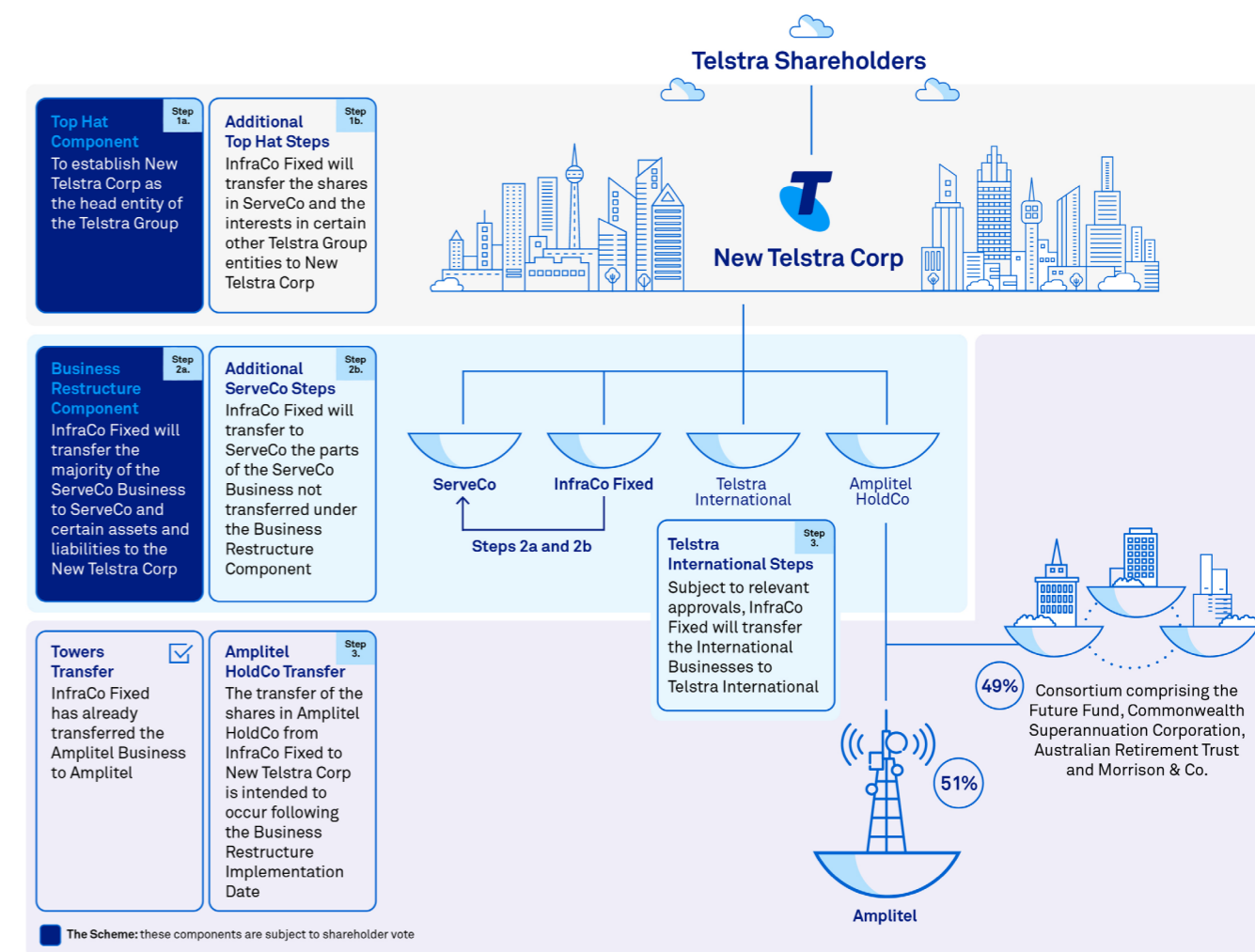
The table below outlines how the Telstra Group's current business will be split between InfraCo Fixed, ServeCo, Amplitel and Telstra International following completion of the Corporate Restructure.¹²

ServeCo Business	InfraCo Fixed Business	Amplitel Business	International Businesses
<p>The Telstra Group's current business, including:</p> <ul style="list-style-type: none"> the retail business of providing fixed, data, mobility, wireless, entertainment and ancillary services and products to retail, government and enterprise customers; the Telstra wholesale business; the Telstra Health business; the Telstra Energy business; and the Telstra Purple business, but excluding: the InfraCo Fixed Business; the International Businesses; and the Amplitel Business. 	<p>The passive infrastructure asset business currently undertaken by Telstra's "InfraCo" business unit that comprises:</p> <ul style="list-style-type: none"> the nbn Services Business; the business of designing, constructing, operating, maintaining, relocating and rationalising or decommissioning: <ul style="list-style-type: none"> passive fibre networks; and ducts, pits, poles, tunnels, certain fixed network sites and structures (including data centres); and the ownership of infrastructure assets, including the Telstra Group's copper and HFC networks,¹³ but excludes the Amplitel Business and the International Businesses. 	<p>The separate business undertaken by Amplitel of providing access to passive tower assets owned or operated by Amplitel.</p>	<p>The Telstra Group's business of providing international services using the International Assets, including Digicel's business in the South Pacific.</p>

Following implementation of the Corporate Restructure, ServeCo will own and operate the active parts of the Telstra Group's infrastructure network. This represents its electronic infrastructure such as the RAN, spectrum assets and fibre electronics. Active infrastructure is a key driver of service quality and therefore network differentiation. This is because active infrastructure is a major determinant of the capacity, speed and coverage of a telecommunications service and requires significant investment from telecommunication providers.

Allocating network assets to ServeCo in this way and retaining exclusive control of the active domestic infrastructure within ServeCo will help support the preservation of the Telstra Group's strategic advantage and differentiation should New Telstra Corp's ownership interest in InfraCo Fixed, in part or in full, change in the future. Additional steps will be taken to assist ServeCo's strategic differentiation via specific rights and commercial terms in the ICAs.

2.2 How is the Corporate Restructure being implemented?



The key component of the Corporate Restructure is the Scheme.

The Scheme is being used to:

- establish New Telstra Corp as the head entity of the Telstra Group (the **Top Hat Component**); and
- transfer the majority of the ServeCo Business from InfraCo Fixed to ServeCo and transfer certain assets and liabilities from InfraCo Fixed to New Telstra Corp (the **Business Restructure Component**).

To implement the Corporate Restructure and support the Scheme, InfraCo Fixed is also proposing to transfer:

- to New Telstra Corp, the shares in ServeCo and the interests in certain other Telstra Group entities between the Top Hat Implementation Date and the Business Restructure Implementation Date (the **Additional Top Hat Steps**);
- to ServeCo, the parts of the ServeCo Business that are not transferred under the Scheme, on or after the Business Restructure Implementation Date (the **Additional ServeCo Steps**); and
- the shares in Telstra International to New Telstra Corp, and the International Businesses to Telstra International, gradually following the Top Hat Implementation Date, subject to relevant approvals and appropriate engagement with stakeholders (the **Telstra International Steps**).

The Corporate Restructure also includes the transfer of the Amplitel Business from InfraCo Fixed to Amplitel (the **Towers Transfer**), which was undertaken to facilitate the Towers Transaction that completed on 1 September 2021, and the transfer of Amplitel HoldCo from InfraCo Fixed to New Telstra Corp (the **Amplitel HoldCo Transfer**).

The Additional Top Hat Steps, the Additional ServeCo Steps, the Towers Transfer, the Amplitel HoldCo Transfer and the Telstra International Steps are not part of the Scheme and Telstra Shareholders are not required to vote on these steps.

The Corporate Restructure is an internal legal re-organisation and will not, in itself, result in any immediate change to the underlying assets and business activities of the Telstra Group as a whole.

Additionally, the Corporate Restructure will not change the economic interest of Eligible Shareholders in the Telstra Group. Following implementation of the Top Hat Component, Eligible Shareholders will continue to hold the same number of New Telstra Corp Shares as the number of Telstra Shares they hold on the Record Date.

However, the Corporate Restructure will enable Telstra to provide increased focus on the operations and strategy for each of the standalone businesses, ensure greater transparency of those businesses, and create greater flexibility to take advantage of value enhancing transactions in the future. These benefits are expected to deliver value to Telstra Shareholders over time.

12. The transfer of certain of the Telstra Group's joint venture interests proposed to occur under the Additional ServeCo Steps may not occur until significantly after the Business Restructure Implementation Date. Those joint venture interests will continue to be held by InfraCo Fixed after the Business Restructure Implementation Date unless and until they are transferred to ServeCo.

13. ServeCo will operate and maintain the Telstra Group's copper and HFC networks pursuant to the ICAs.

2.3 Overview of the Additional Top Hat Steps

The Additional Top Hat Steps are the steps that will be undertaken outside the Scheme to establish New Telstra Corp as the head entity of the Telstra Group.

The Additional Top Hat Steps are proposed to include the transfer of the following from InfraCo Fixed to New Telstra Corp:

- 100% of the issued share capital in ServeCo; and
- InfraCo Fixed's interests in certain non-operating entities.

The Additional Top Hat Steps are expected to be completed between the Top Hat Implementation Date and the Business Restructure Implementation Date.

InfraCo Fixed also intends to transfer to New Telstra Corp the employment of executives. This transfer will occur before the Business Restructure Implementation Date.

Those steps, together with the Top Hat Component, will establish New Telstra Corp as the head entity of the Telstra Group.

The Additional Top Hat Steps:

- do not form part of the Top Hat Component and do not require Telstra Shareholder approval, but they support the Scheme and are therefore relevant to your decision whether to approve the Scheme;
- will not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you; and
- will not occur unless the Scheme becomes Effective.

2.4 Overview of the Additional ServeCo Steps

The Additional ServeCo Steps will be undertaken to transfer to ServeCo those parts of the ServeCo Business that are not proposed to be transferred under the Business Restructure Component.

The Additional ServeCo Steps are proposed to include the transfer to ServeCo of certain of the Telstra Group's joint venture interests and share capital in entities relevant to the ServeCo Business.

InfraCo Fixed also intends to transfer to ServeCo, through an offer and acceptance process, the employment of employees working in the ServeCo Business (other than executives who will transfer to New Telstra Corp). This transfer will occur before the Business Restructure Implementation Date.

The steps undertaken under the Business Restructure Component, together with the Additional ServeCo Steps and the employee transfers referred to above, are intended to result in the whole of the ServeCo Business being transferred to ServeCo.

The Additional ServeCo Steps are expected to be completed on or after the Business Restructure Implementation Date but the transfer of certain of the Telstra Group's joint venture interests proposed to occur under the Additional ServeCo Steps may not occur until significantly after the Business Restructure Implementation Date. Those joint venture interests will continue to be held by InfraCo Fixed after the Business Restructure Implementation Date unless and until they are transferred to ServeCo.

The Additional ServeCo Steps:

- do not form part of the Business Restructure Component and do not require Telstra Shareholder approval, but they support the Scheme and are therefore relevant to your decision whether to approve the Scheme;
- will not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you; and
- will not occur unless the Scheme becomes Effective.

2.5 Overview of the Towers Transaction, the Towers Transfer and the Amplitel HoldCo Transfer

Telstra completed the Towers Transaction on 1 September 2021.

The Towers Transaction involved Telstra selling 49% of Amplitel for \$2.8 billion to a consortium comprising the Future Fund, Commonwealth Superannuation Corporation and Sunsuper. The purchase price valued Amplitel at \$5.9 billion, representing an enterprise value of 28 times EBITDA after leases. The Telstra Group's 51% interest in Amplitel is held by Amplitel HoldCo.

In May 2022, Telstra completed an on-market ordinary share buy-back that returned approximately \$1.35bn (approximately 50% of the net proceeds of the Towers Transaction) to Telstra Shareholders.

The Towers Transfer was undertaken to facilitate the Towers Transaction and involved the transfer of certain of the Telstra Group's passive mobile tower assets to Amplitel. The Towers Transfer did not require Telstra Shareholder approval as it was able to be completed without the need for a scheme of arrangement because it involved the transfer of a smaller number of assets and liabilities.

The Telstra Group's 51% interest in Amplitel is held by Amplitel HoldCo. Subject to the Scheme becoming Effective, the intention is for the shares in Amplitel HoldCo to be transferred from InfraCo Fixed to New Telstra Corp on or following the Business Restructure Implementation Date. That transfer does not form part of the Scheme and does not require Telstra Shareholder approval.

49% of Amplitel is owned by a consortium. The consortium currently comprises the Future Fund, Commonwealth Superannuation Corporation, Australian Retirement Trust and Morrison & Co.

As outlined in section 3.2.4, Amplitel is the largest mobile tower infrastructure provider in Australia with over 8,000 physical towers, mast, large pole and antenna mount structures. As part of the Towers Transaction, Telstra has maintained majority ownership of Amplitel.

Amplitel operates under a board, chaired by InfraCo CEO, Brendon Riley and comprising other Telstra and consortium representatives. The CEO of Amplitel is Jon Lipton, who was head of the towers business within Telstra.

2.6 Overview of the Telstra International Steps

The Telstra International Steps are proposed to include the transfer of the shares in Telstra International to New Telstra Corp, and the International Businesses to Telstra International.

The transfers will be effected through contractual arrangements and will occur gradually following the Top Hat Implementation Date, subject to the receipt of relevant approvals and engagement with appropriate stakeholders.

The Telstra International Steps:

- do not form part of the Scheme and do not require Telstra Shareholder approval; and
- will not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you.

2.7 Reasons to vote in favour of the Scheme Resolution

2.7.1 Increase transparency of key businesses within the Telstra Group

The Scheme will result in two separate legal entities, InfraCo Fixed and ServeCo, that will sit under New Telstra Corp. This is in addition to Amplitel and Amplitel HoldCo (which were established in connection with the Towers Transaction) and Telstra International.

The clearer separation between the businesses and their respective financials will allow management to drive performance of and efficiencies in the businesses. The performance of each business will also be more easily monitored and reported. The clearer separation will provide greater transparency of each business, allowing Telstra Shareholders and potential investors to more accurately value each business based on their differing investment and return profiles.

2.7.2 Increase focus on the operations and strategy for InfraCo Fixed and ServeCo

The modern portfolio structure created through the Corporate Restructure, including the separation of InfraCo Fixed and ServeCo, is expected to increase focus on the operations of, and facilitate specific strategies for, each business. This will enable Telstra to more quickly react to potential value enhancing transactions for InfraCo Fixed and reinforce the discipline with which capital allocation occurs across the Telstra Group.

While Telstra has already adopted separate business units for its infrastructure and customer businesses, the Scheme will enhance the benefits of this separation, for example through separate management teams, supported by dedicated risk teams under a group-wide risk management and compliance framework.

It will do this while limiting disruption to the Telstra Group's businesses, including its arrangements with nbn. The heightened standalone focus is expected to deliver value to Telstra Shareholders over time.

The implementation of the Scheme will also enable the Telstra Group to continue focusing on creating innovative products and services, supporting customers and delivering an exceptional customer experience in line with Telstra's T25 strategy.

2.7.3 Create greater flexibility and optionality to realise value from the Telstra Group's fixed infrastructure assets

The key drivers for the creation of a separate infrastructure business as part of Telstra's T22 strategy were the increasing importance and role of high-quality telecommunications infrastructure and the potential to fully optimise and realise the value of Telstra's infrastructure assets. The Scheme will better position the Telstra Group and its shareholders to do that, and also support continued technological innovation.

The Scheme will create optionality for both New Telstra Corp, and its key subsidiaries, to take advantage of opportunities that may arise over time. In particular, the legal separation of ServeCo and InfraCo Fixed will assist to facilitate any future potential value enhancing transactions by the Telstra Group in connection with InfraCo Fixed in a more timely and efficient manner, allowing the Telstra Group to take advantage of future market conditions and opportunities if they arise.

Examples of potential transactions Telstra could pursue in connection with InfraCo Fixed include, but are not limited to, a sale or partial sale, a demerger or an IPO. Details on the potential transactions that Telstra could pursue without requiring nbn consent are set out in section 3.4. The potential transactions may allow for investment by third parties who are attracted to the respective risk and/or return profiles for InfraCo Fixed. Such transactions may also enable separate capital structures for the respective businesses to be established that align with their capital requirements and risk profiles. Telstra has already demonstrated through the Towers Transaction the ability of the Corporate Restructure to facilitate such opportunities.

However, while the Scheme creates a corporate structure that provides optionality for potential value enhancing opportunities in the future, it does not commit the Telstra Group to pursue such a transaction, nor does it establish the exact structure in which any such transaction would occur (which would be determined at that time). Any future decision to undertake a transaction will be subject to the New Telstra Corp Board and any other required approvals at that time.

2.7.4 Telstra Directors' recommendation

The Telstra Directors unanimously recommend that you vote in favour of the Scheme Resolution. The Telstra Directors intend to vote the Telstra Shares they hold or control in favour of the Scheme Resolution.

2.7.5 Conclusion of the Independent Expert

The Independent Expert has concluded that the Scheme is in the best interests of Telstra Shareholders.

Information on the factors the Independent Expert took into account in reaching that conclusion, and the Independent Expert's assessment of the advantages and disadvantages of the Scheme are set out in the Independent Expert's Report for Shareholders in Annexure A. The Telstra Directors encourage you to read that report.

2.8 Disadvantages of the Scheme and reasons why you might vote against the Scheme Resolution

2.8.1 One-off costs that might not otherwise arise

There are certain one-off costs to the Telstra Group that are only expected to arise if the Scheme is implemented. Those costs (excluding stamp duty) are not considered to be material to the Telstra Group.

The overall one-off costs associated with the Scheme, most of which have already been incurred or will be incurred regardless of whether the Scheme is implemented, are expected to be \$126 million (excluding stamp duty). This comprises incremental IT systems and process costs, adviser fees, the cost of the Independent Expert, and costs associated with the Scheme Meeting.

Telstra has received rulings in each state and territory (other than Tasmania, which does not grant pre transaction rulings) to confirm the availability of stamp duty relief in relation to the Scheme and the Additional Steps. However, as is usual, if that relief is applied for it will not be formally granted until after the implementation of the Scheme.

Even with the stamp duty relief, there will be a stamp duty cost in Victoria associated with implementing the Scheme and the Additional Steps which is estimated by Telstra to be at least \$18 million (for further detail, see section 7.7.3). This estimate is based on the most recently available valuations of all of Telstra's underlying assets as at 31 December 2021 (or, for Amplitel only, 31 August 2021). The actual stamp duty cost in Victoria will be based on the applicable values of Telstra's assets when the Scheme is implemented and may be more than the estimate of \$18 million.

If relief is applied for and granted, no up-front stamp duty is expected to be payable in any other state or territory on implementation of the Scheme and the Additional Steps.

If Telstra does not apply for stamp duty relief, or relief is not granted, in one or more states and territories, implementation of the Scheme and the Additional Steps will attract additional stamp duty costs.

Even where the stamp duty relief is granted, some states and territories may be entitled to subsequently revoke that relief in certain circumstances and additional associated costs may be incurred.

The risk regarding stamp duty relief and the potential risk of a higher stamp duty cost is described in section 2.9.3.

2.8.2 Additional ongoing costs that might not otherwise arise

The implementation of the Scheme will result in certain ongoing costs to Telstra that might not otherwise arise. They will mainly be incremental costs in connection with the administration of the new corporate structure. In aggregate, these costs are not considered to be material to the Telstra Group.

2.8.3 You may disagree with the conclusion of the Telstra Board

You may disagree with the conclusion of the Telstra Directors that the Scheme is in the best interests of the Telstra Shareholders, including because you believe that there is a more favourable alternative option to achieve the advantages listed in section 2.7.

2.8.4 You may disagree with the conclusion of the Independent Expert

You may disagree with the conclusion of the Independent Expert that the Scheme is in the best interests of Telstra Shareholders.

2.8.5 You may believe one or more of the risks listed in section 2.9 will occur

You may believe that one or more of the risks associated with the Scheme and listed in section 2.9 will occur, and that the impact of these risks is of sufficient materiality to warrant voting against the Scheme Resolution.

2.9 Risks associated with the implementation of the Scheme and the Corporate Restructure

This section sets out potential risks associated with the implementation of the Scheme and the Corporate Restructure. However, it does not purport to list every risk associated with the implementation of the Scheme and the Corporate Restructure. The selection of risks below has been based on an assessment of a combination of the potential impact of the risk on the Telstra Group if the risk did occur and the probability of that impact occurring, having regard to the knowledge of the Telstra Directors as at the date of this Scheme Booklet.

The existing risks which relate to the Telstra Group's business, which Telstra Shareholders are already exposed to through their investment in Telstra, will continue to apply immediately following the implementation of the Scheme. There is also the potential for some of those risks to change and evolve over time as a result of the Telstra Group operating under the new corporate structure following the implementation of the Scheme and as a result of changes to the business environment in which the Telstra Group operates.

2.9.1 Scheme may give counterparties to the Telstra Group's material contracts the right to terminate or renegotiate those contracts

The Scheme (and the Court's transfer orders) may give the counterparties to some of the Telstra Group's material contracts certain rights, including the right to terminate or renegotiate the key terms of the contract (including the price). Those rights may arise as a result of ServeCo being substituted in, and replacing, Telstra as the party to the contract, or as a result of a change of control that occurs through New Telstra Corp being established as the head entity of the Telstra Group. If a contract that is material to the Telstra Group is terminated or renegotiated, that may have a material adverse effect on the Telstra Group.

2.9.2 Impact of the Scheme on the Telstra Group's ability to share services received from third party suppliers

Certain services that are currently provided to the Telstra Group by third party suppliers may only be provided to the Telstra Group entity that is party to the relevant services contract (or its wholly-owned subsidiaries) and not to other members of the Telstra Group without the consent of the supplier. As the Scheme (and the Court's transfer orders) will result in certain services contracts being transferred to ServeCo, there is a risk that InfraCo Fixed may no longer be able to benefit from those services and will therefore be required to establish its own arrangements with the supplier, which could involve greater costs or otherwise be on adverse terms compared to the existing arrangements. If that were to occur, it may have a material adverse effect on the conduct and performance of the respective businesses and the Telstra Group as a whole.

2.9.3 Potential that stamp duty relief may not be granted and that stamp duty relief obtained in connection with the Scheme and Additional Steps may be revoked

As outlined in section 7.7.3, Telstra intends to apply for stamp duty relief in relation to the Scheme and the Additional Steps and expects that relief will be available.

However, as is usual, that relief will not be formally applied for, or granted, until after the Scheme has been implemented. If Telstra does not apply for stamp duty relief, or relief is not granted in one or more states or territories, implementation of the Scheme and the Additional Steps will attract additional stamp duty costs. The amount of stamp duty that may be payable in those circumstances will depend on the state or territory where relief is not applied for or is not granted and the applicable stamp duty regime in that place. Importantly, it would also be based on the applicable values of Telstra's assets when the Scheme is implemented. Based on the most recently available valuations of all of Telstra's underlying assets as at 31 December 2021 (or, for Amplitel only, 31 August 2021), if Telstra does not apply for relief, or relief is not granted, the estimated up front stamp duty cost could be in excess of \$300 million.

Where stamp duty relief is applied for, and granted, the stamp duty regimes in certain states and territories include the ability for stamp duty relief to be revoked if certain steps are taken after that relief is granted. Relevantly, some of those regimes will require that, in respect of the Business Restructure Component and Additional ServeCo Steps, InfraCo Fixed and ServeCo remain at least 90% owned and controlled by New Telstra Corp for a period of at least 3 years following the Business Restructure Implementation Date. Some states and territories apply a shorter timeframe. Any further restructure or transaction within these time periods that does not meet this condition may result in some or all of the stamp duty relief being revoked and stamp duty (plus interest and penalties) becoming payable. Whether stamp duty relief is revoked, and the amount of duty (plus interest and penalties) that could become payable:

- would depend on the applicable stamp duty regime in any particular state or territory;
- would also depend on the nature and timing of any further restructure or transaction; and
- would be based on the amount of stamp duty for which relief is initially granted. As noted above, that will be based on the applicable values of Telstra's assets when the Scheme is implemented. Based on the most recently available valuations of all of Telstra's underlying assets as at 31 December 2021 (or, for Amplitel only, 31 August 2021), Telstra estimates that the potential amount of stamp duty (including interest and penalties) that could become payable if stamp duty relief in respect of the Business Restructure Component and Additional ServeCo Steps was sought, granted and then subsequently revoked in all relevant states and territories could be in excess of \$400 million.

The potential for stamp duty, interest and penalties to be payable, and the amount of that liability, is a matter that the New Telstra Corp Board would take into account in determining whether or not to apply for stamp duty relief in relation to the Scheme and the Additional Steps or to proceed with any further restructure or transaction.

2.9.4 Scheme may result in higher ongoing costs than expected

As noted in section 2.8.2, the implementation of the Scheme will result in certain ongoing costs to Telstra. They will mainly be incremental costs in connection with the administration of the new corporate structure. There is a risk that those ongoing costs may be higher than expected which may have an adverse effect on the performance of the Telstra Group.

2.9.5 Operational implementation risks

The success of the Telstra Group following implementation of the Scheme will depend on, among other things, the Telstra Group's ability to effectively implement necessary changes to its technology, management systems and processes to reflect its new structure and ICAs. There are a number of impacted systems and processes and there is a risk that unexpected issues and complications may arise during the implementation of those changes which may have an adverse effect on the performance of the Telstra Group.

2.9.6 Regulatory risks and costs

Section 3.3.3 sets out how the regulatory framework will apply to the Telstra Group following the implementation of the Scheme (as noted in section 3.3.3, some of the obligations already apply and will continue to apply whether or not the Scheme is implemented).

Following implementation of the Scheme:

- the regulatory framework will impose obligations on New Telstra Corp, InfraCo Fixed, ServeCo and Amplitel. The Minister or ACMA may, in the future, also impose further specific obligations on those companies and/or on other companies in the Telstra Group; and
- there will be significant interdependency between the entities in the Telstra Group to ensure compliance with the regulatory framework, and therefore potentially increased complexity in complying with some of the Telstra Group's regulatory obligations. This interdependency and complexity may increase the risk of non-compliance by the Telstra Group as a whole and add to compliance costs.

2.10 Risks associated with the nbn arrangements and obtaining ACCC Authorisation

Telstra, ServeCo and nbn have negotiated agreements, including amendments to the Definitive Agreements, to accommodate the Scheme and provide New Telstra Corp with additional certainty on its ability to undertake certain transactions involving InfraCo Fixed following implementation of the Corporate Restructure. Those amendments are outlined in section 3.4.

Telstra, ServeCo and nbn have made a joint application to the ACCC for the ACCC Authorisation necessary to enable them to give effect to the amended Definitive Agreements. The ACCC is expected to issue its final determination in respect of the ACCC Authorisation by the end of September 2022 and, in any event, before the Scheme Meeting. If the ACCC Authorisation is granted, it will come into force a short time later.¹⁴

On 14 July 2022, the ACCC issued the Draft ACCC Authorisation. The Draft ACCC Authorisation is in a form that is acceptable to both Telstra and nbn. However, public consultation in relation to the ACCC Authorisation is ongoing and there remains a risk that the ACCC Authorisation may not be granted or could differ in some way from the Draft ACCC Authorisation. Those differences could include the imposition of conditions that Telstra and nbn need to satisfy to benefit from the authorisation, that are not contemplated in the Draft ACCC Authorisation.

14. The ACCC's published timeline is available at <https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/telstra-corporation-limited-nbn-co-and-ors>

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If the ACCC Authorisation includes conditions not contemplated in the Draft ACCC Authorisation, Telstra and nbn have agreed to consider those conditions acting reasonably. For these purposes, nbn will be taken to have acted reasonably in opposing a condition in certain circumstances, including if:

- nbn reasonably considers there is a material risk that non-compliance with the condition would lead to some or all of the conduct that occurs under the amended Definitive Agreements not being covered by the authorisation; or
- if the condition would result in nbn not receiving substantively the same rights and benefits on equivalent terms as it had under the Definitive Agreements before the proposed amendments take effect.

If nbn or Telstra reasonably oppose a condition:

- the conditions precedent to the amended Definitive Agreements may not be met and the amendments may not take effect; and
- if Telstra and nbn could not obtain competition law authorisation for the amended Definitive Agreements via another mechanism, the Scheme may not proceed. That is because the Scheme is conditional on the necessary competition law authorisation coming into force, either on an unconditional basis or subject to conditions acceptable to Telstra and nbn.

Additionally, there is a risk that any conditions imposed by the ACCC under the ACCC Authorisation could have an adverse effect on the performance of the Telstra Group, particularly if they impose restrictions on the operation of the Telstra Group. Telstra will only accept those conditions if Telstra determines that the benefits of implementing the Scheme and the Corporate Restructure outweigh those adverse effects.

2.11 Implications of the Scheme for Telstra Shareholders

2.11.1 Scheme

If the Scheme becomes Effective, under the Top Hat Component:

- Eligible Shareholders will receive one New Telstra Corp Share for each Telstra Share they hold on the Record Date. They will receive those New Telstra Corp Shares on the Top Hat Implementation Date; and
- Ineligible Foreign Shareholders will cease to hold their Telstra Shares and will not receive any New Telstra Corp Shares. The New Telstra Corp Shares they would otherwise have been entitled to under the Top Hat Component will be sold through the Sale Facility and they will receive the proceeds from the sale of those New Telstra Corp Shares. See section 6.4 for further details.

Telstra Shareholders will not have to make any payment in connection with the Scheme. The Scheme does not involve the payment of a dividend or other form of distribution, and no stamp duty, GST or brokerage fees will be payable by Eligible Shareholders on the exchange of Telstra Shares for New Telstra Corp Shares.

Rollover relief should be available to certain Australian tax resident Eligible Shareholders that hold their Telstra Shares on capital account, as trading stock or as revenue assets for tax purposes when they exchange their Telstra Shares for New Telstra Corp Shares under the Top Hat Component. Where rollover relief is available, no income tax consequences on the implementation of the Top Hat Component should arise for Eligible Shareholders. Telstra has applied for a class ruling from the ATO on behalf of certain Australian tax resident Eligible Shareholders and Eligible Foreign Shareholders to confirm this treatment. See section 5 for further details.

Telstra Shareholders should be aware that, pursuant to the Top Hat Component (and as is usual for schemes of arrangement), each Telstra Shareholder on the Record Date will be deemed to have warranted to Telstra and, in the case of Ineligible Foreign Shareholders to the Sale Nominee, that their Telstra Shares will be transferred under the Top Hat Component free of any encumbrances or interests of third parties and that they have full power and capacity to sell and transfer such shares.

Importantly for Telstra Shareholders, the Business Restructure Component will not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you.

2.11.2 Additional Top Hat Steps, Additional ServeCo Steps and Telstra International Steps

The Additional Top Hat Steps, the Additional ServeCo Steps and the Telstra International Steps will have no direct impact on Telstra Shareholders. They:

- do not form part of the Scheme and do not require Telstra Shareholder approval; and
- will not result in any change to the number of Telstra Shares you hold or New Telstra Corp Shares you will be issued, or cause any income tax consequences for you.

3.1 Background and history

Telstra's origins date back to 1901, when the Postmaster-General's Department was established by the Australian government to manage all domestic telephone, telegraph and postal services, and to 1946, when the Overseas Telecommunications Commission was established by the Australian government to manage international telecommunications services.

Since then, Telstra has undergone many changes and was incorporated as an Australian public limited liability company in November 1991.

Telstra is listed on the ASX and has a market capitalisation of approximately \$45 billion as at the end of June 2022.

3.2 Company Overview

3.2.1 Telstra Group

Telstra is a leading Australian telecommunications and technology company, offering a full suite of traditional and next generation telecommunications products. This includes a broad suite of media, content and connectivity options in Australia, as well as connectivity and enterprise services globally.

In Australia, Telstra had over 20.8 million retail mobile services and 3.2 million retail fixed bundled and standalone data services as at 30 June 2022. Telstra also facilitates over 2,000 network Points of Presence in more than 200 countries and territories around the world.

Telstra has a diverse range of customers including consumers, small businesses, large enterprises and government organisations.

Following implementation of the Scheme, New Telstra Corp will initially have four key subsidiaries: ServeCo, InfraCo Fixed, Amplitel and Telstra International. The businesses to be operated by these separate legal entities are already operated by the Telstra Group today, however the Telstra Directors believe the separation of these businesses into distinct legal entities will allow for the range of benefits set out in section 2.7. A description of each of these entities, as they will exist following the implementation of the Scheme, is set out below.

3.2.2 ServeCo

ServeCo will own and operate the active parts of the Telstra Group's domestic infrastructure network. This represents its electronic infrastructure such as the RAN, spectrum assets and fibre electronics. Allocating network assets to ServeCo in this way and retaining exclusive use of the active domestic infrastructure within ServeCo will help support the preservation of the Telstra Group's strategic advantage and differentiation should New Telstra Corp's ownership interest in InfraCo Fixed, in part or in full, change in the future.

ServeCo will include the Telstra Group's Consumer & Small Business and Enterprise functions (excluding the international businesses), along with the Telstra Group's wholesale, Health, Energy and Purple businesses.

ServeCo will continue to focus on creating innovative products and services, supporting customers and delivering an exceptional customer experience in line with Telstra's T25 strategy.

3.2.3 InfraCo Fixed

InfraCo Fixed will own and operate the Telstra Group's passive or physical infrastructure assets (other than the Amplitel Assets and the International Assets). These include the passive fibre networks, ducts, pits, poles, tunnels, certain fixed network sites and structures (including data centres) that underpin the Telstra Group's fixed telecommunications network.

InfraCo Fixed will include the Telstra Group's nbn Services Business. Please refer to section 4.8 for more information on the financial reporting of the nbn payments within the InfraCo Fixed Business.

The InfraCo Fixed portfolio has long term agreements in place with nbn and ServeCo for ducts, fixed network sites and fibre access. This comprises 360,000 kilometres of ducts, ~12,000 fixed network sites and ~250,000 kilometres of optical fibre.

InfraCo Fixed will have a strong market position in the business fibre market and incremental opportunities exist to supply additional fibre to ServeCo, nbn and the industry to support mobile expansion and business connections. InfraCo Fixed will have long term agreements for the supply of fibre access with both nbn and ServeCo. InfraCo Fixed will be responsible for the design, build, operation and maintenance of Telstra's passive fibre needs, across the fixed and mobile portfolios.

3.2.4 Amplitel

Amplitel owns and operates certain parts of the Telstra Group's passive tower assets. Amplitel's business model is the provision and management of passive infrastructure including towers, large poles, and rooftop towers to support active assets managed by tenants. Amplitel's focus is to:

- provide better access to Amplitel's tower infrastructure;
- improve Amplitel's service offering and asset health;
- drive efficiency and pursue growth; and
- be the home of tower infrastructure expertise.

Amplitel has over 8,000 physical tower, mast, large pole and antenna mount structures, which is more in aggregate than any other domestic provider across both metro and regional areas. Amplitel has a long term arrangement to build and operate future passive tower infrastructure for ServeCo to use.

As outlined in section 2.5, Telstra completed the Towers Transaction on 1 September 2021, which involved the sale of 49% of Amplitel for \$2.8 billion to a consortium. The Telstra Group's 51% interest in Amplitel is held by Amplitel HoldCo.

3.2.5 Telstra International

Telstra International will own and operate the Telstra Group's International Businesses, including Digicel's business in the South Pacific. Those businesses provide international services using the Telstra Group's international network and subsea cable assets. Telstra International has access to 26 submarine cable systems and one of the largest wholly owned subsea cable networks in the Asia-Pacific region. It also has access to more than 2,000 Points of Presences (PoPs) in more than 200 countries and territories globally. The International Businesses operate 3 teleports and have access to teleports to reach over 60 satellites globally.

3.2.6 Relationship between InfraCo Fixed, Amplitel and ServeCo

Intercompany agreements between ServeCo, InfraCo Fixed and other relevant members of the Telstra Group have been or will be established for the provision of infrastructure access, services and support that will be required to enable them to carry on their respective businesses following implementation of the Corporate Restructure (or in the case of Amplitel and Amplitel services, from 1 September 2021). Those agreements are referred to as ICAs in this Scheme Booklet. Among other things, under those agreements:

- ServeCo will obtain access to assets owned by InfraCo Fixed, including copper and fibre, fixed network structures and sites, data centres, ducts, poles, tunnels and pits;
- ServeCo will operate and maintain InfraCo Fixed's copper and HFC networks (comprising assets owned by InfraCo Fixed and other active assets owned by ServeCo) to ensure that, among other things, ServeCo can meet its regulatory and contractual obligations as the primary universal service provider;
- ServeCo will obtain access to tower assets owned by Amplitel;
- ServeCo will obtain the services and access rights it requires from InfraCo Fixed for ServeCo to meet its obligations under its wholesale customer contracts, in relation to the provision of access for those customers to assets owned by InfraCo Fixed;
- ServeCo will act as InfraCo Fixed's agent to perform functions including sales and customer contract management, in relation to the provision of access for InfraCo Fixed's wholesale customers to assets owned by InfraCo Fixed;
- InfraCo Fixed, Amplitel and New Telstra Corp will obtain services they require from ServeCo, including certain corporate and head office services, procurement services, human resources services and information technology services;
- to the extent necessary, InfraCo Fixed and ServeCo will agree to assist each other to comply with the Definitive Agreements; and
- to the extent necessary, InfraCo Fixed and ServeCo will agree to assist each other to comply with legislation, regulations, other legislative and notifiable instruments, licences, permits and regulatory approvals that apply to them as described in section 3.3 and otherwise under applicable law.

The terms of the ICAs between ServeCo and InfraCo Fixed may change following implementation of the Corporate Restructure while ServeCo and InfraCo Fixed remain wholly-owned members of the Telstra Group or in connection with or following a potential transaction involving InfraCo Fixed. Similarly, there may be new ICAs between members of the Telstra Group following implementation of the Corporate Restructure.

3.3 Regulatory framework

3.3.1 Overview

Like other carriers and carriage service providers in Australia, Telstra's core telecommunications business is subject to a broad regulatory framework that involves regulatory instruments in the form of legislation, regulations and other legislative and notifiable instruments.

Telstra also holds various licences, permits and approvals that are necessary for it to carry on its telecommunications business as a carrier or carriage service provider. Examples of these are a carrier licence (which enables Telstra to own or operate certain network equipment in order to provide telecommunication services in Australia) and spectrum and apparatus licences (which enable Telstra to use spectrum to provide telecommunication services in Australia).

Many of these regulatory instruments, licences, permits and approvals apply to or are required by any participant in the telecommunications industry. However, some are specific to Telstra having regard, among other things, to Telstra's history as a former government-owned enterprise before it was privatised and recognising the key role Telstra plays in the Australian telecommunications market, particularly in the provision of services to regional and rural Australians.

As is typical for any corporate group, there are also other laws and regulatory regimes in Australia and other countries that Telstra must comply with to operate its business. There are also other entities in the Telstra Group that currently hold various licences, permits and approvals in Australia and other countries to enable them to conduct their respective businesses.

The Telstra Corporation and Other Legislation Amendment Act 2021 (**Telstra Corporation and Other Legislation Amendment Act**) received royal assent on 13 December 2021. The Telstra Corporation and Other Legislation Amendment Act amended the following:

- Telstra Corporation Act;
- Competition and Consumer Act;
- Telecommunications Act;
- Telecommunications (Consumer Protection and Service Standards) Act;
- A Code of Access to Telecommunications Transmission Towers, Sites of Towers and Underground Facilities;
- Telecommunications Declaration;
- Telecommunications (Emergency Call Persons) Determination 2019;
- Telecommunications (Emergency Call Service) Determination 2019;
- Telecommunications (Statutory Infrastructure Providers – Exempt Real Estate Development Projects and Building Redevelopment Projects) Determination (No.1) 2020;
- Telstra Corporation (Ownership – Interests in Shares) Regulations 2018;
- Telecommunications (Arbitration) Regulations 2018; and
- Legislation (Exemptions and Other Matters) Regulation 2015.

Parts of the Telstra Corporation and Other Legislation Amendment Act will come into effect at different times. Some parts have or will come into effect and will apply even if the Corporate Restructure is not implemented for any reason.

The Federal Government stated in the Explanatory Memorandum to the Telstra Corporation and Other Legislation Amendment Act that the purpose of the amendments is to ensure that the Commonwealth's policy interest in protecting consumers, promoting competition and supporting Telstra's public interest roles in Australia's telecommunications system is not diminished as a result of the Corporate Restructure. The Explanatory Memorandum also states that the Telstra Corporation and Other Legislation Amendment Act had been developed based on the principle of 'regulatory equivalence' – that is the regulatory obligations that currently fall on Telstra should also fall on the entities in the New Telstra Group (or the Telstra Group if the Corporate Restructure is not implemented) in roughly the same way.

More information on the regulatory framework that currently applies to Telstra's core telecommunications business and how that is being addressed under the Telstra Corporation and Other Legislation Amendment Act is set out in the remainder of this section 3.3.

3.3.2 The regulatory framework that currently applies to Telstra's core business

The table below describes key regulatory instruments that apply to Telstra's business, but not to other carriers and carriage service providers. These Telstra-specific regulatory instruments apply in addition to the regulatory framework that applies to all carriers and carriage service providers such as the requirement to hold:

- a carrier licence under the Telecommunications Act; and
- spectrum and apparatus licences under the Radiocommunications Act 1992 (Cth).

Regulatory Instruments	Description
(a) There are specific regulatory instruments that apply to Telstra	<p>The most material of these are:</p> <ul style="list-style-type: none"> • the Telstra Corporation Act: among other things, this legislation contains restrictions on the ownership of Telstra. Under those restrictions, foreign persons (in aggregate) cannot have an interest of more than 35% of the Telstra Shares and a single foreign person (together with its associates) cannot have an interest of more than 5% of the Telstra Shares. The legislation also contains requirements that the head office and the base of operations of Telstra be in Australia; that the chairperson and the majority of Telstra Directors must be Australian citizens; and that two Telstra Directors must have knowledge of regional, rural or remote areas; • Part 33 of the Telecommunications Act: this legislation sets out the regime governing the giving by Telstra of Telstra's Structural Separation Undertaking and Final Migration Plan and the entry into the Definitive Agreements with nbn for the rollout of the National Broadband Network. Part 33 also includes the authorisation of those arrangements for the purposes of Australian competition law; • Competition and Consumer Act: this legislation contains certain provisions specific to Telstra which essentially grant Telstra relief from, or special consideration in relation to, certain regulatory obligations where this would prevent Telstra from complying with Telstra's Structural Separation Undertaking and Final Migration Plan; • the Telecommunications Declaration (containing carrier licence conditions): this legislation imposes a range of obligations on Telstra, including the obligation relating to the provision of operator services, directory assistance services, integrated public number database, priority assistance arrangements, low-income measures and to produce the White Pages® telephone directory; • Part 2 of the Telecommunications (Consumer Protection and Service Standards) Act: this legislation imposes obligations on Telstra (as the default primary universal service provider) to ensure that standard telephone services and payphones are reasonably accessible to all people in Australia; and • the Long Service Leave Act: this legislation provides that Telstra employees are entitled to long service leave under this legislation, rather than under corresponding state and territory legislation.
(b) Undertakings and directions	<p>Telstra has given a range of enforceable undertakings to the ACCC and ACMA in connection with Telstra's business as a carrier and carriage service provider and is subject to various directions issued by ACMA.</p>

3.3.3 How the regulatory framework applicable to Telstra's core business will apply following implementation of the Corporate Restructure

This section summarises the key changes in the regulatory framework applicable to Telstra's core business following implementation of the Corporate Restructure. However, it should be noted that some parts of the Telstra Corporation and Other Legislation Amendment Act apply even if the Corporate Restructure is not implemented. Further, some of the changes arise through regulatory requirements other than the Telstra Corporation and Other Legislation Amendment Act.

The Telstra Corporation and Other Legislation Amendment Act generally imposes obligations on New Telstra Corp, InfraCo Fixed, ServeCo and/or Amptel, as relevant depending on the obligation. However, the Minister or ACMA may, in the future, impose specific obligations on other companies in the New Telstra Group.

Regulatory obligations	Description of arrangements put in place
(a) Carrier licence requirements and spectrum and apparatus licence requirements	<p>ACMA has:</p> <ul style="list-style-type: none"> granted ServeCo a carrier licence that will enable ServeCo to operate the ServeCo Business on and from the Business Restructure Implementation Date; and advised Telstra that the existing spectrum and apparatus licences will be transferred to ServeCo on the Business Restructure Implementation Date.
(b) Telco regulation	<p>The Telstra Corporation and Other Legislation Amendment Act has directed some specific regulatory obligations to ServeCo as the appropriate entity to perform those obligations, such as:</p> <ul style="list-style-type: none"> the obligations relating to the national operator of emergency call services; the obligations relating to the provision of operator services, directory assistance services, integrated public number database, priority assistance arrangements, low-income measures and to produce the White Pages® telephone directory; and the Universal Service Obligation designed to ensure that standard telephone services and payphones are reasonably accessible to all people in Australia. <p>Obligations to comply with Ministerial price controls have been applied to New Telstra Corp, InfraCo Fixed, ServeCo and Amptel (although there are no current price controls in place as at the date of this Scheme Booklet).</p> <p>The Minister has rights to require a member of the Telstra Group to take action if another member of the Telstra Group fails, is failing or is likely to fail to comply with: (a) the TUSOPA, which is the contract under which Telstra undertakes certain contractual obligations to the Commonwealth connected with the Universal Service Obligation; or (b) the Definitive Agreements with nbn.</p> <p>These provisions come into effect on the Business Restructure Implementation Date (i.e. the date that assets are transferred to ServeCo).</p>
(c) Structural Separation Undertaking and Final Migration Plan	<p>The obligations and prohibitions under Telstra's Structural Separation Undertaking and Final Migration Plan in connection with the rollout of the nbn network have been directed to apply to InfraCo Fixed and ServeCo, and to any other Telstra entity specified by the Minister. The other Telstra entities that could be subject to the Structural Separation Undertaking and Final Migration Plan if specified by the Minister are initially New Telstra Corp and Amptel.</p> <p>The Minister also has the power to require any one of New Telstra Corp, InfraCo Fixed, ServeCo or Amptel to take action if the Minister is satisfied that the relevant Telstra entity, is failing or is likely to fail to fulfil the obligation under the Structural Separation Undertaking or Final Migration Plan and the other member of the Telstra Group has the capability (including the technical, operational and organisational capability) to fulfil the obligation.</p> <p>These provisions come into effect on the Business Restructure Implementation Date (i.e. the date that assets are transferred to ServeCo).</p>

Regulatory obligations	Description of arrangements put in place
(d) Restructure directions power	<p>The Telstra Corporation and Other Legislation Amendment Act gives broad powers for the Minister and ACMA to give directions to New Telstra Corp, InfraCo Fixed, ServeCo or Amptel to take specified actions as follows:</p> <ul style="list-style-type: none"> direction powers are given to ACMA, where New Telstra Corp, InfraCo Fixed, ServeCo or Amptel is subject to an existing direction given by ACMA under the Telecommunications Act or the Telecommunications (Consumer Protection and Service Standards) Act; and direction powers are given to the Minister, where an obligation is imposed on New Telstra Corp, InfraCo Fixed, ServeCo or Amptel by name "by or under a telecommunication law". <p>Before such a direction can be given, ACMA or the Minister (as relevant) must be satisfied that the responsible member of the New Telstra Group has failed, is failing or is likely to fail to fulfil the obligation, the action specified in the direction will assist the relevant member of the New Telstra Group with the obligation and the nominated company has the capability (including the technical, operational and organisational capability) to fulfil the obligation.</p> <p>These provisions have come into effect. They are not dependent on the Corporate Restructure being implemented.</p>
(e) Facilities access regime applied to non-carrier entities related to a carrier	<p>The Telstra Corporation and Other Legislation Amendment Act introduces a new facilities access regime for certain non-carrier owned or operated facilities. The new regime is equivalent to the current facilities access regime in Schedule 1 of the Telecommunications Act that currently only applies to carriers.</p> <p>This new regime is not specific to Telstra or its related entities and will apply to facilities owned or operated by any company (or other entity type, such as an individual or partnership, specified by the Minister) that is in a group of companies that includes a carrier.</p> <p>This new regime will apply to Amptel. Amptel is a non-carrier that "owns or operates" telecommunication transmission towers (which are facilities that are caught by the regime) and as a result Amptel will be required to provide access to those towers to other carriers on request.</p> <p>Under this new regime, a carrier can seek an agreement for access to facilities with the "owner or operator" of those facilities through arbitration (ultimately by the ACCC) if the parties cannot agree terms. If terms are agreed, access is supplied on the agreed terms. As the Scheme does not result in the transfer of facilities to a non-carrier, there will be no immediate impact on the Telstra Group's facilities other than mobile transmission towers owned and operated by Amptel (as described above). However, if in future facilities were transferred to a non-carrier within the Telstra Group, this access regime would likely apply to those facilities. Practically, because those assets are currently owned and operated by a carrier and therefore regulated, this would essentially just be an extension of the existing regulation.</p>
(f) Foreign ownership provisions and board and management provisions under the Telstra Corporation Act	<p>The Telstra Corporation and Other Legislation Amendment Act replicates the obligations on Telstra in the Telstra Corporation Act to New Telstra Corp, InfraCo Fixed, ServeCo and Amptel initially. These obligations will continue even if these companies leave the Telstra Group.</p> <p>This means that for each of New Telstra Corp, InfraCo Fixed, ServeCo and Amptel, foreign persons (in aggregate) cannot have an interest of more than 35% of the shares in those companies and a single foreign person (together with its associates) cannot have an interest of more than 5% of the shares in those companies.</p> <p>Additionally, each of New Telstra Corp, InfraCo Fixed, ServeCo and Amptel must ensure that:</p> <ul style="list-style-type: none"> its head office and the base of operations is in Australia; its chairperson and the majority of its directors are Australian citizens; and that two of its directors have knowledge of regional, rural or remote areas. <p>The Minister may remove or add entities to which the particular foreign investment restrictions or governance obligations apply.</p> <p>These provisions have come into effect and are not dependent on the Corporate Restructure being implemented.</p>

Regulatory obligations	Description of arrangements put in place
(g) Notification of contracts	<p>The Telstra Corporation and Other Legislation Amendment Act includes a regime for companies in the Telstra Group to disclose contracts and variations to contracts, entered into to support various “policy objectives” under the Telecommunications (Consumer Protection and Service Standards) Act, including the Universal Service Obligation, payphones, emergency calls etc. There is also a requirement to disclose contracts/variations that transfer assets used to comply with TUSOPA.</p> <p>These provisions come into effect on the Business Restructure Implementation Date (i.e. the date that assets are transferred to ServeCo).</p>
(h) Notification of transfer of assets and businesses	<p>The Telstra Corporation and Other Legislation Amendment Act provides as follows:</p> <ul style="list-style-type: none"> Each of New Telstra Corp, InfraCo Fixed, ServeCo and Amplitel must notify ACMA of a transfer of a “telecommunications business” within 5 business days after the transfer. For these purposes, a “telecommunications business” is defined as a business that includes installing, maintaining, operating or providing access to a telecommunications network or a facility used to supply a listed carriage service. There is also a similar regime for notification of a transfer of “telecommunications assets”. <p>These reporting obligations are potentially extensive. However, the reporting in relation to telecommunication businesses and assets only becomes active on a declaration by the Minister. Telstra expects that the Minister will also make declarations to exempt non-material assets and transactions from these reporting obligations.</p> <ul style="list-style-type: none"> Each of New Telstra Corp, InfraCo Fixed, ServeCo and Amplitel must notify ACMA 30 days in advance of the proposed transfer of a prescribed business or asset to a transferee that is not a “constitutional corporation” (e.g. individuals or a company that is not carrying on a business). <p>These reporting obligations are potentially extensive. However, the reporting obligations on the transfer of a prescribed business or asset to a transferee that is not a constitutional corporation will only apply to businesses or assets that are prescribed by the Minister.</p> <p>These provisions have come into effect and are not dependent on the Corporate Restructure being implemented.</p>
(i) Undertakings and directions	<p>The following adjustments will be necessary if the Corporate Restructure is implemented:</p> <ul style="list-style-type: none"> For undertakings provided to the ACCC, it is intended that applicable members of the Telstra Group will be bound to existing undertakings including the following through: <ul style="list-style-type: none"> ServeCo (as the retail service provider following implementation of the Corporate Restructure) entering into a Deed of Novation with the ACCC in order to substitute ServeCo as the entity that has the obligations and liabilities under the sales practices undertaking currently given by Telstra under section 87B of the Competition and Consumer Act; and a variation to the Substantial Adverse Event undertaking currently given by Telstra under section 87B of the Competition and Consumer Act to include relevant references to ServeCo in certain provisions of that undertaking. For ACMA directions, Telstra understands these will remain with InfraCo Fixed, and ACMA will, if necessary require another Telstra Group entity to take action to assist with performance if required, by ACMA exercising the restructure directions power described above.
(j) Other licences, permits or regulatory approvals that have not been obtained	<p>If the Corporate Restructure is implemented, where other licences, permits or regulatory approvals need to be held by, or transferred to, a member of the New Telstra Group:</p> <ul style="list-style-type: none"> the relevant member of the New Telstra Group will apply for the licence or regulatory approval so that it is effective after the relevant part of the Corporate Restructure is implemented; to the extent required and permitted by law, licences, permits or approvals will be transferred by normal processes for transfer of those licences or approvals; and the ICAs will apply to ensure that the entities provide any required support within their capability to ensure that the other entity can continue to comply with its regulatory obligations.

3.4 The Definitive Agreements and associated arrangements with nbn

Telstra and nbn are parties to the Definitive Agreements under which, among other things, Telstra has agreed to:

- permanently disconnect its copper and HFC broadband networks and to transfer ownership of them progressively to nbn;
- prefer the nbn network as the fixed line connection to premises; and
- give nbn long term access to certain Telstra infrastructure assets.

Telstra, ServeCo and nbn have negotiated agreements, including amendments to the Definitive Agreements, to accommodate the Scheme and provide New Telstra Corp with additional certainty on its ability to undertake certain transactions involving InfraCo Fixed following implementation of the Corporate Restructure.

In summary, the key elements of the agreements are:

- Telstra Corporation Limited (i.e. InfraCo Fixed) remains the principal contracting party under the Definitive Agreements, but ServeCo accedes to the principal business protections under the Subscriber Agreement (including the obligation to prefer the nbn network as the fixed line connection to premises, the non-alignment dispute mechanism, and the obligation to progressively disconnect Telstra’s copper and HFC broadband networks). The Commonwealth guarantee of the performance by nbn of its obligations under the Implementation and Interpretation Deed, the Subscriber Agreement and the Infrastructure Services Agreement will remain in place with InfraCo Fixed as the beneficiary;
- Telstra must procure that New Telstra Corp will give nbn financial guarantees of InfraCo Fixed’s and ServeCo’s obligations under the amended Definitive Agreements. New Telstra Corp’s total liability to nbn under the financial guarantees in respect of InfraCo Fixed’s or ServeCo’s conduct under the Subscriber Agreement will not exceed \$2.5 billion, and in respect of InfraCo Fixed’s conduct under the Infrastructure Services Agreement will not exceed \$2.5 billion. This means there would be no change to the maximum liability of the Telstra Group to nbn as compared to the position in the existing Definitive Agreements; and
- New Telstra Corp will have freedom in the future to undertake, following prior consultation with nbn but without requiring nbn consent, a transaction involving:
 - the disposal of securities in InfraCo Fixed;
 - an issue of new securities by InfraCo Fixed;
 - a demerger of InfraCo Fixed from the Telstra Group; or
 - a public offer (IPO) of InfraCo Fixed, provided:
 - in the first two cases above, the acquirer or subscriber of the securities under the transaction is an eligible investor and New Telstra Corp retains control of InfraCo Fixed (in summary, continues to hold at least a 50.1% shareholding and economic interest in InfraCo Fixed and controls the ability to appoint InfraCo Fixed directors carrying a majority of voting rights);
 - in the case of a demerger, it is a full demerger or, if it is not a full demerger, New Telstra Corp retains control of the demerged InfraCo Fixed. In addition, if ASX is unwilling to allow restrictions on transfers and issues of securities in InfraCo Fixed after a partial demerger which are equivalent to those which apply pre partial demerger, New Telstra Corp must retain at least a 57.6% shareholding and economic interest in InfraCo Fixed following the partial demerger; or

– in the case of a public offer, New Telstra Corp retains control of InfraCo Fixed and, in addition, any subscriber of the securities who increases their interest in InfraCo Fixed and holds a 10% or greater interest in InfraCo Fixed as a result of the offer must be an eligible investor. In addition, if ASX is unwilling to allow restrictions on transfers and issues of securities in InfraCo Fixed after listing which are equivalent to those which apply pre listing, New Telstra Corp must retain at least a 57.6% shareholding and economic interest in InfraCo Fixed following a public offer.

An eligible investor for this purpose is a wholesale investor domiciled in a “Five Eyes country” and who meets certain other requirements including relating to asset size, and business type (notably, that person cannot be a carrier or carriage service provider as defined in the Telecommunications Act).

Certain other potential transactions involving InfraCo Fixed that New Telstra Corp may consider following implementation of the Corporate Restructure may require consent from nbn and other stakeholders.

The agreements with nbn are conditional on the competition law authorisation required to enable Telstra and nbn to give effect to the amended Definitive Agreements coming into force. See section 2.10 for further details.

Telstra Corporation Limited has also agreed that on the basis of a favourable tax ruling from the ATO, it will issue a mandatory redeemable preference share (MRPS) to nbn on or around the Business Restructure Implementation Date. The purpose of issuing the MRPS is to ensure that the transactions involving Telstra Corporation Limited described above as requiring nbn consent under the agreements with nbn do not occur without that nbn consent.

3.5 Telstra’s financing arrangements

3.5.1 Telstra’s existing external debt arrangements

At the date of this Scheme Booklet, the core existing external financial indebtedness of Telstra (which will be InfraCo Fixed) comprises debt from a combination of the following primary sources (the **Existing Telstra External Debt**):

- senior bank debt facilities on both a syndicated and bilateral basis;
- Australian and European Medium Term Notes issued under Telstra’s Debt Issuance Programme which is currently listed on the Singapore Stock Exchange (and was previously listed on the London Stock Exchange);
- US 144A bond issuances;
- Short-term Commercial Paper Programmes; and
- derivatives for hedging purposes (covering, for example, cross currency and interest rate swaps and foreign currency exchange contracts) under a range of ISDA Master Agreements & Schedules.

3.5.2 Proposed external debt arrangements following implementation of the Scheme

It is Telstra’s current intention that:

- as part of the implementation of the Scheme, the Existing Telstra External Debt will initially remain with InfraCo Fixed (noting that the Telstra Group’s current debt levels are not expected to increase as part of the implementation of the Scheme); and
- following implementation of the Scheme, New Telstra Corp will become the key borrowing entity on a go forward basis to fund the Telstra Group and refinance the Existing Telstra External Debt when it matures (or, if preferable from a liability management perspective, prior to maturity, including by way of redemption, purchase, exchange, transfer or substitution).

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It is proposed that, immediately following implementation of the Top Hat Component, a guarantee will be implemented between New Telstra Corp, InfraCo Fixed and ServeCo on the following key terms:

- New Telstra Corp and ServeCo will guarantee relevant debt in InfraCo Fixed (being the Existing Telstra External Debt plus any additional InfraCo Fixed debt which is designated under the guarantee at Telstra's option) (**Guaranteed Debt**);
- demands may be made under the guarantee in respect of Guaranteed Debt which is not paid when due and payable subject to applicable grace periods;
- the guarantee will apply for the term of the Guaranteed Debt, subject to early release in certain circumstances, including if the Guaranteed Debt is repaid, redeemed, purchased, exchanged, transferred or substituted earlier (as described in more detail below); and
- subject to certain applicable limitations and conditions, the guarantee may also be released early by Telstra in respect of the guarantee given by New Telstra Corp only if there is a change in control of InfraCo Fixed.

The objective of the guarantee is to, amongst other things:

- support the Telstra Group's ability to continue to source external debt financing on equivalent terms and pricing to the Existing Telstra External Debt and satisfy certain financier requirements;
- support New Telstra Corp's ability to transition to being the key borrowing entity for the Telstra Group;
- support the ongoing strong credit rating of the Telstra Group; and
- mitigate the risk of any structural subordination which may result from the Scheme by ensuring that debt at New Telstra Corp and InfraCo Fixed, in substance, ranks pari passu by providing all relevant debt investors with continued access to the credit and revenues of the broader Telstra Group.

Since the announcement of the Scheme, Telstra has continued, and will continue, its refinancing activities. Certain Existing Telstra External Debt which has been entered into or refinanced as part of these activities contains additional features. These additional features include, in certain cases, an option for the financiers in respect of the relevant Existing Telstra External Debt to elect to substitute New Telstra Corp as the borrowing entity for that debt following implementation of the Top Hat Component, subject to applicable notice periods (**Substitution Option**).

Where the relevant financiers elect to exercise the Substitution Option, they will cease to have the benefit of the above guarantee for the Existing Telstra External Debt in respect of which New Telstra Corp is substituted as the borrower (**Substituted Guaranteed Debt**), and instead the Telstra Group will be required to provide separate guarantees from InfraCo Fixed and ServeCo on the following key terms:

- similar to the above guarantee, New Telstra Corp, InfraCo Fixed and ServeCo will each directly support payment of the Substituted Guaranteed Debt;
- similar to the above guarantee, demands may be made under the guarantees in respect of the Substituted Guaranteed Debt which is not paid when due and payable subject to applicable grace periods;
- similar to the above guarantee, the guarantees will apply for the term of the Substituted Guaranteed Debt, subject to early release if the Substituted Guaranteed Debt is repaid, redeemed, purchased, exchanged, transferred or substituted earlier; and
- subject to certain applicable limitations and conditions, the guarantee provided by InfraCo Fixed may also be released early by Telstra if there is a substantial sale event in respect of New Telstra Corp's shareholding in InfraCo Fixed (a **Substantial Sale Event**).

These additional features demonstrate the action that Telstra has taken to start the transition discussed above to New Telstra Corp becoming the key borrowing entity for the Telstra Group following implementation of the Scheme, and to continue to support Telstra Group debt (whether at New Telstra Corp or InfraCo Fixed, and whether it is new or refinanced Telstra Group debt, or Existing Telstra Group Debt) with the credit of the broader Telstra Group.

3.5.3 Overall impact of the Scheme on the Telstra Group's external debt arrangements

The implementation of the Scheme is not expected to have a material impact on:

- the Telstra Group's existing external debt financing arrangements; or
- the ability of the Telstra Group to continue to have sufficient access to debt financing and financial markets necessary to ensure continued liquidity for, and funding of, the Telstra Group's business and operations (including during implementation of the Scheme and going forward).

The Independent Expert has also concluded that the Business Restructure Component will not materially prejudice the interests of creditors of Telstra Corporation Limited. See section 6.10.2 for further information.

3.6 Board and executive leadership team

On implementation of the Top Hat Component, the New Telstra Corp Directors will be the same persons as the Telstra Directors immediately before the Top Hat Implementation Date. The New Telstra Directors will continue to retire by rotation on the same schedule that would have applied if the Top Hat Component was not implemented.

The New Telstra Corp Directors will be paid directors' fees in accordance with their existing terms. Details of Telstra's existing remuneration arrangements for its non-executive directors are set out in the Remuneration Report in Telstra's most recent annual report, available from Telstra's website (www.telstra.com/annualreport).

The executive leadership team of New Telstra Corp will be the same as the executive leadership team of Telstra immediately before the Top Hat Implementation Date. As previously announced, Vicki Brady and Michael Ackland will commence as Chief Executive Officer and Chief Financial Officer respectively with effect from 1 September 2022.

Additionally, on implementation of the Top Hat Component each of InfraCo Fixed and ServeCo will have their own respective boards. Amplitel already operates under its own board, which is chaired by InfraCo CEO, Brendon Riley and comprises other Telstra and consortium representatives. The CEO of Amplitel is Jon Lipton, who was head of the towers business within Telstra.

3.7 Corporate governance arrangements

New Telstra Corp will continue to have substantially the same corporate governance framework and arrangements as Telstra, subject to certain changes that will be required to reflect the introduction of New Telstra Corp as the head entity of the Telstra Group.

Updated charters, policies and other material relating to Telstra's corporate governance practices will be available from Telstra's website (www.telstra.com/governance.au) following the implementation of the Top Hat Component.

4.1 Introduction

The financial information of the Telstra Group contained in this section comprises the:

- historical consolidated statement of financial position as at 30 June 2022 (**Historical Statement of Financial Position**) as set out in section 4.4;
- historical consolidated income statements for the financial years ended 30 June 2021 and 30 June 2022 (**Historical Income Statements**) as set out in section 4.5; and
- historical consolidated statements of cash flows for the financial years ended 30 June 2021 and 30 June 2022 (**Historical Statements of Cash Flows**) as set out in section 4.6,

(together, the **Historical Financial Information**);

- pro forma historical consolidated income statements for the financial years ended 30 June 2021 and 30 June 2022 (**Pro Forma Historical Income Statements**) as set out in section 4.5; and

- pro forma historical consolidated statements of cash flows for the financial years ended 30 June 2021 and 30 June 2022 (**Pro Forma Historical Statements of Cash Flows**) as set out in section 4.6,

(together, the **Pro Forma Historical Financial Information**)

collectively, the **Financial Information**.

As explained in section 4.3, this section 4 includes non-IFRS financial measures that the Telstra Group uses to manage and report on its business that are not defined under or recognised by Australian Accounting Standards (**AAS**) or International Financial Reporting Standards (**IFRS**).

Information provided in this section should be read in conjunction with the basis of preparation outlined in section 4.2 and the other information provided in this Scheme Booklet.

The Financial Information (as defined above) has been reviewed by Ernst & Young Strategy and Transactions in accordance with the Australian Standard on Assurance Engagements *ASAE 3450 Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Independent Limited Assurance Report set out in Annexure B. Telstra Shareholders should note the scope and limitations of this report.

4.2 Basis of preparation

The Financial Information is prepared for the purposes of this Scheme Booklet.

The Telstra Directors are responsible for the preparation and presentation of the financial information included in this section 4. The financial information in this section 4 has been prepared on a going concern basis.

The significant accounting policies which were adopted in the preparation of the Financial Information are consistent with the consolidated financial statements of the Telstra Group for the financial year ended 30 June 2022. For further details of the significant accounting policies, refer to the Telstra Group's consolidated financial statements for the financial year ended 30 June 2022.

The Telstra Group also presents segment information in its consolidated financial statements, based on the information that Telstra management uses to make decisions about operating matters and allows users to review operations through the eyes of Telstra management. The Telstra Group's operating segments represent business units which offer the Telstra Group's main products and services in the market, however, only some of the Telstra Group's operating segments meet the disclosure criteria for reportable segments under *AASB 8 Operating Segments*. The reportable segments based on the Telstra Group's consolidated financial statements for the financial year ended 30 June 2022 are Telstra Consumer and Small Business, Telstra Enterprise, Networks and IT and Telstra InfraCo. Telstra management does not expect the structure of the operating segments to be impacted as a result of the implementation of the Scheme. For further details of the operating and reportable segments, refer to note 2.1 of the Telstra Group's consolidated financial statements for the financial year ended 30 June 2022.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

4.2.1 Historical Financial Information

The Historical Financial Information has been derived from the respective consolidated financial statements of the Telstra Group for the financial years ended 30 June 2021 and 30 June 2022, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these consolidated financial statements.

The Historical Financial Information comprises the consolidated financial information of the Telstra Group including InfraCo Fixed and ServeCo and their respective controlled entities (if any).

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS.

The financial statements of the Telstra Group for the financial years ended 30 June 2021 and 30 June 2022 are included in Telstra's Annual Reports and have been lodged with ASIC and the ASX and are available at www.telstra.com.au/aboutus/investors/financial-information/reports.

4.2.2 Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the Historical Income Statements and the Historical Statements of Cash Flows, adjusted to remove one-off costs and expenditure that are both directly attributable and incremental to the Scheme (**Restructuring Costs**).

The pro forma adjustments have been described in sections 4.5 and 4.6.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS other than that it includes certain adjustments which have been prepared in a manner consistent with AAS that reflect the exclusion of certain transactions that occurred in the relevant periods.

The Pro Forma Historical Financial Information is not represented as being indicative of the Telstra Group's views of its actual or prospective financial performance or cash flows. Past performance may not be a reliable indicator of future financial performance.

No pro forma adjustment has been made to the Historical Statement of Financial Position on the basis that the Scheme will not itself result in any immediate change to the underlying assets or business activities of the Telstra Group.

4.3 Explanation of certain non-IFRS financial measures

Certain financial measures included in this Scheme Booklet are not recognised under AAS or IFRS. These measures are collectively referred to in this Scheme Booklet and under ASIC *Regulatory Guide 230 Disclosing Non-IFRS Financial Information* as non-IFRS financial measures.

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS.

Although the Telstra Group believes these non-IFRS financial measures provide useful information for measuring the financial performance and condition of the business, they should be considered as supplementary totals in the income statements, statements of financial position and cash flows that have been presented in accordance with the AAS and IFRS, not as a replacement for them. Telstra Shareholders are cautioned not to place undue reliance on any non-IFRS financial measures included in this Scheme Booklet.

The principal non-IFRS financial measures that are referred to in this Scheme Booklet are discussed below.

- EBITDA is earnings before interest, income tax, depreciation and amortisation. Telstra management believes EBITDA is useful as it is a widely recognised measure of operating performance.
- EBIT is earnings before interest and income tax and is a similar measure to EBITDA but takes into account depreciation and amortisation.

4.4 Historical Statement of Financial Position

Table 4.1 sets out the Historical Statement of Financial Position as at 30 June 2022.

Table 4.1: Historical Statement of Financial Position

A\$ million	As at 30 June 2022
Current assets	
Cash and cash equivalents	1,040
Trade and other receivables and contract assets	4,074
Deferred contract costs	116
Inventories	476
Derivative financial assets	302
Current tax receivables	17
Prepayments	235
Total current assets	6,260
Non-current assets	
Trade and other receivables and contract assets	861
Deferred contract costs	1,238
Inventories	28
Investments – accounted for using the equity method	814
Investments – other	15
Property, plant and equipment	20,485
Right-of-use assets	2,926
Intangible assets	8,155
Derivative financial assets	512
Deferred tax assets	60
Defined benefit asset	274
Total non-current assets	35,368
Total assets	41,628
Current liabilities	
Trade and other payables	4,189
Employee benefits	667
Other provisions	160
Lease liabilities	490
Borrowings	2,690
Derivative financial liabilities	–
Current tax payables	42
Contract liabilities and other revenue received in advance	1,622
Total current liabilities	9,860
Non-current liabilities	
Other payables	233
Employee benefits	132
Other provisions	119
Lease liabilities	2,797
Borrowings	8,292
Derivative financial liabilities	305
Deferred tax liabilities	1,655
Defined benefit liabilities	10
Contract liabilities and other revenue received in advance	1,388
Total non-current liabilities	14,931
Total liabilities	24,791
Net assets	16,837
Equity	
Share capital	3,098
Reserves	2,333
Retained profits	9,918
Equity available to Telstra Entity shareholders	15,349
Non-controlling interests	1,488
Total equity	16,837

4.5 Historical and Pro Forma Historical Income Statements

Table 4.2 sets out the Historical Income Statements and Pro Forma Historical Income Statements for the financial years ended 30 June 2021 and 30 June 2022.

Table 4.2: Historical Income Statements and Pro Forma Historical Income Statements

A\$ million	Full year ended 30 June 2022			Full year ended 30 June 2021		
	Telstra Group	Pro Forma Adjustments	New Telstra Corp Group	Telstra Group	Pro Forma Adjustments	New Telstra Corp Group
Income						
Revenue (excluding finance income)	21,277	–	21,277	21,558	–	21,558
Other income	768	–	768	1,574	–	1,574
Total income	22,045	–	22,045	23,132	–	23,132
Expenses						
Labour	3,620	–	3,620	4,012	–	4,012
Goods and services purchased	8,228	–	8,228	8,318	–	8,318
Net impairment losses on financial assets	98	–	98	160	–	160
Other expenses	2,812	(38)	2,774	2,980	(13)	2,967
Total expenses	14,758	(38)	14,720	15,470	(13)	15,457
Share of net profit / (loss) from joint ventures and associated entities	(31)	–	(31)	(24)	–	(24)
	14,789	(38)	14,751	15,494	(13)	15,481
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	7,256	38	7,294	7,638	13	7,651
Depreciation and amortisation	4,358	–	4,358	4,646	–	4,646
Earnings before interest and income tax expense (EBIT)	2,898	38	2,936	2,992	13	3,005
Finance income	110	–	110	103	–	103
Finance costs	527	–	527	654	–	654
Net finance costs	417	–	417	551	–	551
Profit before income tax expense	2,481	38	2,519	2,441	13	2,454
Income tax expense	667	11	678	539	4	543
Profit for the period	1,814	27	1,841	1,902	9	1,911

Notes:

1. Pro forma adjustments remove the Restructuring Costs. The Restructuring Costs are expensed as incurred for accounting purposes and do not include any costs and expenditure associated with the operationalisation of Amplitel and the Towers Transaction.

4.6 Historical and Pro Forma Historical Statements of Cash Flows

Table 4.3 sets out the Historical Statements of Cash Flows and Pro Forma Historical Statements of Cash Flows for the financial years ended 30 June 2021 and 30 June 2022.

Table 4.3: Historical Statements of Cash Flows and Pro Forma Historical Statements of Cash Flows

A\$ million	Full year ended 30 June 2022			Full year ended 30 June 2021		
	Telstra Group	Pro Forma Adjustments	New Telstra Corp Group	Telstra Group	Pro Forma Adjustments	New Telstra Corp Group
Cash flows from operating activities						
Receipts from customers (inclusive of goods and services tax (GST))	23,876	–	23,876	26,727	–	26,727
Payments to suppliers and employees (inclusive of GST)	(15,987)	39	(15,948)	(18,901)	10	(18,891)
Government grants received for operating activities	179	–	179	167	–	167
Net cash generated by operations	8,068	39	8,107	7,993	10	8,003
Income taxes paid	(819)	(12)	(831)	(762)	(3)	(765)
Net cash provided by operating activities	7,249	27	7,276	7,231	7	7,238
Cash flows from investing activities						
Payments for property, plant and equipment	(2,176)	–	(2,176)	(2,079)	–	(2,079)
Payments for intangible assets	(918)	–	(918)	(1,061)	–	(1,061)
Capital expenditure (before investments)	(3,094)	–	(3,094)	(3,140)	–	(3,140)
Payments for shares in controlled entities (net of cash acquired)	(771)	–	(771)	(26)	–	(26)
Payments for equity accounted investments	(30)	–	(30)	(30)	–	(30)
Payments for other investments	(50)	–	(50)	(152)	–	(152)
Total capital expenditure (including investments)	(3,945)	–	(3,945)	(3,348)	–	(3,348)
Proceeds from sale of property, plant and equipment	155	–	155	154	–	154
Proceeds from sale and leaseback	12	–	12	291	–	291
Proceeds from sale of businesses and shares in controlled entities (net of cash disposed)	4	–	4	218	–	218
Proceeds from sale of equity accounted investments and other investments	156	–	156	147	–	147
Distributions received from equity accounting investments	93	–	93	20	–	20
Receipts of the principal portion of finance lease receivables	92	–	92	120	–	120
Government grants received for investing activities	24	–	24	36	–	36
Interest received	14	–	14	18	–	18
Net cash used in investing activities	(3,395)	–	(3,395)	(2,344)	–	(2,344)
Operating cash flows less investing cash flows	3,854	27	3,881	4,887	7	4,894
Cash flows from financing activities						
Proceeds from borrowings	1,470	–	1,470	2,308	–	2,308
Repayment of borrowings	(3,750)	–	(3,750)	(3,260)	–	(3,260)
Payments for the principal portion of lease liabilities	(697)	–	(697)	(706)	–	(706)
Share buy-back	(1,350)	–	(1,350)	–	–	–
Purchase of shares for employee share plans	(5)	–	(5)	(39)	–	(39)
Finance costs paid	(534)	–	(534)	(613)	–	(613)
Dividends paid to non-controlling interests	(100)	–	(100)	(35)	–	(35)
Dividends paid to equity holders of Telstra Entity	(1,888)	–	(1,888)	(1,902)	–	(1,902)
Proceeds from the sale of units in a controlled trust	2,883	–	2,883	–	–	–
Other	–	–	–	11	–	11
Net cash used in financing activities	(3,971)	–	(3,971)	(4,236)	–	(4,236)
Net increase/(decrease) in cash and cash equivalents	(117)	27	(90)	651	7	658
Cash and cash equivalents at the beginning of the period	1,125	–	1,125	499	–	499
Effects of exchange rate changes on cash and cash equivalents	32	–	32	(25)	–	(25)
Cash and cash equivalents at the end of the period	1,040	27	1,067	1,125	7	1,132

Notes:

1. Pro forma adjustments remove the Restructuring Costs. The Restructuring Costs are expensed as incurred for accounting purposes and are included in net cash provided by operating activities.

4.7 Events subsequent to 30 June 2022

The most recent published consolidated financial statements of the Telstra Group are provided in the financial report for the financial year ended 30 June 2022, which was lodged with the ASX on 11 August 2022.

To the knowledge of the Telstra Directors, there has not been a material change in the financial position of the Telstra Group since 30 June 2022, except as disclosed in note 7.4 to the Telstra Group's consolidated financial statements for the financial year ended 30 June 2022, this Scheme Booklet or otherwise in announcements to the ASX.

4.8 Other information on the Corporate Restructure

Tables 4.4 and 4.5 include certain additional operational performance metrics of InfraCo Fixed, Amplitel, ServeCo and Telstra International for the financial years ended 30 June 2021 and 30 June 2022 to illustrate their pro forma historical earnings following the implementation of the Corporate Restructure. The additional operational performance metrics reflect:

- the intended legal structure of the Telstra Group following implementation of the Corporate Restructure;¹⁵
- third party customer and supplier arrangements that will be transferred to each of InfraCo Fixed and ServeCo under the Scheme and the Additional Steps and that have been transferred to Amplitel in connection with the Towers Transaction;
- the employee arrangements of InfraCo Fixed, ServeCo and Amplitel that will be in place following implementation of the Corporate Restructure; and
- ICAs between ServeCo, InfraCo Fixed and other relevant members of the Telstra Group (excluding Telstra International) that have been established for the provision of infrastructure access, services and support that will be required to enable them to carry on their respective businesses following implementation of the Corporate Restructure (or in the case of Amplitel and Amplitel services, from 1 September 2021). See section 3.2.6 for further information on the ICAs. The terms of the ICAs may change following the implementation of the Corporate Restructure, and there may be new ICAs between members of the Telstra Group (including Telstra International) following implementation of the Corporate Restructure. The effect of the ICAs will be eliminated as part of the consolidation adjustments when presenting the consolidated financial statements of the New Telstra Group.

To provide an economic view of InfraCo Fixed, Amplitel and ServeCo, Tables 4.4 and 4.5 do not include the impacts of the application of AAS requirements (in particular AASB 16 Leases (AASB 16), and by extension AASB 9 Financial Instruments (AASB 9)) to the ICAs. The application of AASB 16 to those agreements would eliminate on consolidation and on that basis the consolidated figures for the New Telstra Group in Tables 4.4 and 4.5 are consistent with Table 4.2 in section 4.5. Illustratively, the application of AASB 16 to the ICAs is expected to result in balances such as lease liabilities, right of use assets, operating and finance lease receivables, financial assets and liabilities in the standalone statements of financial position of each entity. From a standalone income statement perspective, the application of AASB 16 would result in impacts to each entity's economic view such as adjustment to income and operating expenses, depreciation of any right of use assets and interest expense or income. As stated above, these internal impacts will eliminate on consolidation.

For the purposes of Tables 4.4 and 4.5:

- "InfraCo Fixed Passive" includes the recurring amounts payable under the Infrastructure Services Agreement with nbn (ISA);
- "nbn Other" includes the Per Subscriber Address Amount (PSAA), one-off ISA amounts and amounts under the nbn commercial contracts; and
- costs for the strategic focus (T22) to improve customer experience, simplify structure and cut costs, in addition to Telstra's normal business as usual redundancies for the period, have been allocated between InfraCo Fixed Passive and ServeCo depending on the nature of those activities.

Table 4.4: Additional operating performance metrics for 30 June 2021

A\$ million	Full year ended 30 June 2021								
	InfraCo Fixed			Amplitel	ServeCo*	International	Pro Forma Adjustments	Consolidation Adjustments	New Telstra Corp Group
	NBN Other	InfraCo Fixed Passive*	Total						
Total income	1,413	2,399	3,812	338	18,751	1,760	–	(1,529)	23,132
EBITDA	1,177	1,622	2,799	300	4,134	405	13	–	7,651

Table 4.5: Additional operating performance metrics for 30 June 2022

A\$ million	Full year ended 30 June 2022								
	InfraCo Fixed			Amplitel	ServeCo*	International	Pro Forma Adjustments	Consolidation Adjustments	New Telstra Corp Group
	NBN Other	InfraCo Fixed Passive*	Total						
Total income	461	2,453	2,914	368	18,626	1,729	–	(1,592)	22,045
EBITDA	392	1,527	1,919	294	4,611	432	38	–	7,294

Notes:

*Out of the total \$71 million (FY21: \$211 million) corporately accounted costs for the strategic focus (T22 program) to improve customer experience, simplify structure and productivity improvements, in addition to Telstra's normal business as usual redundancies for the period, \$23 million (FY21: \$65 million) has been allocated to InfraCo Fixed Passive and \$48 million (FY21: \$146 million) has been allocated to ServeCo.

Pro forma adjustments remove the Restructuring Costs. The Restructuring Costs are expensed as incurred for accounting purposes and do not include any costs and expenditure associated with the operationalisation of Amplitel and the Towers Transaction.

5 | Tax implications for Eligible Shareholders

This section contains a general outline of the Australian income tax implications for Telstra Shareholders in connection with the Top Hat Component. All legislative references in this section 5 are to the *Income Tax Assessment Act 1997* (Cth).

5.1 Scope of the Australian Tax Letter

This section 5 applies to:

- Australian tax resident Eligible Shareholders that:
 - did not acquire their Telstra Shares under an employee share plan or who did acquire their Telstra Shares under an employee share plan but have already been taxed on those Telstra Shares under the employee share scheme provisions in Division 83A at the time at which the Top Hat Component is implemented;
 - are not temporary residents of Australia within the meaning of the term ‘temporary resident’ of Australia in subsection 995-1(1);
 - hold their Telstra Shares on capital account, as trading stock or revenue assets for tax purposes; and
 - are not subject to the taxation of financial arrangements rules in Division 230 in relation to gains and losses on their Telstra Shares,

(see section 5.3); and

- Eligible Foreign Shareholders who hold their Telstra Shares on capital account which are not taxable Australian property within the meaning of section 855-15 at the time of the Top Hat Component (see section 5.4).

This section 5 does not consider:

- the income tax consequences for Telstra Shareholders who are Ineligible Foreign Shareholders; or
- any income tax consequences that might arise in jurisdictions other than Australia.

Telstra Shareholders should seek their own advice on the consequences of the Top Hat Component under any relevant foreign tax laws.

The information in this section 5 is general in nature and is not intended to be an authoritative or complete statement of the relevant law and tax consequences which arise for any particular Telstra Shareholder. The information in this section 5 is not intended to consider the specific objectives, situation or needs of each Telstra Shareholder, which can affect the tax consequences of the Top Hat Component. Telstra Shareholders should not rely on this summary and should seek appropriate independent professional advice that considers the tax implications in respect of their own particular circumstances.

5.2 Class ruling request

Telstra has applied for a class ruling from the ATO on behalf of Australian resident Eligible Shareholders and Eligible Foreign Shareholders within the scope of this section 5 (see section 5.1), regarding the income tax treatment of the Top Hat Component.

It is expected that the final class ruling will be issued in the form sought shortly after the Top Hat Implementation Date, assuming the Top Hat Component proceeds on a basis consistent with the facts and circumstances in respect of the Top Hat Component set out in this Scheme Booklet. However, there remains a risk that the final class ruling may not be issued in the form sought or at all.

Telstra will make an ASX announcement when the class ruling is issued. A link to the class ruling will be provided on the Telstra website: www.telstra.com.au/aboutus/investors.

5.3 Australian resident Eligible Shareholders

5.3.1 Exchange of Telstra Shares for New Telstra Corp Shares

Overview

Under the Top Hat Component, each Telstra Share is being exchanged for a New Telstra Corp Share. Each Eligible Shareholder will transfer their Telstra Shares to New Telstra Corp in exchange for receiving an equivalent number of New Telstra Corp Shares.

Ordinarily, the disposal of shares would give rise to income tax consequences for Australian resident shareholders (i.e. a capital gain or loss being realised).

However, any such income tax consequences will automatically be deferred when an Eligible Shareholder disposes of their Telstra Shares to New Telstra Corp in exchange for New Telstra Corp Shares under the Top Hat Component. This is because rollover relief under Division 615 will automatically apply to defer recognition of any taxable gains or losses until a subsequent disposal of the New Telstra Corp Shares. It is not necessary for an Eligible Shareholder to make any election for this rollover to apply.

How are the Telstra Shares held?

The income tax consequences of participating in the Top Hat Component will depend on whether an Eligible Shareholder holds their shares:

- on capital account (refer to paragraph (a) below);
- as trading stock (refer to paragraph (b) below); or
- as revenue assets (refer to paragraph (c) below).

Division 615 rollover relief

(a) Telstra Shares held on capital account

Each Eligible Shareholder who holds their Telstra Shares on capital account will disregard any capital gain or loss they make on their Telstra Shares under the Top Hat Component.

The first element of the cost base (or reduced cost base, if applicable) of each New Telstra Corp Share acquired by an Eligible Shareholder under the Top Hat Component will be equal to the cost base (or reduced cost base) of the corresponding Telstra Share disposed of.

For the purposes of determining whether the capital gains tax discount concession is available on a subsequent disposal of the New Telstra Corp Shares (see section 5.3.3), an Eligible Shareholder will be taken to have acquired their New Telstra Corp Shares at the same time they acquired their original Telstra Shares.

(b) Telstra Shares held as trading stock

In the income year in which the Top Hat Implementation Date occurs, the assessable income of each Eligible Shareholder who holds their Telstra Shares as trading stock will include an amount equal to:

- if the Telstra Shares have been held as trading stock since the start of the income year, the total value of each Telstra Share at the start of the income year and the amount (if any) by which the cost has increased since the start of the income year; or
- otherwise, the cost of each Telstra Share at the time of the disposal.

The amount taken to have been paid by a relevant Eligible Shareholder for each New Telstra Corp Share acquired as trading stock is equal to the amount included in assessable income on disposal of the Telstra Shares (calculated as provided for above) divided by the number of New Telstra Corp Shares acquired as trading stock.

(c) Telstra Shares held as revenue assets

The gross proceeds received for the disposal of each Telstra Share, by each Eligible Shareholder who holds their Telstra Shares as revenue assets, is taken to be the amount needed to have a nil profit and nil loss for that disposal.

The amount taken to have been paid by a relevant Eligible Shareholder for each New Telstra Corp Share acquired as a revenue asset is equal to the amount needed to have a nil profit and nil loss for that disposal (as calculated above) divided by the number of New Telstra Corp Shares acquired as revenue assets.

5.3.2 Tax treatment of future distributions by New Telstra Corp

Generally, dividends received from New Telstra Corp will be included in an Eligible Shareholder’s assessable income together with any franking credit attached to the dividend (even if the dividend is reinvested). Where the franking credit is included in an Eligible Shareholder’s assessable income, the Eligible Shareholder will generally be entitled to a corresponding tax offset.

Relevantly, to be eligible for the franking credit and tax offset, an Eligible Shareholder must have held the New Telstra Corp Shares at risk for at least 45 days (not including the date of acquisition or the date of disposal) and free of any related payment obligations. An Eligible Shareholder will not be taken to have held New Telstra Corp Shares at risk where the Eligible Shareholder or an associate holds ‘positions’ (such as options or other hedging arrangements) which materially diminish the risks of loss or opportunities for gain in respect of those New Telstra Corp Shares.

The period during which an Eligible Shareholder held their Telstra Shares is not relevant to determining whether the Eligible Shareholder satisfies this holding period rule in respect of their New Telstra Corp Shares. However, on the basis of Telstra’s historical distribution pattern and the proposed Top Hat Implementation Date, Eligible Shareholders should satisfy the holding period rule (each Eligible Shareholder should seek independent legal advice to confirm this position).

This holding period rule will not apply to an Eligible Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed \$5,000 for the income year in which the franked dividend from New Telstra Corp is received.

Where an Eligible Shareholder is an Australian tax resident individual, complying superannuation entity, or registered charity (in certain circumstances) and satisfies the above requirements, the Eligible Shareholder will generally be entitled to a refund of tax to the extent that the franking credit attached to the Eligible Shareholder’s dividends exceeds their income tax liability for the relevant income year.

Where the Eligible Shareholder is an Australian tax resident company, franked dividends received by the Eligible Shareholder will generally give rise to a franking credit in their franking account. No refund of tax is available for companies for excess franking credits.

For completeness, the first dividend to be paid by New Telstra Corp is expected to be any FY23 interim dividend. The final dividend for FY22 announced on 11 August 2022 will be paid by Telstra and therefore this section does not apply to that dividend.

5.3.3 Tax treatment of future disposals of New Telstra Corp Shares

(a) New Telstra Corp Shares held on capital account

Following the Top Hat Component, an Eligible Shareholder who disposes of their New Telstra Corp Shares will make:

- a capital gain if the capital proceeds for the disposal of their New Telstra Corp Shares are greater than the cost base of their Telstra Shares, subject to the application of any further rollover relief applicable in the circumstances of the disposal; or
- a capital loss if the reduced cost base of their New Telstra Corp Shares is greater than the capital proceeds for the disposal of their Telstra Shares.

The capital proceeds for the disposal of New Telstra Corp Shares will generally be the aggregate of the money and the market value of any property the Eligible Shareholder receives or is entitled to receive in respect of the disposal of New Telstra Corp Shares.

The cost base of New Telstra Corp Shares will generally be equal to the cost base of their Telstra Shares (see section 5.3.1).

An Eligible Shareholder who is an individual, complying superannuation fund or trustee and who has held their New Telstra Corp Shares for at least 12 months, including the period that the corresponding Telstra Shares were originally held, should be entitled to discount the amount of the capital gain (after the application of any current year or carry forward capital losses).

The amount of this discount is 50% for individuals and trustees and 33.33% for complying superannuation funds. No discount on a capital gain is available for an Eligible Shareholder that is a company.

6 | Details about the Corporate Restructure

(b) New Telstra Corp Shares held as trading stock

The assessable income of an Eligible Shareholder who holds their New Telstra Corp Shares as trading stock will generally include an amount equal to the aggregate of the money and the market value of any property received as consideration for the disposal (see section 5.3.1).

Any capital gain or loss also arising on disposal will be disregarded for New Telstra Corp Shares held as trading stock.

(c) New Telstra Corp Shares held as revenue assets

If an Eligible Shareholder holds their New Telstra Corp Shares on revenue account, then the profit calculated as the excess of the proceeds received over the "cost" of the New Telstra Corp Shares will be included in the Eligible Shareholder's assessable income. An Eligible Shareholder's "cost" for their New Telstra Corp Shares will generally be equal to the amount that they are taken under Division 615 to have paid for them (see section 5.3.1).

On the other hand, any loss calculated as the excess of the cost of the New Telstra Corp Share over the proceeds received will be deductible to the Eligible Shareholder.

Broadly, under anti-overlap provisions, any capital gain or capital loss also arising on disposal should be reduced by the amount of the assessable gain or deductible loss, as appropriate.

5.4 Eligible Foreign Shareholders

5.4.1 Overview

Eligible Shareholders who are not Australian tax residents (i.e. Eligible Foreign Shareholders) will need to consider both the Australian tax implications of the Top Hat Component and the tax implications of the Top Hat Component in their own jurisdiction. The general Australian income tax consequences of the Top Hat Component for Eligible Foreign Shareholders are outlined below. The general Australian income tax consequences of the Top Hat Component for Ineligible Foreign Shareholders are not considered in this section 5.

5.4.2 Exchange of Telstra Shares for New Telstra Corp Shares

Broadly, any capital gain or loss arising to an Eligible Foreign Shareholder who holds their Telstra Shares on capital account will be automatically disregarded, with no election required.

5.4.3 Tax treatment of future distributions by New Telstra Corp

Franked dividends received by an Eligible Foreign Shareholder from New Telstra Corp Shares should generally be exempt from dividend withholding tax.

Unfranked dividends will be subject to dividend withholding tax. The withholding rate is 30% but is generally reduced to 15% (or lower under certain tax treaties) for dividends paid to residents of countries with which Australia has entered into a tax treaty. The applicable dividend withholding tax rate will depend on the tax treaty relevant to the Eligible Foreign Shareholder. The dividend withholding tax represents a final tax liability for Eligible Foreign Shareholders (i.e. there is no further tax on an assessment basis in respect of these dividends in Australia).

An Eligible Foreign Shareholder should obtain their own tax advice based on their specific circumstances to confirm that they are entitled to the benefit of any franking credit gross-up and tax offset in respect of franked dividends paid by New Telstra Corp.

5.4.4 Tax treatment of future disposals of New Telstra Corp Shares

Broadly, any capital gain or loss made by an Eligible Foreign Shareholder from the future disposal of their New Telstra Corp Shares will be automatically disregarded, with no election required.

However, a capital gain may arise for an Eligible Foreign Shareholder if they have held their New Telstra Corp Shares or the corresponding Telstra Shares in the course of carrying on a business through an Australian permanent establishment.

If the Eligible Foreign Shareholder is a tax resident of a country in which a tax treaty exists with Australia, relief may be available under the relevant treaty. An Eligible Foreign Shareholder should obtain their own tax advice in relation to the availability of treaty relief.

No discount capital gain is available for an Eligible Foreign Shareholder, to the extent that taxable gain arises on any future disposal of the New Telstra Corp Shares.

6.1 Overarching principles

6.1.1 General principles

The Implementation Deed provides that the following overarching principles underpin the Corporate Restructure:

- New Telstra Corp will generally function as a non-operating holding company of the Telstra Group and will not hold any material operating assets or operating liabilities in its own name, other than:
 - the shares in ServeCo, InfraCo Fixed, Amplitel HoldCo and Telstra International;
 - other Top Hat Assets and associated liabilities, including the Telstra Group's interests in certain non-operating entities;
 - liabilities under certain parent company guarantees provided to support the obligations of other Telstra Group members (including the nbn financial guarantees referred to in section 3.4);¹⁶
 - certain rights and obligations under the ICAs to which New Telstra Corp will be a party; and
 - the employment contracts for the executives of the Telstra Group (except the key Amplitel executives);
- InfraCo Fixed and its subsidiaries will:¹⁷
 - have the entire economic benefit and risk of the InfraCo Fixed Business; and
 - retain the InfraCo Fixed Assets and InfraCo Fixed liabilities;
- Amplitel has the entire economic benefit and risk of the Amplitel Business and Amplitel HoldCo holds the Telstra Group's 51% interest in Amplitel;
- ServeCo and its subsidiaries will have the entire economic benefit and risk of the ServeCo Business and will hold the ServeCo Assets and assume the ServeCo liabilities; and
- Telstra International and its subsidiaries will have the entire economic benefit and risk of the International Businesses.

Section 3.3.3 sets out the main regulatory obligations applying to each of New Telstra Corp, InfraCo Fixed, ServeCo and Amplitel.

6.1.2 Intellectual property principles

The Implementation Deed also provides that the following fundamental principles will govern the division of intellectual property rights as owned by or licensed to Telstra immediately before the Business Restructure Implementation Time, between New Telstra Corp, InfraCo Fixed, Amplitel, ServeCo and Telstra International following the implementation of the Corporate Restructure:

- each of InfraCo Fixed, ServeCo and Telstra International will either own or have the right to use the intellectual property rights that it needs to carry on its business in substantially the same way that it did before the Corporate Restructure;

- New Telstra Corp will own the Telstra Group intellectual property rights that principally relate to the Top Hat Assets and New Telstra Corp will have the right to use the other Telstra Group intellectual property rights it needs to function as the Telstra Group's parent company;
- InfraCo Fixed will remain the owner of the Telstra Group intellectual property rights that principally relate to the carrying on of the InfraCo Fixed Business or to the InfraCo Fixed Assets;
- Amplitel owns the intellectual property rights transferred by Telstra to Amplitel under the agreements governing the Towers Transfer and any intellectual property rights created by Amplitel after it was established as a separate legal entity;
- Telstra International will own the intellectual property rights transferred by Telstra to Telstra International under the documents governing the Telstra International Steps;
- ServeCo will own the Telstra Group intellectual property rights that principally relate to the carrying on of the ServeCo Business or to the ServeCo Assets and some additional categories of intellectual property rights, including any intellectual property rights shared between two or more of New Telstra Corp, InfraCo Fixed, Amplitel and/or ServeCo; and
- if there is any uncertainty as to whether an intellectual property right belongs to New Telstra Corp, InfraCo Fixed, ServeCo and/or Telstra International, this will be resolved through an internal governance process with escalation to the Telstra Group CEO as the ultimate decision maker, with post-implementation transfers of such rights being a potential outcome available (see section 7.3.6 for further details).

6.1.3 Data principles

The Implementation Deed also provides the following fundamental principles governing the data that was created by or on behalf of, or was in the possession or control of, Telstra before the Business Restructure Implementation Time, following the implementation of the Corporate Restructure:

- InfraCo Fixed, ServeCo and Telstra International will each have access to the Telstra Group data that each needs to carry on its business in substantially the same way as it did before the Corporate Restructure;
- the Telstra Group data that principally relates to the Top Hat Assets will be transferred to New Telstra Corp and New Telstra Corp will have access to the Telstra Group data it needs to function as the Telstra Group's parent company;
- InfraCo Fixed will retain the Telstra Group data that principally relates to the carrying on of the InfraCo Fixed Business or to the InfraCo Fixed Assets;
- Amplitel will retain all the data that is contained in the records transferred by Telstra to Amplitel under the agreements governing the Towers Transfer and any data created by Amplitel after it was established as a separate legal entity;

¹⁶ New Telstra Corp will also be party to an ASIC deed of cross guarantee (see section 7.12 for further information) and the guarantee referred to in section 3.5.2. Following implementation of the Scheme, it is also intended that New Telstra Corp become the key borrowing entity on a go forward basis to fund the Telstra Group and refinance the Existing Telstra External Debt when it matures (or, if preferable from a liability management perspective, prior to maturity). The financiers in respect of certain sources of Existing Telstra External Debt can also elect to substitute New Telstra Corp as the borrowing entity for that particular debt following implementation of the Top Hat Component, subject to applicable notice periods. See section 3.5.2 for further information.

¹⁷ InfraCo Fixed will also be party to the guarantee referred to in section 3.5.2.

- Telstra International will own the data transferred by Telstra to Telstra International under the documents governing the Telstra International Steps;
- the Telstra Group data that principally relates to the carrying on of the ServeCo Business or to the ServeCo Assets and any shared data will be transferred to ServeCo; and
- if there is any uncertainty as to whether certain data belongs to New Telstra Corp, InfraCo Fixed, ServeCo or Telstra International or is shared among them, this will be resolved through a governance process with escalation to the Telstra Group CEO as the ultimate decision maker, with post-implementation transfers of such data being a potential outcome available (see section 7.3.6 for further details).

6.2 Implementation mechanics

6.2.1 Top Hat Component

If the Scheme becomes Effective, all Telstra Shares will, on the Top Hat Implementation Date, be transferred to New Telstra Corp so that New Telstra Corp will become the sole holder of the Telstra Shares without the need for further action by Eligible Shareholders.

In consideration for the transfer of all Telstra Shares to New Telstra Corp, New Telstra Corp will issue one New Telstra Corp Share for each Telstra Share held by the Eligible Shareholders. This will happen on the Top Hat Implementation Date immediately prior to the transfer of the Telstra Shares to New Telstra Corp without the need for any further action on behalf of Eligible Shareholders.

As at the date of this Scheme Booklet, New Telstra Corp is a wholly owned subsidiary of Telstra. At the same time as the New Telstra Corp Shares are issued to Eligible Shareholders, the existing New Telstra Corp Shares on issue immediately before that issue to Eligible Shareholders will automatically be cancelled through a capital reduction.

After the Record Date and prior to the Top Hat Implementation Date, all Telstra Shares held by Ineligible Foreign Shareholders will be transferred to the Sale Nominee without the need for any further action by Ineligible Foreign Shareholders. The Telstra Shares held by the Sale Nominee will then be transferred from the Sale Nominee to New Telstra Corp along with all other Telstra Shares on the Top Hat Implementation Date (see section 6.4 below).

6.2.2 Business Restructure Component and Additional ServeCo Steps

If the Scheme becomes Effective, the ServeCo Business will be transferred from InfraCo Fixed to ServeCo or subsidiaries of ServeCo on and from the Business Restructure Implementation Time in the manner described in this Scheme Booklet. The Business Restructure Component (and the Court's transfer orders) and the Additional ServeCo Steps will give effect to the following main steps (in addition to other steps):

- assets relevant to the ServeCo Business will be transferred to ServeCo;
- liabilities and legal proceedings relevant to the ServeCo Business will be transferred to ServeCo;
- all of the shares in TLS Health will be transferred to ServeCo so that TLS Health becomes a direct wholly owned subsidiary of ServeCo;
- all of the shares in TLS Energy will be transferred to ServeCo so that TLS Energy becomes a direct wholly owned subsidiary of ServeCo;
- all of the shares in TLS Purple will be transferred to ServeCo so that TLS Purple becomes a direct wholly owned subsidiary of ServeCo; and
- certain assets and liabilities will be transferred from InfraCo Fixed to New Telstra Corp.

6.3 Conditions and termination rights

The Scheme is subject to a number of conditions precedent which remain outstanding. The status of these conditions precedent is set out below:

Condition precedent	Status
Shareholder approval: Telstra Shareholders approving the Scheme Resolution at the Scheme Meeting with the requisite majorities.	The Scheme Meeting to consider the Scheme Resolution will be held on 11 October 2022 as described in this Scheme Booklet.
Court approval: The Court making orders to approve the Scheme at the Second Court Hearing.	Court approval of the Scheme will be sought at the Second Court Hearing.
Competition law authorisation: The conditions precedent in the agreement between Telstra, ServeCo and nbn that amends the Definitive Agreements relating to: <ul style="list-style-type: none"> • the grant of the ACCC Authorisation; and • the ACCC Authorisation coming into force under section 91(1A) of the Competition and Consumer Act, having been satisfied or waived (in both cases) as specified in that agreement. 	<p>The ACCC is expected to issue its final determination in respect of the ACCC Authorisation by the end of September 2022 and, in any event, before the Scheme Meeting. If the ACCC Authorisation is granted, it will come into force a short time later.</p> <p>On 14 July 2022, the ACCC issued the Draft ACCC Authorisation. The Draft ACCC Authorisation is in a form that is acceptable to both Telstra and nbn. However, public consultation in relation to the ACCC Authorisation is ongoing and there remains a risk that the ACCC Authorisation may not be granted or could differ in some way from the Draft ACCC Authorisation. Those differences could arise through the imposition of conditions that Telstra and nbn need to satisfy to benefit from the authorisation, that were not contemplated in the Draft ACCC Authorisation. If that situation were to arise and the conditions were not acceptable to Telstra or nbn, the Scheme may not proceed. See section 2.10 for further details.</p>
Regulatory: <ul style="list-style-type: none"> • ASIC, ASX and any other relevant Government Agencies providing such other consents, approvals or declarations that Telstra believes are reasonably necessary or desirable to implement the Scheme (including relevant ASIC relief and ASX waivers); and • ASIC, ASX and any other relevant Government Agencies not issuing or taking steps to issue any order or injunction preventing the implementation of the Scheme or the Additional Steps. 	<p>ASIC and ASX have each agreed to grant the necessary relief. See sections 7.7.1 and 7.7.2 for further details.</p> <p>As far as Telstra is aware, as at the date of this Scheme Booklet:</p> <ul style="list-style-type: none"> • there are no other consents, approvals or declarations required from ASIC, ASX or any other relevant Government Agencies that Telstra believes are reasonably necessary or desirable to implement the Scheme for the purposes of this condition; and • neither ASIC, ASX nor any other Government Agency has taken any steps to prevent the implementation of the Scheme.
Third party authorisations: Telstra obtaining all other authorisations or relief from third parties that it believes are necessary or desirable to implement the Scheme.	As far as Telstra is aware, as at the date of this Scheme Booklet, there are no other authorisations or relief from third parties that it believes are necessary or desirable to implement the Scheme.
ASX listing: ASX confirming that it will grant permission for New Telstra Corp to be admitted to the official list of the ASX and New Telstra Corp Shares to be quoted on the ASX.	New Telstra Corp will apply for admission to the official list of the ASX and for quotation of New Telstra Corp Shares on ASX as soon as practicable after the date of this Scheme Booklet.
Representations and warranties: All the representations and warranties made by Telstra, New Telstra Corp and ServeCo in the Implementation Deed being correct and not misleading.	As at the date of this Scheme Booklet, the representations and warranties in the Implementation Deed are correct and not misleading.
No termination: The Implementation Deed not having been terminated.	As at the date of this Scheme Booklet, the Implementation Deed has not been terminated.

Telstra, New Telstra Corp and ServeCo's obligations in the Implementation Deed will cease to apply in certain limited circumstances. The Implementation Deed may also be terminated by the parties in certain limited circumstances. Please see section 7.3.5 below for further details.

6.4 Sale Facility

6.4.1 Overview

The Sale Facility forms part of the Top Hat Component. Under the Sale Facility:

- Telstra Shares held by Ineligible Foreign Shareholders on the Record Date, together with all rights and entitlements attaching to those Telstra Shares, will be transferred to the Sale Nominee before the Top Hat Implementation Date without the need for any further action by the Ineligible Foreign Shareholders;
- the Sale Nominee will Participate in the Top Hat Component in respect of those Telstra Shares in the same way as other Eligible Shareholders. After the implementation of the Top Hat Component, the Sale Nominee will hold the New Telstra Corp Shares which Ineligible Foreign Shareholders would otherwise have been entitled to;
- as soon as reasonably practicable after the Top Hat Implementation Date, the Sale Nominee will sell the New Telstra Corp Shares it holds; and
- no later than 2 Business Days after the day on which the last of the proceeds of the sale of all of those New Telstra Corp Shares are received, the sale proceeds (determined as set out in section 6.4.2), will be paid to New Telstra Corp or the Registry on trust for the Ineligible Foreign Shareholders. Those sale proceeds will then be paid in Australian dollars to each Ineligible Foreign Shareholder by direct credit to a bank account as nominated by the Ineligible Foreign Shareholder. If the Ineligible Foreign Shareholder does not have a nominated bank account into which Australian dollars can be paid, the sale proceeds will be sent by a cheque drawn on an Australian bank in Australian currency.

6.4.2 Determination of sale proceeds

Each Ineligible Foreign Shareholder will participate in the Sale Facility and receive an amount equal to the average price at which the New Telstra Corp Shares are sold by the Sale Nominee under the Sale Facility, multiplied by the corresponding number of Telstra Shares held on the Record Date by that Ineligible Foreign Shareholder.

The sale price of New Telstra Corp Shares and the proceeds that the Ineligible Foreign Shareholder will receive cannot be guaranteed as the market price of New Telstra Corp Shares is subject to change from time to time. The sale proceeds will not necessarily be the highest price at which the New Telstra Corp Shares could be sold during the sale period. The Sale Nominee will sell the New Telstra Corp Shares in such manner, at such times and prices as the Sale Nominee determines in good faith with the objective of achieving the best prices reasonably obtainable at the time of the sales. Factors that may influence the price that may be obtained include:

- the total number of New Telstra Corp Shares that participate in the Sale Facility. The sale price for those New Telstra Corp Shares may be lower if the Sale Facility increases the supply of New Telstra Corp Shares available for sale without there being corresponding demand for the acquisition of New Telstra Corp Shares during the sale period;
- the prevailing market conditions, including the prevailing price of New Telstra Corp Shares on the ASX and the prevailing demand for those shares; and
- the period during which the sale process is undertaken.

6.4.3 Alternatives to participating in the Sale Facility

As an alternative to participating in the Sale Facility, Telstra Shareholders who expect to be Ineligible Foreign Shareholders may choose to sell their Telstra Shares on market by the last day of trading of Telstra Shares (expected to be 20 October 2022). There are a number of differences between selling Telstra Shares on market and participating in the Sale Facility, including:

- the price may be higher or lower;
- under the Sale Facility, Ineligible Foreign Shareholders have no control over the sale proceeds they will receive;
- under the Sale Facility, Ineligible Foreign Shareholders will need to wait until after the Sale Facility process is completed before they receive the sale proceeds;
- transfers and sales under the Sale Facility will only proceed if the Top Hat Component is implemented; and
- Ineligible Foreign Shareholders will need to pay brokerage fees if they sell Telstra Shares on market.

6.5 Approval of the Scheme

6.5.1 First Court Hearing

On 23 August 2022, the Court ordered that the Scheme Meeting be convened and that this Scheme Booklet be despatched to Telstra Shareholders. The orders made by the Court do not constitute an endorsement of the Scheme or this Scheme Booklet.

6.5.2 Scheme Resolution

For the Scheme to take effect, section 411(4) of the Corporations Act requires a meeting of Telstra Shareholders to be held, at which the Scheme Resolution must be approved by a majority in number of Telstra Shareholders who vote on the resolution (either in person or by proxy or representative) at the Scheme Meeting¹⁸ and who represent in aggregate not less than 75% of the votes cast on the resolution (either in person or by proxy or representative) at the Scheme Meeting.

The Scheme Resolution is set out in the Notice of Scheme Meeting in Annexure D. The results of the Scheme Meeting must then be provided to the Court, which will consider whether or not to approve the Scheme.

6.5.3 Second Court Hearing

Telstra will apply to the Court for an order approving the Scheme if the Scheme Resolution is approved by the requisite majorities of Telstra Shareholders at the Scheme Meeting.

The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme Resolution is approved by the requisite majorities of Telstra Shareholders at the Scheme Meeting. Each Telstra Shareholder and, with the Court's permission, any other interested person may appear and make submissions at the Second Court Hearing.

If you wish to appear at the Second Court Hearing and oppose the approval of the Scheme, you may do so by filing with the Court and serving on Telstra a notice of appearance in the form prescribed under *Supreme Court (Corporations) Rules 1999* (NSW) together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Telstra at the following address for service at least one day before the Second Court Hearing: 18 October 2022. The date of the Second Court Hearing is currently scheduled to be 19 October 2022, though an earlier or later date may be sought. Any change to this date will be announced through the ASX and notified on Telstra's website.

ASIC has also been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with subsection 411(17)(b) of the Corporations Act, that it has no objections to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

If the Scheme Resolution is approved by Telstra Shareholders at the Scheme Meeting and by the Court at the Second Court Hearing the Scheme will become Effective when a copy of the Court orders approving the Scheme is lodged with ASIC, or on such earlier date as the Court determines and specifies in the order.

6.6 Entitlement to vote on the Scheme Resolution and voting exclusions

6.6.1 Entitlement to vote

Each Telstra Shareholder who is registered on the Register at 12:30pm (Sydney time) on 9 October 2022 is entitled to attend and vote, either in person or by proxy, at the Scheme Meeting.

6.6.2 Voting by poll

The Scheme Resolution proposed at the Scheme Meeting will be decided by way of a poll.

On the poll, each Telstra Shareholder has one vote for every Telstra Share held.

If you do not vote or vote against the Scheme Resolution, but the Scheme Resolution is approved by the required majorities of Telstra Shareholders and all other conditions to the Scheme are either satisfied or waived (where applicable), then the Scheme will become Effective and will be binding on all Telstra Shareholders.

6.6.3 Voting exclusions

No Telstra Shareholder who is registered on the Register at 12:30pm (Sydney time) on 9 October 2022 will be excluded from voting on the Scheme Resolution.

18. The Court has the power to waive this approval requirement.

6.7 Effect of the Scheme on Telstra's employee equity plans

6.7.1 Existing plans

Participants in Telstra's existing employee equity plans hold either Restricted Shares or Performance Rights. The table below sets out the impact of the Scheme on those securities.

Security	Description	Impact of the Scheme
Restricted Shares	Telstra Shares held by the Growthshare Trustee on behalf of a participant for the duration of a restriction period during which they cannot be traded and are subject to forfeiture if the participant ceases employment with the Telstra Group for certain non-permitted reasons.	Restricted Shares held on the Record Date by the Growthshare Trustee will be exchanged for New Telstra Corp Shares on a one-for-one basis. Those New Telstra Corp Shares will remain subject to the same dealing restrictions and continuing employment condition as those that applied to the Telstra Shares that were exchanged.
Performance Rights	A right to receive a Telstra Share or, at Telstra's discretion, a cash amount equivalent to the value of a Telstra Share at the end of a performance period, subject to the satisfaction of certain performance measures and a continuing employment condition.	There will be no changes to the terms of the Performance Rights, other than changes to reflect that New Telstra Corp will be the head entity of the Telstra Group following the Top Hat Implementation Date and that a New Telstra Corp Share (or a cash amount equivalent to the value of a New Telstra Corp Share) will be provided on the vesting and exercise of any Performance Right following the Top Hat Implementation Date. ¹⁹

6.7.2 Voting at the Scheme Meeting

Holders of Restricted Shares will be able to vote on the Scheme Resolution at the Scheme Meeting in the same way they are able to vote at Telstra's annual general meetings. However, the Performance Rights do not carry any voting rights so cannot be voted at the Scheme Meeting or Telstra's annual general meetings.

Details on how holders of Restricted Shares can vote at the Scheme Meeting are set out in the Notice of Scheme Meeting in Annexure D.

6.8 Effect of the Corporate Restructure on Telstra's DRP

Following implementation of the Top Hat Component:

- New Telstra Corp intends to establish a DRP on substantially the same terms as Telstra's DRP; and
- New Telstra Corp's DRP will be available at the "Shareholder access" section of the "Investor Centre" of the Telstra website at www.telstra.com.au.

As a result of the terms of the Scheme, if a Telstra Shareholder has an election in place to participate in the Telstra DRP (when it operates in respect of a dividend), that election will, on implementation of the Top Hat Component, automatically apply to the New Telstra Corp DRP. Any Telstra Shareholders who have an election in place to participate in the Telstra DRP who do not wish to participate in the New Telstra Corp DRP should withdraw their participation in the Telstra DRP by making a request to the Registry.

Any residual balance held in the Telstra DRP account on behalf of a Telstra Shareholder will be paid by Telstra to New Telstra Corp and applied under the New Telstra Corp DRP to subscribe for New Telstra Corp Shares in the future.

6.9 Effect of the Corporate Restructure on Telstra's ADR Program

Following implementation of the Top Hat Component, New Telstra Corp intends to continue to operate an ADR Program on substantially the same terms as the current ADR Program. Updated details about the ADR Program will be available at the "Shareholder access" section of the "Investor Centre" on the Telstra website at www.telstra.com.au.

6.10 Independent Expert's conclusions

6.10.1 Independent Expert's Report for Shareholders

The Independent Expert has concluded that the Scheme is in the best interests of Telstra Shareholders.

Information on the factors the Independent Expert took into account in reaching that conclusion, and the Independent Expert's assessment of the advantages and disadvantages of the Scheme are set out in the Independent Expert's Report for Shareholders in Annexure A. The Telstra Directors encourage you to read that report.

6.10.2 Independent Expert's Report on Creditors

The Independent Expert was also engaged to prepare an independent expert's report setting out whether, in its opinion, the Business Restructure Component materially prejudices the interests of creditors of Telstra Corporation Limited. A copy of this report will be provided to the Court in connection with the Second Court Hearing. The Independent Expert concluded that the Business Restructure Component will not materially prejudice the interests of creditors of Telstra Corporation Limited.

In reaching that conclusion, the Independent Expert made the following statement in the Independent Expert's Report on Creditors:

"The Business Restructure Component involves the transfer of assets and liabilities relating to the ServeCo business from Telstra Corp (which will become InfraCo Fixed) to ServeCo and certain assets and liabilities from InfraCo Fixed to New Telstra Corp. Existing creditors of Telstra Corp will either remain creditors of Telstra Corp (which will become InfraCo Fixed) or become creditors of ServeCo or New Telstra Corp. While in the first instance creditors will have a risk exposure to those individual entities, the guarantees that will be put in place as part of the Corporate Restructure mean that the exposure of these creditors is to the overall financial health of the entities covered by the guarantees rather than the individual entity. In this regard:

- *the guarantees result in creditors of ServeCo, InfraCo Fixed and New Telstra Corp being in the same position (i.e. having access to the same assets and cash flows for payment) as they were prior to the implementation of the Business Restructure Component; and*
- *the Scheme (including the Business Restructure Component) and the Additional Steps do not have any material impact on the overall financial health of the Telstra Group or the New Telstra Corp Closed Group.*

In any event, InfraCo Fixed and ServeCo will be substantial entities in their own right in terms of asset base and ability to generate cash flow. Furthermore, while New Telstra Corp will generally function as a non-operating holding company of the Telstra Group and will not hold any material operating assets or operating liabilities in its own name, it will wholly own ServeCo and InfraCo Fixed and will have the ability to generate substantial cash flows in the form of dividends.

Consequently, neither the interests of Telstra Corp creditors that will remain creditors of InfraCo Fixed nor the interests of Telstra Corp creditors that will become creditors of ServeCo or New Telstra Corp will be materially prejudiced by implementation of the Business Restructure Component."

In the statement above, the guarantees referred to are the guarantees summarised in section 3.5.2 and the New ASIC DOCG summarised in section 7.11, and the 'New Telstra Corp Closed Group' comprises the entities that will be parties to the New ASIC DOCG.

The Independent Expert's Report on Creditors has been prepared for the purpose of assisting the Court in assessing the impact of the Business Restructure Component of the Scheme on the interests of Telstra Corporation Limited's creditors. It has not been prepared on the basis that it is intended to be provided to Telstra Shareholders. It is not intended that the Independent Expert's Report on Creditors should be used or relied upon for any purpose other than as an expression of the Independent Expert's opinion as to whether the Business Restructure Component materially prejudices the interests of creditors of Telstra Corporation Limited. The Independent Expert expressly disclaims any liability to any other party, including any Telstra Shareholder, who relies or purports to rely on the Independent Expert's Report on Creditors for any purpose whatsoever.

Subject to that limitation, a copy of the Independent Expert's Report on Creditors can be obtained free of charge by emailing telstra@linkmarketservices.com.au or by contacting the Telstra Shareholder Information Line on 1300 88 66 77 (within Australia) or on +61 1300 88 66 77 (outside Australia) at any time from 8:00am to 8:00pm (Sydney time) Monday to Friday (excluding Public Holidays), in each case before the Second Court Hearing.

¹⁹. As set out in section 7.7.2, Telstra has obtained a waiver of ASX Listing Rule 6.23.4 to allow it to make those changes to the Performance Rights terms without separate Telstra Shareholder approval being required.

7.1 New Telstra Corp Constitution

The rights attaching to the New Telstra Corp Shares are set out in the New Telstra Corp Constitution.

The following is a summary of the important aspects of the New Telstra Corp Constitution and the rights attaching to the New Telstra Corp Shares. A full copy of the New Telstra Corp Constitution will be available on the Telstra website.

Issue	Details
Share capital	New Telstra Corp may issue ordinary shares or preference shares. All New Telstra Corp Shares are ordinary shares and rank equally in all aspects. New Telstra Corp must maintain a register of New Telstra Corp Shareholders.
Voting	At a general meeting, every New Telstra Corp Shareholder present in person or as proxy, representative or attorney has one vote on a show of hands and every New Telstra Corp Shareholder present, whether in person or by proxy, representative or attorney has one vote per New Telstra Corp Share on a poll.
General meetings	Each New Telstra Corp Shareholder is entitled to notice of, and to attend and vote at, general meetings, and to receive all notices, accounts and other documents required to be sent to New Telstra Corp Shareholders under the New Telstra Corp Constitution, the Corporations Act or the ASX Listing Rules. General meetings may be held using any technology approved by the New Telstra Corp Directors that give New Telstra Corp Shareholders as a whole a reasonable opportunity to participate.
Rights on winding up	If New Telstra Corp is wound up, the liquidator may, with the sanction of a special resolution, divide among the New Telstra Corp Shareholders the whole or any part of the property of the company. For that purpose, the liquidator may set a value it considers fair on any property to be so divided and decide how the division is to be carried out as between the members.
New Telstra Corp Directors	The minimum number of New Telstra Corp Directors is three and the maximum number is 11 (unless determined otherwise by the company in general meeting or by the New Telstra Corp Directors in accordance with the Corporations Act). New Telstra Corp Shareholders may vary the maximum number by ordinary resolution in general meeting. The New Telstra Corp Directors will be subject to retirement by rotation and re-election by New Telstra Corp Shareholders in general meeting. As outlined in section 3.3.3, the Telstra Corporation Act requires that the chairperson and the majority of the directors of New Telstra Corp must be Australian citizens; and that two directors of New Telstra Corp must have knowledge of regional, rural or remote areas.
Removal of New Telstra Corp Directors	New Telstra Corp Shareholders can by resolution remove any director and appoint another person as a replacement.
New Telstra Corp Directors' remuneration	A New Telstra Corp Director's remuneration is determined by the New Telstra Corp Directors but the total amount provided to all New Telstra Corp Directors for the services as New Telstra Corp Directors must not exceed the amount fixed by New Telstra Corp at its general meeting. The total amount currently fixed for the remuneration of New Telstra Corp Directors will be the same as the total amount currently fixed for the remuneration of Telstra Directors (being \$3.5m).
Indemnification	New Telstra Corp may indemnify, to the maximum extent permitted by law, directors, secretaries, executive officers and employees of New Telstra Corp and its Related Bodies Corporate, for liabilities and legal costs they may incur in such capacity or in their capacity as a director or officer of a company that is not related to New Telstra Corp.

Issue	Details
Sale of non-marketable parcels	New Telstra Corp is permitted to implement arrangements to sell certain small shareholdings on behalf of New Telstra Corp Shareholders.
Rights, preferences and restrictions attaching to each class of shares	New Telstra Corp may issue any further classes of shares with any such preferred, deferred or other special rights or with those restrictions, whether with regard to dividends, voting, return of capital or otherwise as the New Telstra Corp Directors determine.
Dividends	The New Telstra Corp Directors may pay any interim and final dividends. Subject to any rights or restrictions attached to any shares in the capital of New Telstra Corp (at present, there are none), dividends are apportioned and paid proportionately to the amounts paid up or credited as paid on the shares.
Capitalisation of profits	The New Telstra Corp Directors may capitalise and distribute among New Telstra Corp Shareholders any amount in proportion to which New Telstra Corp Shareholders would have been entitled to receive dividends.
Lien and forfeiture	To the extent permitted by law, New Telstra Corp has a first lien on each partly paid New Telstra Corp Share, for all unpaid calls and instalments due and each New Telstra Corp Share for any amounts the company is required by law to pay and has paid in respect of that New Telstra Corp Share.
Compliance with the Telstra Corporation Act	As outlined in section 3.3.3, the Telstra Corporation Act restricts the holding of particular foreign ownership stakes in New Telstra Corp. The constitution contains provisions to facilitate New Telstra Corp's compliance with the foreign ownership restrictions and to ensure that any breach is remedied as soon as possible. This includes obligations to notify the New Telstra Corp Directors of matters connected with foreign ownership and the power of New Telstra Corp Directors to procure the disposal of New Telstra Corp Shares. The New Telstra Corp Directors may publish rules, regulations, formal procedures and policies (referred to as the Foreign Ownership Regulations) to facilitate compliance with the foreign ownership restrictions. Any Foreign Ownership Regulations will be made publicly available.
Constitutional amendment	The New Telstra Corp Constitution can only be amended by special resolution passed by at least 75% of the votes cast by New Telstra Corp Shareholders entitled to vote on the resolution at a general meeting of New Telstra Corp.

7.2 New Telstra Corp's equity securities

New Telstra Corp currently has 2 New Telstra Corp Shares on issue.

The number of equity securities Telstra has on issue as at the date of this Scheme Booklet is set out in the table below. The number of Performance Rights may change between the date of this Scheme Booklet and the implementation of the Top Hat Component as a result of Performance Rights lapsing in accordance with their terms.

The number of equity securities New Telstra Corp will have on issue on implementation of the Top Hat Component will reflect the number of equity securities Telstra has on issue immediately before implementation of the Top Hat Component.

Securities	Number
Telstra Shares	11,554,427,353
Performance Rights	6,022,468

The issue price of all New Telstra Corp Shares for which New Telstra Corp seeks quotation will be at least 20 cents. The inclusion of this statement in the Scheme Booklet is to demonstrate compliance with a requirement of the ASX Listing Rules and is not an indication of the implied issue price of the New Telstra Corp Shares issued under the Scheme.

As at the date of this Scheme Booklet, Telstra is not aware of any substantial shareholders in Telstra.

7.3 Summary of the Implementation Deed

On 18 August 2022, Telstra, ServeCo and New Telstra Corp entered into an Implementation Deed, which sets out the procedures to be followed to implement the Scheme and other related matters as described in this Scheme Booklet, including the Additional Top Hat Steps and the Additional ServeCo Steps. This section contains a brief overview of the key terms of the Implementation Deed:

7.3.1 Overview

The Implementation Deed outlines the following key steps:

- the Top Hat Component;
- the Additional Top Hat Steps;
- the Business Restructure Component; and
- the Additional ServeCo Steps.

7.3.2 Agreement to undertake Corporate Restructure

Each of Telstra, ServeCo and New Telstra Corp agree to implement the Scheme, the Additional Top Hat Steps and the Additional ServeCo Steps subject to the Implementation Deed.

7.3.3 Conditions precedent

The parties' obligations to implement the Scheme, the Additional Top Hat Steps and the Additional ServeCo Steps do not become binding until a number of conditions precedent have been satisfied or waived (where applicable). These are set out comprehensively in section 6.3. The parties agree to use reasonable endeavours to ensure satisfaction of those conditions precedent.

7.3.4 Restructure principles

The Implementation Deed sets out the fundamental principles governing the Scheme, the Additional Top Hat Steps and the Additional ServeCo Steps. These are the restructure principles set out in section 6.1.

7.3.5 Termination rights

The parties may terminate the Implementation Deed by mutual agreement at any time prior to 8:00am on the Second Court Hearing Date.

Separately, the parties' obligations in the Implementation Deed in respect of the Scheme will, unless Telstra determines otherwise, cease to apply on the following events:

- the Top Hat Component and Business Restructure Component not having become Effective within 9 months of the Implementation Deed date (or as otherwise agreed by the parties);
- Telstra Shareholders do not approve the Scheme Resolution by the requisite majorities;
- if a Court or other Government Agency has issued a final and non-appealable order, decree or ruling or taken any other action which permanently restrains or prohibits the implementation of the Top Hat Component or the Business Restructure Component; or
- Telstra, ServeCo or New Telstra Corp become insolvent.

7.3.6 Wrong pockets

For three years following the Business Restructure Implementation Time (or such other period as the parties agree), if InfraCo Fixed, New Telstra Corp or ServeCo identify an asset or liability that was transferred to ServeCo or New Telstra Corp or retained by InfraCo Fixed as part of the Scheme, the Additional Top Hat Steps and/or the Additional ServeCo Steps where the transfer or retention was inconsistent with the restructure principles, that party must, as soon as reasonably practicable, issue a written notice to the other parties requesting that the situation be rectified.

Following such notification, the party that owns or controls the asset or holds the benefit of the liabilities must transfer, assign or grant appropriate rights to the party that should hold the asset or liability under the restructure principles, unless the parties agree otherwise.

Any negotiations relating to these assets or liabilities must be in good faith.

7.4 Summary of the New Telstra Corp Deed Poll

Prior to the Second Court Hearing, New Telstra Corp will enter into the New Telstra Corp Deed Poll in favour of each Telstra Shareholder. New Telstra Corp will covenant to comply with its obligations under the Implementation Deed and do all acts and things necessary or desirable to give full effect to the Top Hat Component. This includes:

- accepting all Telstra Shares from Eligible Shareholders;
- issuing New Telstra Corp Shares to Eligible Shareholders (including the Sale Nominee) in consideration; and
- entering the names of Eligible Shareholders into a New Telstra Corp Share register.

The New Telstra Corp Deed Poll is subject to the same conditions precedent as the Implementation Deed and will terminate automatically if the Implementation Deed is terminated or the Top Hat Component does not become Effective on or before the end date, being 9 months after the date of the Implementation Deed, or such date as agreed by the parties to the Implementation Deed.

7.5 Telstra Shares held by the Telstra Directors

The number of Telstra Shares held (directly or indirectly) by each Telstra Director as at the date of this Scheme Booklet is set out in the following table:

Director	Number of Telstra Shares held ²⁰
John P Mullen	126,159
Andrew R Penn ²¹	2,556,435
Eelco Blok	75,000
Roy H Chestnutt	70,000
Craig W Dunn	70,073
Bridget Loudon	2,500
Elana Rubin	67,961
Nora L Scheinkestel	151,101
Niek Jan van Damme	77,000

No Telstra Director holds any other marketable securities of Telstra or has an interest in the Corporate Restructure other than as a Telstra Shareholder as set out above. No payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of Telstra (including its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Telstra (including its Related Bodies Corporate) in connection with the Corporate Restructure.

Each Telstra Director will be entitled to vote at the Scheme Meeting and Participate in the Top Hat Component in respect of the Telstra Shares referred to above. Each Telstra Director intends to vote any Telstra Shares held or controlled by them in favour of the Scheme Resolution.

Under the Corporate Restructure, all Telstra Directors immediately prior to the Top Hat Implementation Date will become directors of New Telstra Corp. The terms of their engagement as directors of New Telstra Corp (including their remuneration) will be substantially the same as their existing terms as Telstra Directors. As previously announced, Andrew Penn will retire as a Telstra Director and Chief Executive Officer on 1 September 2022 and be replaced by Vicki Brady.²²

Other than as set out above, no Telstra Director has at the date of this Scheme Booklet, or had within the two preceding years, any interests in an offer of New Telstra Corp Shares, the formation or promotion of New Telstra Corp or in any property acquired or proposed to be acquired by New Telstra Corp, and no amounts have been paid or agreed to be paid by any person to a Telstra Director either to induce them to become, or to qualify them as, a director of New Telstra Corp.

7.6 Interests of experts and advisers

Other than as set out below, no person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation of the Scheme Booklet has any interest in the offer of New Telstra Corp Shares, the promotion of New Telstra Corp or in any property acquired or proposed to be acquired by New Telstra Corp, and no amounts have been paid or agreed to be paid by any person to any such professional or adviser for services rendered by them in connection with the Scheme Booklet.

King & Wood Mallesons is entitled to be paid approximately \$8 million (plus GST and disbursements) in fees and charges for Australian legal services rendered to the Telstra Group in connection with the preparation of this Scheme Booklet up to the date of this Scheme Booklet. Further amounts have been paid to King & Wood Mallesons in connection with other elements of the Corporate Restructure and may be paid following the date of this Scheme Booklet in accordance with its normal time based charges.

The Independent Expert is entitled to be paid approximately \$0.6 million (plus GST and disbursements) in fees and charges for the preparation of the Independent Expert's Reports.

Ernst & Young Strategy and Transactions is entitled to be paid approximately \$0.1 million (plus GST and disbursements) in fees and charges for the preparation of its Independent Limited Assurance Report up to the date of this Scheme Booklet. Further amounts may be paid following the date of this Scheme Booklet in accordance with its normal time based charges.

Ernst & Young is entitled to be paid approximately \$1.3 million (plus GST and disbursements) in fees and charges for the provision of financial due diligence services up to the date of this Scheme Booklet. Further amounts may be paid following the date of this Scheme Booklet in accordance with its normal time based charges.

7.7 Regulatory relief

7.7.1 ASIC

ASIC has granted, or agreed in principle to grant, relief so that New Telstra Corp can issue shares under its DRP without the need for a prospectus in circumstances where there has been a transfer of any positive residual balances in the accounts of participants in Telstra's current DRP to those participants' respective accounts under the New Telstra Corp DRP.

7.7.2 ASX waivers and confirmations

The ASX has agreed to grant the following waivers and confirmations under the ASX Listing Rules:

- ASX Listing Rules 1.1 condition 2 and 6.12 – confirmation that the New Telstra Corp Constitution is consistent with the ASX Listing Rules;
- ASX Listing Rule 1.1 condition 3 – confirmation that the ASX agrees to accept an information memorandum (in lieu of a prospectus) and for this Scheme Booklet to act as that information memorandum;
- ASX Listing Rule 1.1 condition 9 – relief from the requirement for New Telstra Corp to satisfy the profits test or the assets test, subject to Telstra satisfying ASX Listing Rules 12.1 and 12.2 at the time New Telstra Corp is admitted to the official list of the ASX;

²⁰ Telstra Shares in which the Telstra Directors do not have a relevant interest, including Telstra Shares held by the Telstra Directors' related parties (including relatives), are excluded.
²¹ As at the date of this Scheme Booklet, Andrew Penn also holds 1,471,653 Performance Rights.
²² As at the date of this Scheme Booklet, Vicki Brady holds 575,085 Telstra Shares and 535,984 Performance Rights.

- ASX Listing Rule 1.1 condition 12 – relief from the requirement for the Performance Rights on issue to have an exercise price of at least 20 cents in cash;
- ASX Listing Rule 1.1 condition 20 – confirmation that no further documentation is required to be provided to the ASX to evidence the good fame and character of the proposed New Telstra Corp Directors, CEO and CFO provided they are the existing Telstra Directors, CEO and CFO;
- ASX Listing Rule 1.4.1 – relief from the requirement that this Scheme Booklet include a statement confirming that it contains all the information required under section 710 of the Corporations Act, subject to all documents incorporated into this Scheme Booklet by reference being released on ASX as pre-quotation disclosure and Telstra providing a statement to the ASX that is it in compliance with ASX Listing Rule 3.1 at the time New Telstra Corp is admitted to the official list of the ASX;
- ASX Listing Rule 2.1 condition 1 and ASX Listing Rule 6.1 – confirmation that the terms applying to the New Telstra Corp Shares are appropriate and equitable;
- ASX Listing Rule 6.23.4 – confirmation that Telstra can amend the Performance Rights terms as described in section 6.7 without separate Telstra Shareholder approval being required; and
- ASX Listing Rule 7.40 – confirmation of the timetable for the Scheme.

7.7.3 Stamp duty relief

Telstra has applied for, and received, rulings in each state and territory (other than Tasmania, which does not grant pre transaction rulings) to confirm the availability of stamp duty relief in relation to the Scheme and the Additional Steps.

Based on the rulings that have been received, Telstra intends to apply for stamp duty relief in relation to the Scheme and the Additional Steps and expects to pay a stamp duty cost in Victoria on implementation of the Scheme and Additional Steps which is estimated by Telstra to be at least \$18 million. This cost is expected because, under the stamp duty regime in Victoria, the maximum relief that Telstra is entitled to is a 90% reduction of the duty otherwise payable. The estimate is based on the most recently available valuations of all of Telstra's underlying assets as at 31 December 2021 (or, for Amplitel only, 31 August 2021). The actual duty stamp duty cost in Victoria will be based on the applicable values of Telstra's assets when the Scheme is implemented and may be more than the estimate of \$18 million.

All other states and territories which grant stamp duty relief allow for a 100% exemption from duty.

Although Telstra has not received rulings in Tasmania, Telstra expects that, if it applies for relief, that relief will be available such that no stamp duty will be payable in Tasmania on the implementation of the Scheme and the Additional Steps.

Where stamp duty relief is applied for and granted, the stamp duty regimes in certain states and territories include the ability for that stamp duty relief to be revoked if certain steps are taken after that relief is granted and additional costs (such as interest and penalties) may be incurred. The circumstances where that may occur and the potential implications of that occurring are outlined in section 2.9.3.

7.8 Consents and disclaimers

Each party named below as a consenting party:

- has given and has not, before lodgement of this Scheme Booklet with ASIC, withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named;
- has given and has not, before the lodgement of this Scheme Booklet with ASIC, withdrawn its written consent to the inclusion of its respective statements and reports (where applicable) noted next to its name below, and the references to those statements and reports in the form and context in which they are included in this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in the Scheme Booklet is based, other than those statements referred to below in respect of that person's name (and as consented to by that person);
- has not caused or authorised the issue of this Scheme Booklet; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Scheme Booklet.

Role	Consenting parties	Relevant statement or report
Independent Expert	Independent Expert	References to the Independent Expert's Reports in section 6.10 and the Independent Expert's Report for Shareholders in Annexure A
Australian legal and tax adviser	King & Wood Mallesons	Section 5
Investigating Accountant	Ernst & Young Strategy and Transactions	Independent Limited Assurance Report
Provider of financial due diligence services and auditor of Telstra	Ernst & Young	N/A

7.9 Entitlement to Participate in the Scheme

7.9.1 Record Date

If the Scheme becomes Effective, Telstra Shareholders on the Register on the Record Date will Participate in the Scheme unless they are Ineligible Foreign Shareholders. The Record Date is expected to be 7:00pm on 24 October 2022.

For the purposes of determining who is a Telstra Shareholder on the Record Date, dealings in Telstra Shares will only be recognised by Telstra if:

- in the case of dealings of the type to be effected using CHES, the transferee is registered on the Register as the holder of the relevant Telstra Shares on or before 7:00pm on the Record Date; and
- in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5:00pm on the Record Date at the place where the Register is kept.

Telstra will not accept for registration or recognise for any purpose any transmission application or transfer of Telstra Shares received after 7:00pm on the Record Date.

Binding instructions or notifications between an Eligible Shareholder and Telstra relating to Telstra Shares or an Eligible Shareholder's status as a Telstra Shareholder (including, without limitation, any instructions in relation to payment of dividends or communications from Telstra) will (to the extent permitted by law), from the Record Date, be deemed by reason of the Scheme to be similarly binding instructions or notifications to, and accepted by, New Telstra Corp in respect of the New Telstra Corp Shares issued to the Eligible Shareholder until those instructions or notifications are, in each case, revoked or amended in writing addressed to New Telstra Corp or the Registry. Telstra proposes to provide available information about Eligible Shareholders' tax file numbers to New Telstra Corp. You may ask for your tax file number to be removed from the Register by contacting the Registry.

7.9.2 No disposals after Effective Date

Following the Effective Date, trading in New Telstra Corp Shares will commence, initially on a deferred settlement basis and then on a normal settlement basis from 1 November 2022.

7.9.3 Ineligible Foreign Shareholders

As described in section 6.4, Ineligible Foreign Shareholders will have their Telstra Shares transferred to the Sale Nominee after the Record Date but before the Top Hat Implementation Date. The Sale Nominee will then Participate in the Scheme in the same way as other Telstra Shareholders and sell the New Telstra Corp Shares it receives. The sale proceeds (determined as set out in section 6.4.2) will then be distributed to Ineligible Foreign Shareholders.

7.10 Foreign jurisdictions

7.10.1 Ability of Foreign Shareholders to Participate in the Scheme

Restrictions under the laws of certain foreign jurisdictions make it impractical or unlawful to offer or receive New Telstra Corp Shares in those jurisdictions. Accordingly, Ineligible Foreign Shareholders are ineligible to Participate in the Scheme.

A Foreign Shareholder is an Ineligible Foreign Shareholder unless Telstra is satisfied that New Telstra Corp is not precluded from lawfully issuing New Telstra Corp Shares to them, either unconditionally or subject to such conditions that Telstra regards as acceptable. Based on the information available to Telstra as at the date of this Scheme Booklet, Telstra expects that Foreign Shareholders with Registered Addresses in the following jurisdictions will be able to Participate in the Scheme. These jurisdictions are referred to in this Scheme Booklet as **Eligible Foreign Jurisdictions**:

Expected list of Eligible Foreign Jurisdictions			
Belgium	Hong Kong (institutional shareholders and Restricted Share holders only)	Netherlands	South Africa
British Virgin Islands	Ireland	New Zealand	South Korea
Canada	Italy	Norway	Switzerland
People's Republic of China	Japan	Philippines	United Arab Emirates
Denmark	Liechtenstein	Singapore	United Kingdom
Finland	Luxembourg	Spain	United States
Germany	Malaysia	Sweden	

That list of jurisdictions above is subject to change without notice and no assurance can be given that Foreign Shareholders in any of those jurisdictions listed above will be able to participate in the Scheme.

Each Foreign Shareholder who on the Record Date has not been determined by Telstra to be an Eligible Foreign Shareholder will be an Ineligible Foreign Shareholder and will automatically participate in the Sale Facility. No other Telstra Shareholders may participate in the Sale Facility.

7.10.2 Jurisdictional disclaimers

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. Each of Telstra and New Telstra Corp disclaims all liability to such persons.

Telstra Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

The offers of shares made pursuant to this Scheme Booklet are made in compliance with the laws of Australia, and in compliance with all other relevant codes, rules, and other requirements that apply to the offers in Australia. Other than as set out below, no action has been taken to register or qualify this Scheme Booklet or any aspect of the Corporate Restructure in any jurisdiction outside of Australia.

Nothing in this Scheme Booklet should be taken to be an invitation, offer, financial promotion, distribution or advice, in relation to any securities or financial product (including Telstra Shares or New Telstra Corp Shares), to any Ineligible Foreign Shareholders.

British Virgin Islands

New Telstra Corp Shares may not be offered in the British Virgin Islands unless New Telstra Corp or the person offering the New Telstra Corp Shares on its behalf is licensed to carry on business in the British Virgin Islands. Given New Telstra Corp will not be so licensed, the New Telstra Corp Shares may be offered only to existing Telstra Shareholders in the British Virgin Islands from outside the British Virgin Islands.

Canada

The New Telstra Corp Shares will be issued by New Telstra Corp in reliance upon exemptions from the prospectus and registration requirements of the applicable Canadian securities law in each province and territory of Canada.

No securities commission in Canada has reviewed or in any way passed upon this Scheme Booklet or the merits of the Scheme.

People's Republic of China (PRC)

Neither this Scheme Booklet, nor any information contained herein nor the issuance of any New Telstra Corp Shares have been, and will not be, submitted to, approved by, verified by or registered with the China Securities Regulatory Commission or any other regulatory authority or agency in the PRC and therefore may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of New Telstra Corp Shares to the public within the territory of the PRC.

New Telstra Corp Shares may only be held by investors that are authorised to engage in such investment. Investors in the PRC are responsible for obtaining all relevant governmental approvals, licenses or registrations (if any) from, and making all relevant modification applications with, all relevant PRC governmental authorities including, but not limited to, the SAFE, and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

European Economic Area (including the European Union, Liechtenstein and Norway)

This Scheme Booklet is not a prospectus under Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the **Prospectus Regulation**). Therefore, the Scheme Booklet has not been, and will not be, registered with or approved by any securities regulator or supervisory authority in the European Union, Liechtenstein or Norway. Accordingly, this Scheme Booklet may not be made available, nor may the New Telstra Corp Shares be offered for sale or exchange, in the European Union, Liechtenstein or Norway except in circumstances that do not require the obligation to publish a prospectus under the Prospectus Regulation.

In accordance with Article 1(4) of the Prospectus Regulation, an offer of New Telstra Corp Shares in each member state of the European Union, Liechtenstein and Norway is limited:

- to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- to fewer than 150 other natural or legal persons; or
- in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

Investors in the Netherlands should note:



Hong Kong

WARNING: The contents of this Scheme Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Scheme. If you are in any doubt about any of the contents of this Scheme Booklet, you should obtain independent professional advice.

This Scheme Booklet does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Scheme Booklet also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Scheme Booklet in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Scheme Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Scheme Booklet may be issued to a limited number of persons in Hong Kong in a manner that does not constitute any issue, circulation or distribution of this Scheme Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. This document is for the exclusive use of Telstra Shareholders in connection with the Scheme, and no steps have been taken to register or seek authorisation for the issue of this Scheme Booklet in Hong Kong.

This Scheme Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Scheme Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Scheme Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with consideration of the Scheme by the person to whom this Scheme Booklet is addressed.

Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been, or will be, obtained in relation to any offer of the New Telstra Corp Shares. The New Telstra Corp Shares may not be issued or transferred in Malaysia except to Telstra Shareholders in compliance with the Scheme.

New Zealand

New Telstra Corp Shares are not being offered to the public within New Zealand. In New Zealand, New Telstra Corp Shares are being issued only to existing Telstra Shareholders with registered addresses in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Scheme Booklet has been prepared in compliance with the laws of Australia. This Scheme Booklet is not a product disclosure statement under the Financial Markets Conduct Act 2013 (**FMC Act**) or other similar offering or disclosure document under New Zealand law and has not been registered, filed with, or approved by any New Zealand regulatory authority or under or in accordance with the FMC Act or any other relevant law in New Zealand. It does not contain all the information that a product disclosure document, under New Zealand law, is required to contain.

Philippines

New Telstra Corp Shares have not been registered with the securities and exchange commission under the securities regulation code. Any future offer or sale of New Telstra Corp Shares in the Philippines is subject to the registration requirements under the code unless such offer or sale qualifies as an exempt transaction.

South Africa

The Scheme does not constitute an offer of securities to the public in terms of the South African Companies Act and accordingly, this Scheme Booklet does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act. This Scheme Booklet may be distributed, and the New Telstra Corp Shares issued, in South Africa only to existing Telstra Shareholders.

South Korea

Neither Telstra nor New Telstra Corp are making any representation with respect to the eligibility of any recipients of this Scheme Booklet to acquire the New Telstra Corp Shares under the laws of the Republic of Korea, including the Foreign Exchange Transaction Act and regulations thereunder. The New Telstra Corp Shares have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (**FSCMA**) and therefore may not be offered or sold in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, the New Telstra Corp Shares may not be offered or sold in Korea other than (i) to "accredited investors" (as defined in the FSCMA) or (ii) in other circumstances that do not constitute an offer to the public within the meaning of the FSCMA.

Switzerland

The New Telstra Corp Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering material relating to the New Telstra Corp Shares constitutes a prospectus or a similar notice as such terms are understood pursuant to art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering material relating to the New Telstra Corp Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Scheme Booklet nor any other offering material relating to the New Telstra Corp Shares have been, or will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this Scheme Booklet will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

This Scheme Booklet may be distributed in Switzerland only to existing Telstra Shareholders and is not for general circulation in Switzerland.

United Arab Emirates (UAE)

This Scheme Booklet does not constitute a public offer of securities in the UAE and the New Telstra Corp Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this Scheme Booklet nor the New Telstra Corp Shares have been approved by the Securities and Commodities Authority or any other authority in the UAE.

This Scheme Booklet may be distributed in the UAE only to existing Telstra Shareholders and may not be provided to any person other than the original recipient. Information about the Scheme may be found in this Scheme Booklet, which is available on Telstra's website. If a recipient of this Scheme Booklet ceases to be a Telstra Shareholder at the time of subscription, then such person should discard this Scheme Booklet and may not participate in the Scheme.

No marketing of the New Telstra Corp Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market).

In the Abu Dhabi Global Market and the Dubai International Financial Centre, the New Telstra Corp Shares may be offered, and this Scheme Booklet may be distributed, only to existing Telstra Shareholders as an "Exempt Scheme", as defined and in compliance with the market rules issued by the regulatory authorities in these financial zones. No regulatory authority has approved this Scheme Booklet nor taken any steps to verify the information set out in it.

United Kingdom

Neither this Scheme Booklet nor any other document relating to the Scheme has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Telstra Corp Shares.

This Scheme Booklet does not constitute an offer of transferable securities to the public within the meaning of the United Kingdom Prospectus Regulation or the FSMA. Accordingly, this Scheme Booklet does not constitute a prospectus for the purposes of the Prospectus Regulation or the FSMA.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Telstra Corp Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Telstra.

In the United Kingdom, this Scheme Booklet is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investments to which this Scheme Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Scheme Booklet.

United States (US)

It is expected that New Telstra Corp will be exempt from SEC reporting requirements in accordance with Rule 12g3-2(b) under the US Securities Exchange Act of 1934. In accordance with Australian law, New Telstra Corp will distribute to its shareholders an annual report containing a description of its operations and its annual audited consolidated financial statements prepared in accordance with IFRS. New Telstra Corp will not provide its shareholders with a reconciliation of its financial statements to generally accepted accounting principles in the US.

The Scheme involves the securities of a non-US company. The Scheme is subject to disclosure requirements of Australia that are different from those of the US. Financial statements included in the document, if any, have been prepared in accordance with IFRS and may not be comparable to the financial statements of US companies.

It may be difficult for New Telstra Corp Shareholders who are US persons (as defined in the US Securities Act) to enforce their rights and any claim they may have arising under the US federal securities laws as Telstra and New Telstra Corp are located in Australia, and some or all of the officers and directors may be residents of Australia. They may not be able to sue an Australian company or its officers or directors in an Australian court for violations of the US securities laws. It may be difficult to compel an Australian company and its affiliates to subject themselves to a US court's judgement.

7.11 ASIC deed of cross guarantee

Telstra and certain of its wholly-owned subsidiaries (including ServeCo) are parties to a deed of cross guarantee (**Existing ASIC DOCG**). The effect of the Existing ASIC DOCG is that:

- the wholly-owned subsidiaries that are parties to it are not required to prepare standalone audited financial reports for each financial year in accordance with the Corporations Act; and
- Telstra and each of its wholly-owned subsidiaries that are party to it guarantee the payment in full of all debts of the other parties to it in the event of their winding-up.

In connection with the Corporate Restructure, the Existing ASIC DOCG will be revoked and a new deed of cross guarantee will be established (**New ASIC DOCG**) that, on the Business Restructure Implementation Date, will cover:

- New Telstra Corp;
- InfraCo Fixed and certain of its wholly-owned subsidiaries;
- ServeCo and certain of its wholly-owned subsidiaries; and
- Telstra International and certain of its wholly-owned subsidiaries.

Notwithstanding that InfraCo Fixed will be a party to the New ASIC DOCG, InfraCo Fixed will still be required to prepare its standalone audited financial reports following implementation of the Top Hat Component in accordance with the Corporations Act for each financial year while it remains a 'disclosing entity' under the Corporations Act, a borrower of debentures or a guarantor of such a borrower.

7.12 Other material information

Copies of documents lodged with ASIC in relation to New Telstra Corp may be obtained from, or inspected at, an ASIC office.

Except as set out in this Scheme Booklet, so far as the Telstra Directors are aware as at the date of this Scheme Booklet:

- there is no information material to the making of a decision by a Telstra Shareholder in relation to the Scheme being information that is within the knowledge of any Telstra Director or any director of a Related Body Corporate of Telstra at the time of lodging this Scheme Booklet with ASIC which has not previously been disclosed to Telstra Shareholders; and
- other than as disclosed in this Scheme Booklet, the financial position of Telstra has not materially changed since 30 June 2022, being the balance date of the last full year accounts for Telstra lodged with ASIC and ASX.

Annexure A

Independent Expert's Report for Shareholders

GRANT SAMUEL



23 August 2022

The Directors
Telstra Corporation Limited
Level 41
242 Exhibition Street
Melbourne VIC 3000

Dear Directors

Proposed Restructure of the Telstra Group

1 Introduction

Telstra Corporation Limited (“Telstra Corp”), the parent entity of the Telstra Group, first announced the proposed legal reorganisation of the Telstra Group (“Corporate Restructure”) in November 2020, and announced further details of the Corporate Restructure in March 2021 and March 2022. The Corporate Restructure involves:

- the establishment of a new head entity for the Telstra Group, Telstra Group Limited (“New Telstra Corp”), which is a public company that will be listed on the Australian Securities Exchange (“ASX”). Telstra Corp shareholders will exchange their Telstra Corp shares for New Telstra Corp shares; and
- an internal restructure below New Telstra Corp, so that the different businesses operated by the Telstra Group will be held in separate subsidiaries. Telstra Limited (“ServeCo”) will own and operate the Telstra Group’s retail business of providing fixed, data, mobility, wireless, entertainment and ancillary services to retail, government and enterprise clients and Telstra Corp’s active wholesale business as well as its health, energy and technology services businesses, InfraCo Fixed (the existing Telstra Corp) will own and operate Telstra Corp’s passive infrastructure assets (other than certain of its passive tower assets and its international assets) and Telstra International Holdings Pty Ltd (“Telstra International”) will own and operate the Telstra Group’s international businesses. Amplitel Pty Ltd as trustee of the Towers Business Operating Trust (“Amplitel”) owns and operates certain of the Telstra Group’s passive tower assets and has already been established. The Telstra Group’s 51% interest in Amplitel is held by Telstra TowerCo No. 2 Pty Ltd (“Amplitel HoldCo”), which is currently a wholly owned subsidiary of Telstra Corp but will be transferred to New Telstra Corp as part of the Corporate Restructure (the “Amplitel HoldCo Transfer”).

Intercompany agreements have been or will be put in place to ensure that each entity has access to the infrastructure, services and support required to operate on a standalone basis.

The Corporate Restructure will be implemented by way of the following:

- a scheme of arrangement under Section 411 of the *Corporations Act, 2001 (Cth)* (“Corporations Act”) (“Scheme”). The Scheme is being used to:
 - establish New Telstra Corp as the holding company of the Telstra Group (the “Top Hat Component”); and
 - transfer the majority of the ServeCo business from Telstra Corp (which will become InfraCo Fixed) to ServeCo and certain assets and liabilities from InfraCo Fixed to New Telstra Corp (the “Business Restructure Component”); and

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- additional steps to transfer certain other assets and liabilities that are not proposed to be transferred under the Scheme (“Additional Steps”). The Additional Steps are separate from the Scheme but will not occur unless the Scheme becomes effective.

The Corporate Restructure also includes the:

- internal transfer of certain of the Telstra Group’s passive tower assets to Amplitel (the “Towers Transfer”) that was undertaken in connection with the sale of a 49% interest in Amplitel which was completed in September 2021;
- steps to be undertaken to establish Telstra International as a separate subsidiary of New Telstra Corp and transfer the international businesses to Telstra International (the “Telstra International Steps”)¹; and
- Amplitel HoldCo Transfer².

The Towers Transfer was, and the Telstra International Steps and the Amplitel HoldCo Transfer are, separate from the Scheme.

Following implementation of the Scheme, shareholders (other than ineligible foreign shareholders³) will hold one new share in New Telstra Corp for every share held in Telstra Corp on the record date for the Scheme. There will be no change to the proportionate ownership interests of shareholders as a result of the Scheme.

Ineligible foreign shareholders will cease to hold their Telstra Corp shares and will not receive New Telstra Corp shares under the Scheme. The New Telstra Corp shares they would otherwise have been entitled to will be issued to a sale nominee and sold on the ASX through a sale facility. Ineligible foreign shareholders will receive the net proceeds from the sale of those New Telstra Corp shares.

The Scheme is subject to a number of conditions that are set out in full in the Scheme Booklet sent to shareholders by Telstra Corp.

The Telstra Corp Board has unanimously recommended that shareholders vote in favour of the Scheme. Each Telstra Corp director intends to vote the Telstra Corp shares they hold or control in favour of the Scheme.

The directors of Telstra Corp have engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to prepare an independent expert’s report setting out whether, in its opinion, the Scheme is in the best interests of Telstra Corp shareholders. A copy of the report (including this letter) will accompany the Scheme Booklet to be sent to shareholders by Telstra Corp. This letter contains a summary of Grant Samuel’s opinion and main conclusions.

2 Opinion

In Grant Samuel’s opinion, the Scheme is in the best interests of Telstra Corp shareholders.

3 Summary of Conclusions

The Telstra Group is the largest telecommunications business in Australia, providing fixed and mobile telecommunications products and services in a competitive market to a range of retail, commercial and government customers. It also owns substantial critical telecommunications infrastructure that requires

¹ The Telstra International Steps are intended to occur gradually following implementation of the Top Hat Component, subject to relevant approvals and appropriate engagement with stakeholders.

² The Amplitel HoldCo Transfer is intended to occur on or following implementation of the Business Restructure Component.

³ Telstra Corp shareholders other than those with a registered address in Australia or in certain other foreign jurisdictions (set out in Section 7.11.1 of the Scheme Booklet) or another foreign jurisdiction where Telstra Corp is reasonably satisfied that the issue of New Telstra Corp shares to that foreign shareholder is not prohibited, unduly onerous and not impracticable.



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significant ongoing capital investment. Historically, the Telstra Group has operated in an integrated manner across its assets, products and services, although the infrastructure assets essentially support the Telstra Group's customer facing functions.

However, the environment in which the Telstra Group operates has changed materially over the last 30 years. The telecommunications industry is characterised by constant technological advances and an increasingly digital economy. The Telstra Group has also had to respond to substantial changes in industry structure (i.e. the national broadband network) and increasing competition, not only for its products and services but also from other infrastructure asset owners, as the role of telecommunications infrastructure has become more important and infrastructure assets have become more valuable because of their inherent characteristics. In this environment, it is in the Telstra Group's interests to evolve to remain relevant and to achieve its strategic goals and ambitions.

As an initial step, Telstra InfraCo was established in July 2018 and has operated as a separate infrastructure business unit within the Telstra Group since July 2019. The Scheme and the Additional Steps enhance this existing business structure, increasing the focus on capital intensive infrastructure and customer focused operations through establishing two separate legal entities, InfraCo Fixed and ServeCo, and formalising their commercial arrangements through medium or long term intercompany agreements.

The Scheme will have no impact on the business operations, strategy, capital management framework or Board and management of the Telstra Group. Shareholders⁴ will have the same number of shares in New Telstra Corp as they currently hold in Telstra Corp and New Telstra Corp shares will have the same dividend and voting rights as Telstra Corp shares. New Telstra Corp will continue to have the ability to pay fully franked dividends and the Scheme will have no impact on the accumulated franking credit balance or the extent to which the Telstra Group generates franking credits in the future. There will be no change in the Telstra Group's external borrowings as a result of the Scheme. In short, there is no impact on the economic interest of Telstra Corp shareholders⁴. However, the Scheme is an integral part of the Corporate Restructure, which arose as part of the Telstra Group's T22 Strategy. The Telstra Group's rationale for the Scheme is that it provides increased transparency for the InfraCo Fixed and ServeCo businesses within the Telstra Group, increased focus on each business's operations and strategies and greater flexibility and optionality to realise value from the Telstra Group's fixed infrastructure assets over time and the potential to take advantage of future market conditions and opportunities that may arise.

The Scheme is not a "must do" transaction. The status quo would continue to offer shareholders a financially sound exposure to Australia's leading full service telecommunications company. However, Telstra Corp's ability to implement a value enhancing transaction (such as the Towers Transaction involving the sale of a 49% interest in Amplitel) is improved by the separation of the relevant infrastructure assets from the other assets and businesses of the Telstra Group to create a separate investable legal entity. The Towers Transaction, which created substantial value for Telstra Corp shareholders, was able to be completed without the need for a scheme of arrangement. However, the Towers Transaction was a substantially simpler transaction involving the transfer of a smaller number of assets and liabilities. A similar transaction involving the Telstra Group's fixed infrastructure assets would be more difficult due to the greater complexity of the InfraCo Fixed business and the nature of the long term arrangements between Telstra Corp and NBN Co Limited. The Scheme is the most attractive of the alternatives available to Telstra Corp to separate the InfraCo Fixed and ServeCo businesses and will provide Telstra Corp with optionality to take advantage of future opportunities for its fixed infrastructure assets, while enabling it to focus on its customer facing businesses. It creates a more contemporary business model for the Telstra Group in an industry that has fundamentally changed and will continue to do so. If the Scheme is not approved and implemented, Telstra Corp will be in a suboptimal position to implement any future value enhancing opportunity that may arise in relation to its fixed infrastructure assets.

⁴ Other than ineligible foreign shareholders.



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The potential benefits of the Scheme are not quantifiable in monetary terms. On the other hand, the Scheme has few disadvantages and risks, other than the remaining one-off costs (including stamp duty which is expected to be at least \$18 million) and immaterial incremental ongoing costs that will be incurred if the Scheme proceeds and certain implementation risks. While the risks associated with the Scheme cannot be disregarded, they are, for the most part, not outside the normal risks of any corporate restructuring transaction and most have mitigating factors that should minimise their impact.

The critical question is whether shareholders are likely to realise greater value over time if the Scheme is implemented than if the Telstra Group's current structure is maintained. The evaluation is essentially subjective. However, on balance, in Grant Samuel's view, the potential advantages of the Scheme outweigh the disadvantages and risks. While implementation of the Scheme is not a guarantee of future performance or of any value enhancing transaction, shareholders are ultimately likely to be better off if the Scheme proceeds.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Telstra Corp shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Telstra Corp in relation to the Scheme.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Telstra Corp. In any event, the decision whether to vote for or against the Scheme is a matter for individual shareholders, based on their own views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Telstra Corp or New Telstra Corp. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED





FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE PROPOSED RESTRUCTURE OF
THE TELSTRA GROUP

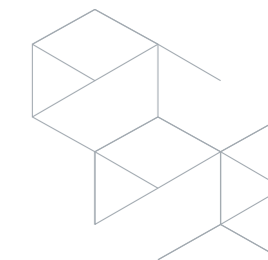
GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372

23 AUGUST 2022

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FINANCIAL SERVICES GUIDE



Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investment schemes to wholesale and retail clients.

The *Corporations Act, 2001 (Cth)* ("Corporations Act") requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Telstra Corporation Limited ("Telstra Corp") in relation to the proposed scheme of arrangement ("Scheme") between Telstra Corp and its shareholders ("the Telstra Report") and a separate independent expert's report on whether the Business Restructure Component of the Scheme materially prejudices the interests of creditors in Telstra Corp, Grant Samuel will receive a fixed fee of \$625,000 plus reimbursement of out-of-pocket expenses (as stated in Section 6.3 of the Telstra Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Telstra Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 6.3 of the Telstra Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with the Telstra Group or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel had no part in the formulation of the Scheme or any other aspect of the Corporate Restructure. Its only role has been the preparation of this report and a separate independent expert's report on whether the Business Restructure Component materially prejudices the interests of creditors in Telstra Corp.

Grant Samuel will receive a fixed fee of \$625,000 for the preparation of these reports. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the reports will be reimbursed. Grant Samuel will receive no other benefit for the preparation of the reports.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Australian Financial Complaints Authority, No. 11929. If you have any concerns regarding the Telstra Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or 1800 931 678. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act.

Grant Samuel is only responsible for the Telstra Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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1 Overview of the Scheme and the Corporate Restructure

Telstra Corporation Limited (“Telstra Corp”), the parent entity of the Telstra Group, first announced the proposed legal reorganisation of the Telstra Group (“Corporate Restructure”) in November 2020, and announced further details on the Corporate Restructure in March 2021 and March 2022. The Corporate Restructure involves the following:

- the establishment of a new head entity for the Telstra Group, Telstra Group Limited (“New Telstra Corp”), which is a public company that will be listed on the Australian Securities Exchange (“ASX”); and
- an internal restructure below New Telstra Corp, so that the different businesses operated by the Telstra Group are held in separate subsidiaries including:
 - Telstra Limited (“ServeCo”)¹, which will own and operate the Telstra Group’s retail business of providing fixed, data, mobility, wireless, entertainment and ancillary services to retail, government and enterprise clients and the Telstra Group’s domestic wholesale business². ServeCo will also own and operate the active parts of the Telstra Group’s network (including the radio access network, spectrum assets and fibre electronics) as well as its health, energy and technology services businesses;
 - InfraCo Fixed (the existing Telstra Corp), which will own and operate Telstra Corp’s passive infrastructure assets (other than certain of its passive tower assets and its international assets);
 - Telstra International Holdings Pty Ltd (“Telstra International”), which will own and operate the Telstra Group’s international businesses; and
 - Amplitel Pty Ltd as trustee of the Towers Business Operating Trust (“Amplitel”), which owns and operates certain of the Telstra Group’s passive tower assets. The Telstra Group’s 51% interest in Amplitel is held by Telstra TowerCo No. 2 Pty Ltd (“Amplitel HoldCo”), which is currently a wholly owned subsidiary of Telstra Corp but will be transferred to New Telstra Corp as part of the Corporate Restructure (the “Amplitel HoldCo Transfer”).

Intercompany agreements have been or will be put in place to ensure that each entity has access to the infrastructure, services and support required to operate on a standalone basis.

The Corporate Restructure will be implemented by way of the following:

- a scheme of arrangement under Section 411 of the *Corporations Act, 2001 (Cth)* (“Corporations Act”) (“Scheme”). The Scheme is being used to:
 - establish New Telstra Corp as the head entity of the Telstra Group (the “Top Hat Component”) by exchanging each existing Telstra Corp share for a New Telstra Corp share on a one-for-one basis; and
 - transfer the majority of the ServeCo business from Telstra Corp (which will become InfraCo Fixed) to ServeCo and certain assets and liabilities from InfraCo Fixed to New Telstra Corp (the “Business Restructure Component”); and
- additional steps to transfer certain other assets and liabilities that are not proposed to be transferred under the Scheme (i.e. because they cannot legally be transferred under the Scheme or it is more practical to transfer them separately under contractual arrangements) (“Additional Steps”). Under the Additional Steps, InfraCo Fixed is proposing to transfer:

¹ Telstra Limited is an existing wholly owned subsidiary of Telstra Corp that is currently dormant but that will, if the Scheme and the Additional Steps are implemented, own the ServeCo business.

² The Telstra Group’s domestic wholesale business that is being transferred to ServeCo includes the wholesale business and functions (including the provision of active services and passive infrastructure services) undertaken by the Australian “Telstra Wholesale” business unit of the Telstra Group immediately before implementation of the Scheme but excludes any Telstra Wholesale contracts which supply only passive infrastructure services and the Telstra Group international business.



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- to New Telstra Corp, 100% of the issued share capital in ServeCo and its interests in certain other Telstra Group entities (the “Additional Top Hat Steps”)³; and
- to ServeCo, the parts of the ServeCo business that are not transferred under the Scheme (the “Additional ServeCo Steps”).

The Additional Steps are separate from the Scheme but will not occur unless the Scheme becomes effective.

Before implementation of the Business Restructure Component, InfraCo Fixed also intends to transfer, through an offer and acceptance process, the employment of executives to New Telstra Corp and the employment of employees working in the ServeCo business (other than executives who will transfer to New Telstra Corp) to ServeCo.

The steps undertaken through the Top Hat Component and the Additional Top Hat Steps are intended to establish New Telstra Corp as the head entity of the Telstra Group. The steps undertaken under the Business Restructure Component together with the Additional ServeCo Steps and the employee transfers referred to above, are intended to result in the whole of the ServeCo business being transferred to ServeCo.

The Corporate Restructure also includes the:

- internal transfer of certain of the Telstra Group’s passive tower assets to Amplitel (the “Towers Transfer”) that was undertaken in connection with Telstra Corp’s sale of a 49% interest in Amplitel for \$2.8 billion to a consortium comprising the Future Fund, Commonwealth Superannuation Corporation and Sunsuper (now Australian Retirement Trust)⁴ (the “Towers Transaction”), which was completed in September 2021;
- steps to be undertaken to establish Telstra International as a separate subsidiary of New Telstra Corp and the international businesses under Telstra International (the “Telstra International Steps”). The Telstra International Steps are intended to occur gradually following implementation of the Top Hat Component, subject to relevant approvals and appropriate engagement with stakeholders; and
- Amplitel HoldCo Transfer, which is intended to occur on or after implementation of the Business Restructure Component.

The Towers Transfer was, and the Telstra International Steps and the Amplitel HoldCo Transfer are, separate from the Scheme.

Following implementation of the Scheme, shareholders (other than ineligible foreign shareholders⁵) will hold one new share in New Telstra Corp for every share held in Telstra Corp on the record date for the Scheme. There will be no change to the proportionate ownership interests of shareholders as a result of the Scheme.

Ineligible foreign shareholders will cease to hold their Telstra Corp shares and will not receive New Telstra Corp shares under the Scheme. The New Telstra Corp shares they would otherwise have been entitled to will be issued to a sale nominee and sold on the ASX through a sale facility. Ineligible foreign shareholders will receive the proceeds from the sale of those New Telstra Corp shares.

The Scheme requires approval by a majority in number (i.e. more than 50%) of Telstra Corp shareholders present and voting (either in person or by proxy) on the Scheme resolution at the Scheme meeting⁶,

³ The Additional Top Hat Steps are expected to be completed after implementation of the Top Hat Component and before implementation of the Business Restructure Component.

⁴ The consortium currently also includes The Morrison & Co Infrastructure Partnership.

⁵ Telstra Corp shareholders other than those with a registered address in Australia or in certain other foreign jurisdictions where Telstra Corp is reasonably satisfied that the issue of New Telstra Corp shares is not prohibited, unduly onerous and not impracticable. The list of foreign jurisdictions expected to fall into that category is set out in Section 7.10.1 of the Scheme Booklet.

⁶ Although the Supreme Court has the power to waive this requirement.



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representing at least 75% of the votes cast on the resolution. If approved by Telstra Corp shareholders, the Scheme will then be subject to approval by the Supreme Court of New South Wales (“Supreme Court”).

The Scheme is subject to a number of conditions that are set out in full in the Scheme Booklet sent to shareholders by Telstra Corp and include:

- competition law authorisation being granted and coming into force, either on an unconditional basis or subject to conditions acceptable to Telstra Corp and NBN Co Limited (“NBN Co”), to enable Telstra Corp, ServeCo and NBN Co to give effect to the amended Definitive Agreements⁷ until 30 June 2034 (“ACCC Authorisation”) (see Section 4.5 for details);
- Telstra Corp obtaining all other authorisations or relief from third parties that it believes are necessary or desirable to implement the Scheme; and
- ASX confirming that it will grant permission for New Telstra Corp to be admitted to the official list of the ASX and New Telstra Corp shares to be quoted on the ASX.

The Telstra Corp Board has unanimously recommended that shareholders vote in favour of the Scheme. Each Telstra Corp director intends to vote the Telstra Corp shares they hold or control in favour of the Scheme.

⁷ The Definitive Agreements are agreements between Telstra Corp and NBN Co in relation to Telstra Corp’s participation in the rollout of the national broadband network. See Section 3.1 for further details.



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2 Scope of the Report

2.1 Purpose of the Report

The Scheme is subject to the approval of Telstra Corp shareholders in accordance with Section 411 of the Corporations Act (“Section 411”), which governs schemes of arrangement.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert’s report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert’s report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

The directors of Telstra Corp have engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to prepare an independent expert’s report setting out whether, in its opinion, the Scheme is in the best interests of Telstra Corp shareholders and to state reasons for that opinion. A copy of the report will accompany the Scheme Booklet sent to shareholders by Telstra Corp.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Telstra Corp shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Telstra Corp in relation to the Scheme.

Voting for or against the Scheme is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Telstra Corp or New Telstra Corp. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

There is no legal definition of the expression “in the best interests”. However, the Australian Securities & Investments Commission (“ASIC”) has issued Regulatory Guide 111 (“RG111”) which establishes guidelines in respect of independent expert’s reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between “fair” and “reasonable”. A proposal that was “fair and reasonable” or “not fair but reasonable” would be in the best interests of shareholders (being the opinion required under Part 3 of Schedule 8).

For most other transactions (including schemes of arrangement where there is no change in control and no change in the underlying economic interests of shareholders) the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. This involves a judgement on the part of the expert as to the overall commercial effect of the proposal, the circumstances that have led to the proposal and the



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alternatives available. If the advantages outweigh the disadvantages, RG111 states that the expert should say that the proposal is in the best interests of shareholders.

The Scheme is not a control transaction and does not change the underlying economic interests of shareholders. Accordingly, Grant Samuel has evaluated the Scheme by assessing the overall impact on the shareholders of Telstra Corp and formed a judgement as to whether the expected benefits outweigh any disadvantages and risks that might result. By definition, if the advantages outweigh the disadvantages, shareholders are likely to be better off if the Scheme is implemented than if it is not.

In forming its opinion as to whether the Scheme is in the best interests of Telstra Corp shareholders, Grant Samuel has considered the:

- impact of the Scheme on the:
 - business activities, strategy and governance of the Telstra Group;
 - earnings and dividends attributable to existing Telstra Corp shareholders;
 - financial position and financial risk profile of the Telstra Group; and
 - credit rating of Telstra Corp;
- potential taxation consequences of the Scheme for Telstra Corp and New Telstra Corp as well as for existing Telstra Corp shareholders;
- advantages and benefits arising from the Scheme; and
- costs, disadvantages and risks of the Scheme.

2.3 Sources of Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Scheme Booklet (including earlier drafts and pro forma historical financial information for the Telstra Group for FY21⁸ and FY22);
- the annual report of the Telstra Group for FY21;
- the financial results of the Telstra Group for FY22;
- press releases, public announcements, analyst presentations and other public filings by Telstra Corp including information available on its website; and
- brokers' reports and recent press articles on Telstra Corp.

Non Public Information provided by Telstra Corp

- various papers and presentations prepared for the purpose of regulatory approvals;
- various ratings agency background papers and presentations;
- submissions to the Australian Taxation Office ("ATO") for class rulings in relation to the taxation implications for shareholders from the proposed interposition of New Telstra Corp between Telstra Corp and Telstra Corp shareholders; and
- other Telstra Corp confidential documents, board papers, presentations and working papers relating to the Scheme and the Corporate Restructure.

⁸ FYXX is the year end 30 June 20XX (e.g. FY21 is the year ended 30 June 2021).



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In preparing this report, Grant Samuel has also held discussions with, and obtained information from, senior management of Telstra Corp and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Telstra Corp and its advisers. Grant Samuel has considered and relied upon this information. Telstra Corp has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Scheme is in the best interests of Telstra Corp shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes 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 independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Telstra Corp. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included pro forma historical financial information for New Telstra Corp for FY21 and FY22. Telstra Corp is responsible for this pro forma historical financial information. The pro forma historical financial information was subject to review by Ernst & Young Strategy and Transactions Limited ("Ernst & Young"). The Independent Limited Assurance Report is set out in Annexure B to the Scheme Booklet. On this basis, Grant Samuel considers that there are reasonable grounds to believe that the pro forma historical financial information has been prepared on a reasonable basis.



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In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Telstra Corp and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Scheme and the Additional Steps are accurate and complete;
- the information set out in the Scheme Booklet sent by Telstra Corp to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Scheme and the Additional Steps will be implemented in accordance with their terms; and
- the legal mechanisms to implement the Scheme and the Additional Steps are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.



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3 Profile of the Telstra Group

3.1 Background

Overview

The Telstra Group is Australia's leading full service telecommunications group, offering a wide range of communications services across all telecommunications markets and with an international presence in over 20 countries.

Telstra Corp was incorporated as an Australian public limited liability company wholly owned by the Commonwealth in November 1991 under the name Australian Telecommunications Corporation, although its origins date back to 1901. Telstra Corp was initially listed on the ASX on 17 November 1997 following the sale by the Commonwealth of a 33.3% interest in the company. The Commonwealth later sold in public offerings or transferred to the Future Fund the entirety of its remaining interest in Telstra Corp.

Today, Telstra Corp is one of the 20 largest companies listed on the ASX with a market capitalisation of approximately \$45 billion. It has around 29,000 permanent employees.

Industry Structure

The Australian telecommunications industry has evolved from a government owned monopoly to an industry characterised by open competition among carriers and service providers across a broad range of services, although most segments are dominated by a small number of participants.

The main participants in the Australian telecommunications industry are the Telstra Group, Singtel Optus Pty Ltd (a subsidiary of Singapore Telecommunications Limited ("Singtel")) ("Optus"), TPG Telecom Limited ("TPG"), NBN Co Limited ("NBN Co") and Vocus Group Limited.

The Telstra Group initially had a competitive advantage through ownership of network infrastructure assets across Australia including the copper network, a hybrid fibre coaxial ("HFC") cable network, the backhaul fibre network, the Next IP core fibre network and wireless networks. However, in 2009, NBN Co was established by the Commonwealth as the vehicle to roll out and operate a fixed line network (national broadband network ("nbn")) to supply all Australians⁹ with access to high speed broadband services. Telstra Corp and NBN Co are parties to the Definitive Agreements under which Telstra Corp has assisted in the roll out of the nbn by agreeing to:

- permanently disconnect its fixed line (copper and HFC broadband) networks and to transfer ownership of them progressively to NBN Co (in return for cash payments and other benefits);
- prefer the nbn as the fixed line connection to premises; and
- provide NBN Co with long term access to elements of its infrastructure.

Telstra Corp has also given the Australian Competition and Consumer Commission ("ACCC") an associated structural separation undertaking and migration plan under the *Telecommunications Act 1997* (Cth) ("Telecommunications Act").

The nbn is a combination of fibre to the premises, fibre to the node/basement/curb, HFC and fixed wireless technologies. It is the largest fixed line customer access network in Australia and is the primary provider of wholesale network access to other participants in the telecommunications industry (i.e. retail service providers (such as the Telstra Group) and content service providers), enabling them to supply fixed line broadband data and voice services in retail markets. The nbn roll out was formally declared complete in

⁹ It was initially proposed that the nbn provide fibre connections to 93% of Australian homes and businesses with wireless and satellite connections to the remaining 7%.



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December 2020 (refer below) and migration of the vast majority of legacy services is expected to take place by the end of calendar year 2022.

Other than NBN Co, the wholesale customer access market is fragmented and includes Uniti Group Limited (“Uniti”) which owns a number of fibre networks mostly across greenfield housing developments and TPG which owns fibre networks connecting to metropolitan apartment buildings. In addition, there are a number of privately owned, independent providers of telecommunications tower infrastructure that are not carriers including Australian Tower Network (owned by AustralianSuper and Singtel) and OMERS Infrastructure Management Inc (“OMERS Infrastructure”).

Market Dynamics and Recent Developments

The Australian telecommunications industry is mature and competitive. Market dynamics are driven by the digitisation of the global economy and the dependence of the digital economy on telecommunications. This backdrop has been a key driver of the Telstra Group’s strategy (see Section 3.3 below).

Demand for fixed line and mobile services remained relatively flat in 2020-21, although there continues to be considerable movement within the aggregate demand¹⁰:

- in 2020-21, the number of fixed line voice services fell by 38% to 3.8 million, call minutes declined by 13% to 8.7 billion minutes and there has been a 45% decline in fixed line call minutes since 2016-17. This decrease reflects the declining relevance of fixed line voice services (which are being replaced with mobile phone services);
- there were over 27 million mobile phone services in operation as at 30 June 2021, delivering 72.8 billion voice call minutes in 2020-21. While the number of mobile services declined slightly, it was 4% above 2016-17 levels. Mobile networks were also the most common form of access to the internet, with the 27 million handset services and a further 4.6 million mobile broadband services making up approximately 80% of all internet access services; and
- demand for fixed line broadband services and mobile broadband and “fixed” mobile¹¹ services continues to grow, driven by increasing traffic. Consistent with prior years, fixed line broadband services made up approximately 90% of the total volume of data downloaded, with mobile services representing only approximately 10% (although mobile services are growing at a faster rate than fixed line broadband services).

Despite the maturity of the sector, the nature of telecommunications revenues is constantly changing as technology and customer preferences evolve, requiring participants to invest to maintain market share and generate new products and revenue streams.

Recent developments in the telecommunications industry have included:

- the impact of the COVID-19 pandemic, which resulted in a sharp increase in broadband demand. This increase in demand is has continued as some of the drivers (such as flexible working arrangements and increased use of streaming services) extend beyond the end of the lockdown restrictions imposed in response to the COVID-19 pandemic;
- formal completion of the nbn (with 12.1 million premises declared ready to connect in April 2022) which enables NBN Co to focus on its ongoing role as a network operator and investing to further improve the fixed line network and provides an opportunity to revisit the long term regulatory arrangements for the nbn:

¹⁰ Source: ACCC Communications Market Report 2019-20, December 2020.

¹¹ “Fixed” mobile services deliver data connectivity over the mobile network to fixed addresses and provide an alternative to fixed line broadband services.



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- NBN Co has committed to a \$4.5 billion network investment, including \$3.5 billion to make the highest wholesale speed tiers available to up to 75% of Australian homes and businesses on the nbn by 2023, \$700 million to make business grade fibre services more affordable and accessible to more businesses and \$300 million to co-invest with State governments and local councils to further improve broadband services in regional Australia. In addition, NBN Co announced in March 2022 a \$750 million investment in the nbn fixed wireless network (\$480 million funded by the Commonwealth Government and \$270 million funded by NBN Co); and
- in June 2021, the ACCC commenced a process to review the NBN Co Special Access Undertaking (which establishes the framework of price and revenue controls for fibre-to-the premise, fixed wireless and satellite technologies);
- the continued roll out of fifth generation (“5G”) wireless technology, enabling retail service providers to offer improved mobile services (including faster speed and lower latency) and a broader range of services (including, for example, broadband), creating more opportunities to remain competitive in consumer mobile markets and grow revenues in the enterprise market; and
- consolidation in some sectors of the telecommunications industry and increased infrastructure competition and investment, including:
 - the merger of TPG and Vodafone Hutchison Australia Pty Limited in July 2020 to establish a fully integrated telecommunications operator in Australia. The resulting three mobile operators rather than the potential of four has had a significant impact on the structure of the mobile services market given the high barriers to entry;
 - the merger of Uniti and Opticomm Ltd in November 2020 to create a new telecommunications infrastructure entity and a competitor to NBN Co (albeit on a considerably smaller scale) and the subsequent acquisition of Uniti by a consortium comprising The Morrison & Co Infrastructure Partnership, Commonwealth Superannuation Corporation and Brookfield Australia (announced in April 2022 and effective in July 2022);
 - new entrants and existing participants building and extending their network infrastructure (high-capacity fibre) to meet increasing demand, a shift to a more diversified and decentralised backhaul network topology and an increase in the scale and scope of data centres as demand for data connectivity and capacity continues to grow. This type of activity includes arrangements between competitors such as the network sharing agreement for regional Australia announced by Telstra Corp and TPG in February 2022 (for which authorisation is currently being sought from the ACCC); and
 - the sale of the telecommunications tower assets, which have attracted interest from domestic and international infrastructure investors given the growing demand for network infrastructure with its high quality customer base and long term, stable contracted cash flows. In addition to the Towers Transaction:
 - Optus sold a 70% interest in its mobile telecommunications towers (comprising 2,132 towers and rooftop cells with a further 565 sites to be developed in the near term) to AustralianSuper for \$1.9 billion in October 2021;
 - Axicom Pty Limited (“Axicom”) (which owns approximately 2,000 telecommunications towers) was sold to Australian Tower Network for \$3.6 billion in April 2022;
 - TPG sold its passive mobile tower and rooftop infrastructure (comprising 1,237 existing sites and a committed development program of 252 new sites) to OMERS Infrastructure for \$950 million in May 2022;



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- OMERS Infrastructure announced in June 2022 that it had signed an agreement to acquire Stilmark Holdings Pty Ltd (“Stilmark”) (the details of the transaction were not disclosed); and
- a sale process has recently commenced for the Australian broadcast and telecommunications towers owned by BAI Communications Pty Ltd (774 covering 99% of Australian’s population, although only a small proportion are telecommunication towers).

These types of transactions release capital that mobile service providers can use to reinvest in spectrum and network equipment for their 5G networks. The new owners of these tower assets are expected to have commercial incentives to maximise occupancy and facilitate access, increasing competition in the tower access and associated services markets.

Regulation

Despite telecommunications being an open and competitive industry, the Telstra Group operates in a highly regulated environment.

The telecommunications market is regulated by the:

- ACCC, for competition matters (including anti-competitive conduct and access to services) under the *Competition and Consumer Act 2010* (Cth) (“Competition and Consumer Act”); and
- Australian Communications and Media Authority (“ACMA”), for technical and other matters including carrier and service provider licencing, number portability, the requirement for a carrier licence (under the Telecommunications Act) and spectrum and apparatus licences (under the *Radiocommunications Act 1992* (Cth)).

In addition, there are regulatory obligations that specifically apply to the Telstra Group, including:

- the *Telstra Corporation Act 1991* (Cth) (“Telstra Corporation Act”) which sets out:
 - limitations on foreign ownership. Foreign persons collectively cannot control more than 35% and individual foreign persons cannot control more than 5% of Telstra Corp shares;
 - requirements that Telstra Corp’s head office, base of operations and place of incorporation must be in Australia; and
 - requirements that the Chair and the majority of directors of Telstra Corp must be Australian citizens and at least two directors must have knowledge of, or experience in, the communications needs of regional, rural or remote areas;
- certain provisions of the Telecommunications Act relating to Telstra Corp’s regulatory undertakings in relation to structural separation and the final migration plan in connection with entry into the Definitive Agreements with NBN Co for the rollout of the nbn (including legislative authorisation of those arrangements);
- other legislation that imposes obligations on Telstra Corp to:
 - ensure that standard telephone services and payphones are reasonably accessible to all people in Australia (as the default primary universal service provider); and
 - provide operator services, directory assistance services, the integrated public number database, priority assistance arrangements and low income measures and to produce the White Pages telephone directory;
- undertakings provided by Telstra Corp to the ACCC and ACMA in connection with its business as a carrier and a carriage service provider; and
- Commonwealth legislation governing the entitlement of Telstra Corp employees to long service leave (rather than the corresponding state and territory legislation).



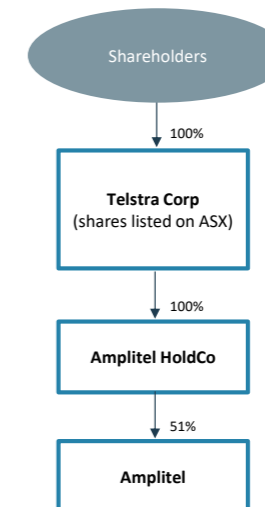
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3.2 Corporate Structure and Business Operations

The current corporate structure of the Telstra Group (simplified to show key entities only) is summarised below:

TELSTRA GROUP – CURRENT CORPORATE STRUCTURE (SIMPLIFIED)



Source: Telstra Corp

Under its current corporate structure, Telstra Corp has a direct or indirect interest in over 150 subsidiaries, including wholly owned subsidiaries such as Telstra Holdings Pty Ltd, which owns most of the Telstra Group’s international business operations, Telstra Health Pty Ltd (“Telstra Health”), Telstra Energy (Holdings) Pty Ltd (“Telstra Energy”) and Telstra Purple Pty Ltd (“Telstra Purple”) as well as subsidiaries that are controlled but not wholly owned, such as Amplitel. However, most of its total income and earnings have historically been generated within the parent entity, Telstra Corp. In FY22, Telstra Corp represented around 80% of the Telstra Group’s profit after tax¹² and 99% of the Telstra Group’s net assets.

The Telstra Group reports five operating segments which are consistent with its internal management structure. A brief overview of each of the Telstra Group’s business segments is set out below:

TELSTRA GROUP – BUSINESS OPERATIONS

SEGMENT	DESCRIPTION
Consumer & Small Business	Provides telecommunications products, services and solutions across mobiles, fixed and mobile broadband, media and digital content to consumer and small business customers in Australia (i.e. mass market customers with homogeneous contracts) Operates call centres, Telstra shops and the Telstra dealership network
Enterprise	Provides telecommunications services, advanced technology solutions, network capacity and management, unified communications, cloud, industry solutions and integrated and monitoring services for medium and large businesses and government customers in Australia and globally Large and complex contracts are usually bespoke although outside of large customers, contracts are generally standard Manages the Telstra Group’s networks outside Australia in conjunction with the Networks & IT and Telstra InfraCo segments
Networks & IT	Builds and manages digital platforms underpinning the customer digital experience and software for all internal functions Primarily supports the revenue generating activities of other segments

¹² Before taking into account the gain recognised by Telstra Corp on the sale of the towers business to Amplitel (which is eliminated on consolidation as it is an intercompany transaction within the Telstra Group).



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TELSTRA GROUP – BUSINESS OPERATIONS (CONT)

SEGMENT	DESCRIPTION
Telstra InfraCo	Standalone infrastructure business unit that provides telecommunications products and services delivered over Telstra Group networks to other carriers and carriage service providers Operates the fixed network infrastructure (including data centres, fixed network sites, poles, ducts, pits and pipes, whole fibre network and mobile towers). Includes legacy copper and HFC networks Provides other Telstra Group functions and wholesale customers with access to network infrastructure Provides NBN Co with long term access to certain components of the Telstra Group's infrastructure Designs and constructs fibre, fixed network sites and other infrastructure Operates the passive and physical mobile tower assets owned or operated by the Amplitel business
All Other	Product and Technology Group, Global Business Services and New Business (including Telstra Health) Includes one-off income from nbn disconnection fees and associated costs and eliminations of inter-segment transactions

Source: Telstra Corp

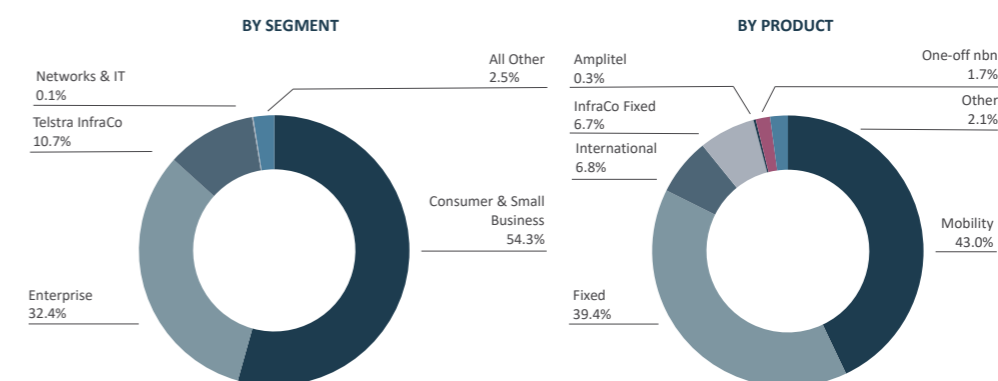
The Telstra Group also reports by product. Following the adoption of a new product reporting framework in January 2022, the Telstra Group reports the following products:

- **Mobility**, the Telstra Group's mobile related business across all customer segments, primarily Consumer & Small Business (almost 80% of total mobility income) but also Enterprise and Wholesale (Telstra InfraCo), including intercompany infrastructure costs;
- **Fixed**, the Telstra Group's fixed network business (both the provision of services on the Telstra network and the resale of nbn services), including intercompany infrastructure costs, which is further split by type of customer:
 - **Consumer & Small Business**, the fixed business related to consumer and small business customers in Australia including connectivity, content and services;
 - **Enterprise**, the fixed business related to large businesses and government customers in Australia including data access and connectivity and network applications and services; and
 - **Active Wholesale**, the fixed business related to active wholesale, including intercompany infrastructure costs;
- **International**, the international business of Telstra Enterprise;
- **InfraCo Fixed**, the passive infrastructure business excluding the passive tower assets and international assets, including intercompany infrastructure revenue, recurring nbn Definitive Agreement revenue (the provision of infrastructure services across ducts, racks and backhaul provided to NBN Co), passive wholesale and commercial and recoverable works and intercompany operational and maintenance costs;
- **Amplitel**, the Telstra Group's 51% owned towers business (passive wholesale and commercial and recoverable work), including intercompany infrastructure revenue and operational and maintenance costs; and
- **Other**, representing Telstra Health, intercompany operational and maintenance revenue and corporate adjustments. Corporate adjustments include items that are not related to products such as the impact of bond rate movements on leave provisions, elimination of inter-segment transactions and one-off items (e.g. gain on sale and leaseback of properties).

The Consumer & Small Business segment and Mobility products are the largest contributors to the Telstra Group's total income (excluding finance income):

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TELSTRA GROUP – CONTRIBUTION TO FY22 TOTAL INCOME



Source: Telstra Corp

3.3 Strategy

The Telstra Group's Telstra2022 strategy ("T22 Strategy"), announced in June 2018, was designed to position the Telstra Group for the accelerating digital economy and capture the value of telecommunications infrastructure post the rollout of the nbn. The T22 Strategy had four key pillars:

TELSTRA GROUP – T22 STRATEGY

PILLAR	DESCRIPTION
Pillar 1	Radically simplify the Telstra Group's product offerings, eliminate customer pain points and create all digital experiences
Pillar 2	Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout
Pillar 3	Simplify the Telstra Group's structure and its ways of working to empower its people and service its customers
Pillar 4	Introduce an industry leading cost reduction and cost management program and portfolio management

Source: Telstra Corp

The T22 Strategy was enabled by the Telstra Group's \$3 billion investment program in new digital platforms and Australia's largest next generation network (including the Telstra Group's 5G technology, where it has a leading position with coverage of 80% of the Australian population).

Through execution of the T22 Strategy, the Telstra Group has:

- delivered high single digit growth in underlying EBITDA¹³ in FY22 and is targeting underlying EBITDA in the range \$7.8-8.0 billion (including Digicel Pacific) and an underlying return on invested capital ("ROIC")¹⁴ of approximately 8% in FY23; and
- become a leaner, simpler and more digital company:
 - **Pillar 1:** the Telstra Group has removed legacy products, systems and processes, reducing Consumer & Small Business in-market plans from ~1,800 to 20 and reducing Enterprise active products by more than 50% since FY18. Consumer & Small Business digital service interactions have increased from 53% in FY19 to 77% in FY22. Around 4.5 million customers have joined the Telstra Plus rewards program;

¹³ EBITDA is earnings before net interest, tax and depreciation and amortisation. Underlying EBITDA excludes net one-off nbn Definitive Agreement receipts less nbn net cost to connect and guidance adjustments. Guidance adjustments include material one-offs such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.

¹⁴ ROIC is net operating profit after tax divided by average invested capital. Net operating profit after tax is calculated as earnings before net interest and tax x (1 - effective tax rate). Average invested capital is calculated as net debt plus shareholders equity averaged between the current and preceding financial year.

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- **Pillar 2:** Telstra InfraCo was established in July 2018 and has operated as a separate infrastructure business unit within the Telstra Group since 1 July 2019. The key drivers for the establishment of Telstra InfraCo were the increasing value of infrastructure assets globally, the importance of the digital economy and the dependence of the digital economy on telecommunications as the platform. The Telstra Group has also established Amplitel as a separate operating business and a separate legal entity;
- **Pillar 3:** since FY18, the Telstra Group has removed, on average, more than four layers of management and has reduced direct full time equivalent employees by 5,200 (net). The Telstra Group achieved its T22 Strategy target to reduce direct full time equivalent employees by more than 8,000 (net) in FY21 (excluding COVID hires) but increased direct full time equivalent employees in FY22 to support strategic decisions to bring all Telstra stores in house and onshore all inbound call centres for consumer and small business customers. More than 17,000 Telstra Group employees are in the group's Agile way of working, allowing quicker and easier collaboration to deliver better, faster outcomes for customers. The Telstra Group's employee engagement is at +82; and
- **Pillar 4:** the productivity program has delivered over \$2.7 billion of savings over the period from FY16 to FY22 (increased from an initial target of \$2.5 billion). Cost savings have been achieved through product rationalisation, platform simplification, increased customer self-service and indirect and direct labour reductions. The Telstra Group has exceeded its target of monetising assets of up to \$2 billion.

The Towers Transaction (sale of a 49% interest in Amplitel for \$2.8 billion), which was completed in September 2021, was a significant milestone and an acceleration of the Telstra Group's strategy to unlock value in its infrastructure assets.

In September 2021, Telstra Corp announced its T25 Strategy to accelerate growth, enhance the customer experience and capitalise on permanent shifts in how people work and live. The T25 Strategy also continues and updates a number of T22 Strategy targets, such as completion of the Corporate Restructure (including the Scheme). The T25 Strategy commenced from 1 July 2022 and has four key pillars:

TELSTRA GROUP – T25 STRATEGY

PILLAR	DESCRIPTION
Pillar 1	An exceptional customer experience you can count on: building on T22 investments to deliver a major uplift in customer engagement (90% "once and done"/support and engagement rating), fully integrating the channel experience, personalising services where it matters and fixing issues before they arise (50% reduction in complaints), scaling the Telstra Plus ecosystem with the best rewards for customers (6 million Telstra Plus members by FY25) and improving asset availability for infrastructure and wholesale customers
Pillar 2	Leading network and technology solutions that deliver your future: the best 5G network for Australia with the largest coverage across metro, regional and rural areas (~95% 5G population coverage and >80% of traffic on 5G by FY25, expand regional coverage by 100,000km ²), technology enabling customer and industry solutions and enhanced resilience for customers
Pillar 3	Sustained growth and value for shareholders: <ul style="list-style-type: none"> – a financial strategy to build financial momentum across the portfolio to deliver growth (including profitable growth and scale in Telstra Health and Telstra Energy), deliver \$500 million in net cost reductions from FY23 to FY25 while investing in growth, active portfolio management to unlock value and manage the balance sheet and create shareholder value through the capital management framework; and – financial ambitions of \$7.5-8.0 billion in underlying EBITDA by FY23 (excluding Digicel Pacific) and mid-single digit CAGR¹⁵ FY21 to FY25, underlying ROIC of ~8% by FY23 and growing beyond that to FY25, high-teens CAGR in underlying earnings per share FY21 to FY25, maximise the fully franked dividend and seek to grow over time and invest for growth and return excess cash to shareholders
Pillar 4	The place you want to work through excelling at new ways of working, accelerating digital leadership and doing business responsibly

Source: Telstra Corp

¹⁵ CAGR is cumulative average growth rate.



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The Telstra Group has started to put in place T25 Strategy initiatives for growth, including:

- the announcement of two major infrastructure projects (Viasat and the national inter-city fibre build) to support the digital economy and increase connectivity across Australia;
- the acquisition, in partnership with the Commonwealth Government, of Digicel Pacific (completed on 14 July 2022), adding 2.5 million customers and leading mobile businesses in Papua New Guinea, Fiji, Vanuatu, Tonga, Nauru and Samoa to its international business;
- being selected to deliver 1800RESPECT for an initial period of five years, adding to its recent health acquisitions;
- receiving final licence approvals for Telstra Energy in Victoria (adding to earlier licences in Queensland, New South Wales and South Australia) and commencing customer trials; and
- the announcement of its intention to form a new joint venture with Quantum to bring together Quantum's data science and artificial intelligence capabilities with the Telstra Group's customer, product and network data assets. This joint venture is a key enabler of the Telstra Group's T25 Strategy data and artificial intelligence ambitions.

In addition to the T22 Strategy, the Telstra Group operates under a capital management framework that has as its objectives maximising shareholder returns, maintaining financial strength and retaining financial flexibility. From FY18 to FY21, the capital management framework had the following key principles:

- a commitment to balance sheet settings consistent with an A band credit rating;
- payment of a fully franked ordinary dividend of 70-90% of underlying earnings¹⁶ and to return ~75% of net one-off nbn receipts¹⁷ to shareholders over time via fully franked special dividends;
- a target capital expenditure¹⁸/sales ratio of ~12% excluding spectrum from FY23; and
- to maintain flexibility for portfolio management and strategic investments.

In conjunction with the announcement of its T25 Strategy, Telstra Corp revised the last three of the key principles of its capital management framework as follows:

- maximise fully franked dividends and seek to grow over time¹⁹;
- ongoing business as usual capital expenditure¹⁸ of ~\$3 billion per annum excluding spectrum; and
- invest for growth and return excess cash to shareholders.

These changes to the Telstra Group's key principles of its capital management framework were effective from 16 September 2021 (i.e. they applied to the Telstra Group in FY22).

¹⁶ Underlying earnings is net profit after tax from continuing operations excluding net one-off nbn receipts, one-off restructuring costs and guidance adjustments.

¹⁷ Net one-off nbn receipts are net nbn one off Definitive Agreement receipts (consisting of per subscriber address amount, Infrastructure Ownership and Retraining) less nbn cost to connect less tax.

¹⁸ Capital expenditure is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capital expenditure and capitalised leases.

¹⁹ The dividend is subject to unexpected material events and Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with the Telstra Group's capital management framework.



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3.4 Key Historical Financial Information

Financial Performance

The historical financial performance of the Telstra Group for FY21 and FY22 is summarised below:

TELSTRA GROUP – SUMMARISED HISTORICAL FINANCIAL PERFORMANCE (\$ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL
Total income (excluding finance income)	23,132	22,045
Underlying EBITDA ²⁰	6,689	7,251
Reported lease adjusted EBITDA ²¹	7,444	7,256
Reported earnings before net interest and tax ("EBIT")	2,992	2,898
Net profit after tax ("NPAT")	1,902	1,814
NPAT attributable to Telstra Corp shareholders	1,857	1,688
STATISTICS		
Total income growth	-11.6%	-4.7%
Underlying EBITDA growth	-9.7%	+8.4%
Reported lease adjusted EBITDA growth	-11.5%	-2.5%
Reported lease adjusted EBITDA margin	32.2%	32.9%
Interest cover ²²	13.2x	14.5x
Reported ROIC	7.5%	7.1%
Underlying ROIC	5.0%	7.0%
Basic earnings per share	15.6¢	14.4¢
Ordinary dividend per share	10.0¢	13.5¢
Special dividend per share	6.0¢	3.0¢
Ordinary dividend payout ratio	103%	94%
Special dividend payout ratio	128%	214%
Amount of dividend franked	100%	100%

Source: Telstra Corp and Grant Samuel analysis

In addition to the COVID-19 pandemic, the Telstra Group's financial performance in FY21 was impacted by a competitive mobile sector and the ongoing loss of fixed line earnings to NBN Co. Despite continued growth in net customers (across mobile and fixed services other than fixed new retail bundles), total income and EBITDA reflected a decline in international roaming and lower hardware sales, a decline in high margin legacy fixed line products and increasing nbn wholesale payments, partially offset by productivity improvements and cost reductions. However, FY21 did represent a turning point in the Telstra Group's financial performance, with a 1% increase in underlying EBITDA in the second half of FY21 (compared to the first half of FY21). The Telstra Group's underlying business returned to full year growth in FY22. While total income continued to decline, primarily due to a reduction in low margin hardware revenues, one-off nbn income and nbn commercial works income, this was partly offset by growth in mobile service revenue, which also drove growth in underlying EBITDA (underlying EBITDA for mobile products increased by 21.2% in FY22). Fixed EBITDA continued to decline in FY22, falling by 13.9%. Although fixed Enterprise EBITDA increased, this was more than offset by falls in Consumer & Small Business and Active Wholesale.

²⁰ FY21 underlying EBITDA includes depreciation of mobile lease right-of-use assets.

²¹ Reported lease adjusted EBITDA is adjusted to include all mobile handset leases as an operating expense and all other rent/leases below EBITDA. This approach provides a like-for-like year-on-year view, given the Telstra Group's exit from mobile lease plans.

²² Interest cover is reported EBITDA divided by net finance costs. For the purpose of calculating interest cover, net finance costs are adjusted for interest on borrowings capitalised, revaluation impacts on borrowings and derivatives and other non-cash accounting impacts.



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Underlying FY21 EBITDA excludes \$802 million of net one-off nbn receipts, \$211 million of restructuring costs, a \$34 million impairment of the investment in Sensis and a \$198 million net receipt related to acquisitions and disposals (including \$102 million related to the sale and leaseback of the Pitt Street exchange property). Underlying FY22 EBITDA excludes \$233 million of net one-off nbn receipts, \$71 million of restructuring costs and \$157 million in adjustments related to acquisitions and divestments. Reported EBITDA includes these items.

The reported lease adjusted EBITDA margin has increased from around 32% in FY21 to around 33% in FY22, with the decline in total income more than offset by cost reductions. On a segment basis (before allocation of non-customer facing unit costs such as Networks & IT), Telstra InfraCo generates significantly higher margins (circa 68%) than Consumer & Small Business and Enterprise (both circa 43%).

FY22 NPAT attributable to Telstra Corp shareholders fell by around 9%, with lower depreciation and amortisation and net finance costs more than offset by an increase in tax expense (following the utilisation of capital losses to offset material profit on asset sales in the first half of FY21) as well as a material increase in NPAT attributable to non-controlling interests due to the Towers Transaction.

Interest cover in FY21 and FY22 has remained well above the Telstra Group's comfort zone of greater than 7 times. While reported ROIC fell slightly in FY22, underlying ROIC increased from 5.0% to 7.0%, making substantial progress towards the FY23 target of underlying ROIC of 8%.

While the FY21 ordinary dividend payout ratio exceeded the dividend policy set out in the Telstra Group's capital management framework at the time, the higher ratio in FY21 and the FY22 ratio were supported by cash flow (which was higher than accounting earnings due to lower capital expenditure). Total dividends as a percentage of free cash flow²³ fell from 61% in FY21 to 57% in FY22. Up to FY22, 79% of cumulative net one-off nbn receipts received had been returned to Telstra Corp shareholders via fully franked dividends, consistent with the Telstra Group's capital management framework.

In conjunction with the release of its FY22 results, the Telstra Group provided guidance for FY23 including total income of \$23-25 billion and underlying EBITDA of \$7.8-8.0 billion (growth of 7.6-10.3% over FY22 underlying EBITDA). This guidance includes the acquisition of Digicel Pacific completed on 14 July 2022.

Financial Position

The historical statement of financial position of the Telstra Group at 30 June 2022 is summarised below:

TELSTRA GROUP – SUMMARISED HISTORICAL STATEMENT OF FINANCIAL POSITION (\$ MILLIONS)

	AT 30 JUNE 2022 ACTUAL
Total funds employed	29,557
Net debt (including lease liabilities)	(12,720)
Net assets	16,837
Equity attributable to Telstra Corp shareholders	15,349
STATISTICS	
Gearing ²³ (including lease assets and lease liabilities)	43.0%

Source: Telstra Corp and Grant Samuel analysis

Total funds employed of \$29.6 billion primarily represents the Telstra Group's substantial investment in passive infrastructure (net book value of \$9.8 billion, including \$0.35 billion of towers²⁴).

At 30 June 2022, the Telstra Group had gross debt of \$13.8 billion (including lease liabilities of \$3.3 billion and less net derivative assets of \$0.5 billion) and cash and cash equivalents of \$1.0 billion. The Telstra Group's core external debt comprises Australian and European Medium Term Notes (issued under Telstra

²³ Gearing is net debt divided by net assets plus net debt.

²⁴ At the Telstra Group level, Amplitel is carried at historical cost notwithstanding the sale of a non-controlling interest at fair value.



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Corp's Singapore Stock Exchange-listed Debt Issuance Programme), United States Rule 144A bond issuances (private placements), senior bank debt facilities (syndicated and bilateral), short term commercial paper and derivatives for hedging purposes (covering, for example, cross currency and interest rate swaps and foreign currency exchange contracts). At 30 June 2022, it had available undrawn facilities of \$3.8 billion. Gearing of 43.0% is below the low end of the Telstra Group's comfort range of 50-70%. Telstra Corp has long term investment grade credit ratings of A- (stable) from Standard & Poor's and A2 (stable) from Moody's Investors Service, consistent with the balance sheet settings set out in the Telstra Group's capital management framework.

The Telstra Group's financial position at 30 June 2022 reflects the impact of the Towers Transaction (which was completed on 1 September 2021) and the \$1.35 billion on-market buyback completed on 27 May 2022. As the Telstra Group continues to control Amplitel, it consolidates 100% of this business in its financial accounts. The non-controlling interests of \$1.5 billion primarily represent the 49% interest in Amplitel that is not owned by the Telstra Group.

Cash Flow

The Telstra Group's historical statement of cash flows for FY21 and FY22 is summarised below:

TELSTRA GROUP – SUMMARISED HISTORICAL STATEMENT OF CASH FLOWS (\$ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL
Operating cash flow ²⁵	7,231	7,249
Capital expenditure (excluding spectrum and investment)	(3,052)	(3,053)
Free cash flow after lease payments ²⁶	3,740	3,961
Reported free cash flow ²⁷	4,887	3,854
Dividends paid	(1,937)	(1,988)
STATISTICS		
Cash realisation ratio ²⁸	110%	117%
Capital expenditure as a percentage of sales	14%	15%
Dividends paid as a percentage of free cash flow ²⁹	61%	58%

Source: Telstra Corp and Grant Samuel analysis

Despite the capital intensive nature of the Telstra Group, it generates substantial cash:

- annual operating cash flow is more than sufficient to cover capital expenditure and dividend payments;
- free cash flow after lease payments has increased from \$3.7 billion in FY21 to almost \$4.0 billion in FY22, with working capital improvement in FY21 and FY22 more than offsetting the decline in EBITDA. FY23 free cash flow after lease payments is expected to be in the range \$2.6-3.1 billion; and
- the cash realisation ratio has been consistently in excess of 100%.

Capital expenditure (excluding spectrum) as a percentage of sales has remained above the target ratio of ~12% set out in the Telstra Group's previous capital management framework. This parameter has now

²⁵ Operating cash flow is net cash provided by operating activities and is after income tax paid but before net finance costs paid.

²⁶ Free cash flow after lease payments represents the Telstra Group's reported "guidance free cash flow" and is equal to operating cash flow less investing cash flow less payments for lease liabilities and excludes spectrum and guidance adjustments.

²⁷ Reported free cash flow is after spectrum and merger and acquisition/investment capital expenditure and excludes lease payments which are classified as financing cash flows under AASB16 Leases. Lease payments includes both principal and interest payments for leases previously classified as operating leases but excludes finance lease payments that were already historically excluded from free cash flow.

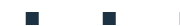
²⁸ Cash realisation ratio is operating cash flow/(NPAT + depreciation and amortisation).

²⁹ Free cash flow after lease payments less other finance costs paid, employee share purchases and dividends to non-controlling interests.



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changed to ongoing business as usual capital expenditure of ~\$3 billion per annum excluding spectrum. Capital expenditure in FY23 is expected to be in the range \$3.5-3.7 billion, or around 15% of sales, and includes \$0.5 billion relating to Digicel Pacific and strategic capital expenditure (which is in addition to business as usual capital expenditure) for the Viasat contract and the national inter-city fibre build.

3.5 Taxation Position

Under the Australian tax consolidation regime, Telstra Corp and its Australian resident wholly owned entities have elected to be taxed as a single entity.

At 30 June 2022, Telstra Corp had carried forward income tax losses (tax effected) of approximately \$263 million, of which \$8 million were recognised in the statement of financial position. In addition, Telstra Corp had carried forward Australian capital losses of approximately \$1,279 million, of which \$26 million were recognised in the statement of financial position.

At 30 June 2022, Telstra Corp had \$48 million of accumulated franking credits (after allowing for franking credits that will arise from the payment of income tax payable at 30 June 2022).

3.6 Capital Structure and Ownership

Capital Structure

Telstra Corp has the following securities on issue:

- 11,554,427,353 ordinary shares; and
- 6,022,468 performance rights.

Telstra Corp operates incentive plans under which executives receive part of their variable remuneration as:

- restricted shares, which are ordinary shares that the relevant executive is restricted from trading for a defined period of time. Participants receive dividends on restricted shares during those restriction periods; and
- performance rights, which have no dividend entitlements (prior to vesting)³⁰ or voting rights but entitle the participant to receive one Telstra Corp ordinary share (or at Telstra Corp's discretion, a cash amount equal to the value of a Telstra Corp share) for each performance right that vests for nil consideration. Any shares to be provided on the vesting of performance rights are existing ordinary shares.

Telstra Corp has a dividend reinvestment plan ("DRP"). The DRP will operate for Telstra Corp's final FY22 dividend. The DRP enables shareholders to reinvest all or part of their dividend payments into additional fully paid ordinary shares. Shares allocated to participants under the DRP are generally sourced through an on-market purchase and transfer of shares to participating shareholders.

In conjunction with the announcement of its FY21 results on 12 August 2021, the Telstra Group announced an on-market share buyback to return up to \$1.35 billion of the net proceeds from the Tower Transaction to shareholders. The on-market share buyback was completed on 27 May 2022, with Telstra Corp buying back 338,870,502 shares for a total consideration of \$1.35 billion.

Ownership

There are in excess of 1.2 million registered shareholders in Telstra Corp. The top ten registered shareholders represent more than 50% of the ordinary shares on issue.

³⁰ Although for any performance rights that ultimately vest, a cash payment equivalent to the dividends paid by Telstra Corp during the period between allocation and vesting will be made at or around the time of vesting.



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The top ten registered shareholders are principally institutional nominee/trustee companies or listed investment companies. Telstra Corp registered shareholders are predominantly Australian based investors (over 98% of registered shareholders and over 99% of issued shares). Telstra Corp estimates that aggregate beneficial foreign ownership of Telstra Corp shares is approximately 20%³¹.

Telstra Corp has not received notices from any substantial shareholders.

³¹ 19.85% at 30 June 2022.



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4 Impact of the Corporate Restructure (including the Scheme)

4.1 Process

The Corporate Restructure (including the Scheme and the Additional Steps) is a further step in executing Pillar 2 of the Telstra Group's T22 Strategy, under which:

- Telstra InfraCo was established as a standalone business unit in July 2018 and has been fully operational since 1 July 2019; and
- Amplitel has been established as a separate operating business and a separate legal entity, and the Towers Transaction has been completed.

If the Scheme is approved and the Scheme and the Additional Steps are implemented:

- New Telstra Corp will replace Telstra Corp as the head entity of the Telstra Group (via the Top Hat Component) and will be listed on the ASX. Telstra Corp will become a wholly owned subsidiary of New Telstra Corp (and will become InfraCo Fixed);
- separate subsidiaries of New Telstra Corp will operate the Telstra Group's different business operations. The assets and liabilities needed to own and operate the Telstra Group's ServeCo business will be transferred to ServeCo and Telstra Corp will be left with the assets and liabilities needed to operate the Telstra Group's InfraCo Fixed business (see Section 4.2). Amplitel has already been established via the Towers Transfer (and the Amplitel HoldCo Transfer is intended to occur on or after implementation of the Business Restructure Component) and Telstra International will be established as a separate subsidiary of New Telstra Corp following implementation of the Top Hat Component (subject to relevant approvals and appropriate engagement with stakeholders); and
- intercompany agreements between members of the Telstra Group will govern the provision of infrastructure access, services and support required to establish each entity operating on a standalone basis.

Following implementation of the Scheme, shareholders (other than ineligible foreign shareholders) will hold the same number of New Telstra Corp shares as the number of Telstra Corp shares held prior to implementation of the Scheme. The Scheme (and the Corporate Restructure) will not change the economic interest of shareholders (other than ineligible foreign shareholders) in the Telstra Group. Executive incentive arrangements will rollover³².

In addition, New Telstra Corp intends to continue to operate an American Depositary Receipts ("ADR") program on substantially the same terms as Telstra Corp's current ADR program.

³² Restricted shares will be treated in the same way as all other Telstra Corp shares and the New Telstra Corp shares will remain subject to the same dealing restrictions and continuing employment condition as those that are applied to the Telstra Corp shares that are exchanged. There will be no changes to the terms of the performance rights other than to reflect that New Telstra Corp will be the head entity of the Telstra Group and that a New Telstra Corp share will be provided on the vesting and exercise of any performance right.



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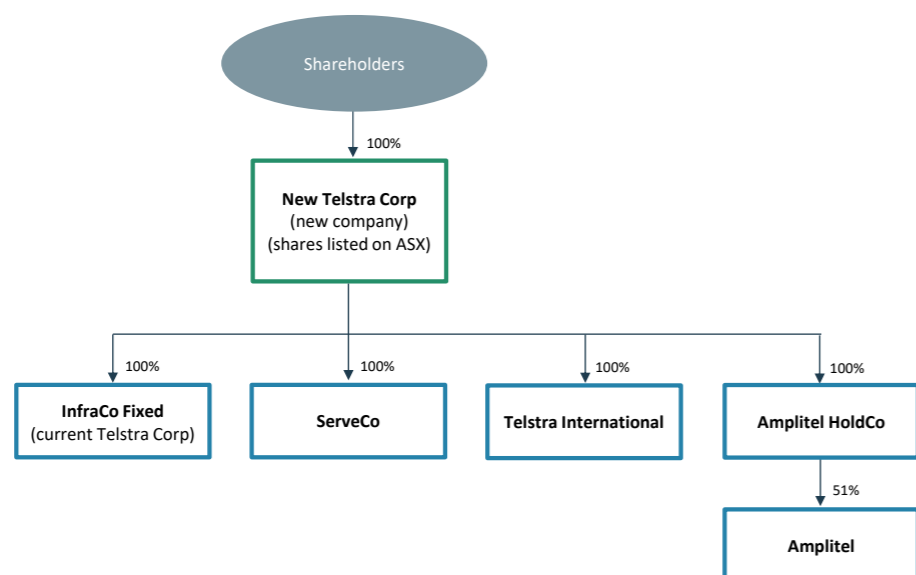


4.2 Corporate Structure

Corporate Structure

The corporate structure of the Telstra Group following implementation of the Corporate Restructure is illustrated below (simplified to show key entities only):

TELSTRA GROUP – CORPORATE STRUCTURE AFTER THE CORPORATE RESTRUCTURE (SIMPLIFIED)



Source: Scheme Booklet

Legal Entities

New Telstra Corp will be the head entity of the Telstra Group. It will generally function as a non-operating holding company and will not hold any material operating assets or operating liabilities³³. New Telstra Corp will have three key subsidiaries:

- InfraCo Fixed will own and operate the Telstra Group's passive infrastructure assets (other than certain of the passive tower assets and international assets)³⁴ including:
 - ~250,000 kilometres of optical fibre cable (regional and inter-city, inter-exchange and data centre, business access and mobile backhaul), two data centres, ~12,000 fixed network sites (including 1,500 sites with external tenants)³⁵, a 360,000 kilometre duct network and supporting infrastructure and the copper and HFC networks³⁶; and

³³ Other than the shares in InfraCo Fixed and ServeCo (and the shares in Amplitel HoldCo after those shares are transferred from InfraCo Fixed), other assets and associated liabilities which will be transferred to New Telstra Corp under the Scheme and the Additional Top Hat steps including the Telstra Group's interests in certain non-operating entities, liabilities under certain parent company guarantees provided to support the operations of other Telstra Group members, certain rights and obligations under the intercompany agreements to which New Telstra Corp is a party and the employment contracts for the executives of the Telstra Group (except the key Amplitel executives). New Telstra Corp will also become the key borrowing entity for the Telstra Group following implementation of the Scheme.

³⁴ InfraCo Fixed will also own Amplitel HoldCo until it is transferred to New Telstra Corp on or after implementation of the Business Restructure Component.

³⁵ There are two categories of fixed network sites, those that will be rationalised as the nbn rollout is completed and those that will continue to support existing commercial arrangements and be available for new uses such as edge compute and data centre services. Around 650 of the 1,500 fixed network sites with external tenants will support new uses.

³⁶ ServeCo will operate and maintain the Telstra Group's copper and HFC networks pursuant to the intercompany agreements.



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- the Telstra Group's business with NBN Co under the Definitive Agreements and other NBN Co commercial arrangements (but excluding the Telstra Group's purchase of NBN Co products and services under the Wholesale Broadband Agreement³⁷ and associated agreements).

InfraCo Fixed will be responsible for the design, construction, operation, maintenance, relocation and rationalisation or decommissioning of the Telstra Group's passive infrastructure assets allocated to InfraCo Fixed. Long term agreements have been put in place with ServeCo and NBN Co (InfraCo Fixed's major customers) for the supply of fibre, duct and fixed network site access;

- ServeCo will own and operate the retail business of providing fixed, data, mobility, wireless, entertainment and ancillary services and products to retail, government and enterprise clients (i.e. the Telstra Group's Consumer & Small Business and Enterprise functions excluding the international business) as well as the active parts of the Telstra Group's network (including the radio access network equipment on mobile towers, poles and exchange rooftops, spectrum assets and fibre electronics). ServeCo will also own and operate the Telstra Group's domestic wholesale network², using the active parts of the Telstra Group's network and reselling access to InfraCo Fixed's passive assets to support wholesale customer offerings. The Telstra Group's active infrastructure is a major determinant of service quality (i.e. the capacity, speed and coverage of a telecommunications service), requires significant investment and is a key driver of network differentiation.

ServeCo will also own the Telstra Health (digital health software solutions), Telstra Energy (retail energy and energy generation) and Telstra Purple (technology services) businesses;

- Telstra International will own and operate the Telstra Group's international businesses, which provide international services using the Telstra Group's international assets and subsea cable networks and includes Digicel Pacific.

It is intended that the Telstra International Steps will occur gradually following implementation of the Top Hat Component, subject to receipt of relevant approvals and appropriate engagement with stakeholders; and

- Amplitel HoldCo, which owns the Telstra Group's 51% interest in Amplitel. Amplitel owns and operates the Telstra Group's portfolio of over 8,000 tower assets including physical towers, mast, large pole and antenna mount structures which support the active assets of its tenants (including ServeCo). It has a long term agreement to build and operate future passive tower infrastructure for use by ServeCo.

Amplitel HoldCo and Amplitel were established as part of the Towers Transfer and are not part of the Scheme. The Amplitel HoldCo Transfer is intended to occur on or after implementation of the Business Restructure Component and is also not part of the Scheme.

Intercompany Agreements

Intercompany agreements have been or will be put in place:

- between each of InfraCo Fixed, ServeCo and Amplitel for the provision of passive infrastructure access, services and support required to assist each business to function on a standalone basis following implementation of the Corporate Restructure (or in the case of Amplitel, from 1 September 2021), including to:

- provide ServeCo with access to InfraCo Fixed's copper, fibre and HFC networks, fixed network structures and sites (including data centres), ducts, poles, tunnels and pits;

³⁷ The Wholesale Broadband Agreement is the contract used by NBN Co to supply products and services to its wholesale customers.



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- enable ServeCo to operate and maintain InfraCo Fixed's copper and HFC networks to ensure that, among other things, ServeCo can meet its regulatory and contractual obligations as the universal service provider;
 - provide ServeCo with access to Amplitel's tower assets;
 - provide ServeCo with the services and access rights it requires from InfraCo Fixed to enable ServeCo to meet its obligations under its wholesale customer contracts, in relation to the provision of access for those customers to assets owned by InfraCo Fixed;
 - require ServeCo to act as InfraCo Fixed's agent to perform functions including sales and customer contract management, in relation to the provision of access for InfraCo Fixed's wholesale customers to assets owned by InfraCo Fixed;
 - enable InfraCo Fixed, Amplitel and New Telstra Corp to obtain the services they require from ServeCo (and for Amplitel to obtain the services it requires from InfraCo Fixed), including certain corporate and head office services, procurement services, human resources services, network maintenance, and network and information technology ("IT") services;
 - enable, to the extent necessary, InfraCo Fixed and ServeCo to assist each other to comply with the Definitive Agreements and other agreements with NBN Co; and
 - enable, to the extent necessary, InfraCo Fixed and ServeCo to assist each other to comply with the Telstra Group's legal and regulatory requirements; and
- between each of New Telstra Corp, InfraCo Fixed and ServeCo for executive, treasury and shared corporate services.

The terms of the intercompany agreements may change following implementation of the Corporate Restructure and there may be new intercompany agreements between members of the Telstra Group (including Telstra International) following implementation of the Corporate Restructure.

4.3 Corporate Governance

Constitution

The rights, roles and responsibilities of New Telstra Corp shareholders and directors and the rules governing the internal management of New Telstra Corp are set out in the New Telstra Corp Constitution. The key aspects of the New Telstra Corp Constitution that will be in place on implementation of the Scheme are set out in Section 7.1 of the Scheme Booklet. In particular:

- the terms of the New Telstra Corp Constitution are effectively the same as the existing Telstra Corp Constitution (which was adopted on 13 October 2020); and
- the rights attaching to New Telstra Corp shares (e.g. dividend and voting rights) are the same as those attaching to Telstra Corp shares.

New Telstra Corp will continue to have substantially the same corporate governance framework and arrangements as Telstra Corp, apart from certain changes required to reflect the introduction of New Telstra Corp as the head entity of the Telstra Group.

Company Boards and Senior Management

If the Corporate Restructure is implemented, there will be a Board of New Telstra Corp and separate Boards and management teams for each of InfraCo Fixed, ServeCo and Telstra International.



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The composition of the Board of New Telstra Corp will be identical to the Board of Telstra Corp immediately prior to the Scheme. Immediately following implementation of the Scheme, the New Telstra Corp Board will comprise the following members³⁸:

NEW TELSTRA CORP – BOARD OF DIRECTORS

DIRECTOR	ROLE
John Mullen	Chairman
Vicki Brady ³⁹	Chief Executive Officer ("CEO") and Managing Director
Eelco Block	Non-Executive Director
Roy Chestnutt	Non-Executive Director
Craig Dunn	Non-Executive Director
Bridget Loudon	Non-Executive Director
Elana Rubin	Non-Executive Director
Nora Scheinkestel	Non-Executive Director
Niek Jan van Damme	Non-Executive Director

Source: Telstra Corp

The Boards of InfraCo Fixed, ServeCo and Telstra International will comprise current key executives from relevant businesses in each entity:

INFRACO FIXED – BOARD OF DIRECTORS

EXECUTIVE DIRECTOR	CURRENT BUSINESS ROLE
Brendon Riley	CEO, Telstra InfraCo
Douglas Rogerson	Chief Financial Officer ("CFO"), Telstra InfraCo
Rachel Johnson-Kelly	Head of Telstra InfraCo fixed network sites and infrastructure business
Kathryn Jones	Head of Telstra InfraCo fibre business

Source: Telstra Corp

SERVECO – BOARD OF DIRECTORS

EXECUTIVE DIRECTOR	CURRENT BUSINESS ROLE
Vacant ⁴⁰	Group Executive, Consumer & Small Business
David Burns	Group Executive, Enterprise
Kim Krogh Anderson	Group Executive, Product & Technology
Dean Salter	Group Executive, Global Business Services
Nikos Katinakis	Group Executive, Networks & IT

Source: Telstra Corp

The composition of the Telstra International Board following implementation of the Scheme is yet to be determined.

The current company secretary of Telstra Corp, Sue Laver (and one of her assistant company secretaries) will continue as company secretary of New Telstra Corp and will also be company secretary of InfraCo Fixed and ServeCo.

³⁸ Subject to any changes to the Board prior to implementation of the Scheme as part of the normal Board renewal process (and unrelated to the Scheme).

³⁹ On 30 March 2022, Telstra Corp announced Andrew Penn's intention to retire and that Vicki Brady, the Telstra Group's current Chief Financial Officer would replace Andrew Penn as the Telstra Group's CEO and Managing Director effective 1 September 2022. This executive change is unrelated to the Scheme.

⁴⁰ On 2 May 2022, Telstra Corp announced the appointment of Michael Ackland, the current Group Executive, Consumer & Small Business, to the role of CFO and Group Executive, Strategy & Finance effective from 1 September 2022. He will take over from Vicki Brady when she commences in the role of CEO. This executive change is unrelated to the Scheme. A recruitment process for the role of Group Executive, Consumer & Small Business is underway.



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The Board of Amplitel has a different structure, reflecting the Towers Transaction. Brendon Riley, the CEO of Telstra InfraCo has been appointed as the Chair of the Amplitel Board, with the remainder of the Board comprising representatives of Telstra Corp and the consortium. The Board of Amplitel is already in place and is not an outcome of the Scheme.

The Scheme will not have any impact on the Telstra Group's senior management team. The senior management team of the Telstra Group will continue to be as follows:

TELSTRA GROUP – SENIOR MANAGEMENT TEAM

SENIOR MANAGEMENT	CURRENT ROLE	ROLE POST SCHEME
Vicki Brady ³⁹	CEO	CEO
Michael Ackland ⁴⁰	CFO and Group Executive, Strategy & Finance	CFO and Group Executive, Strategy & Finance
Alex Badenoch	Group Executive, Transformation, Communications & People	Group Executive, Transformation, Communications & People
Dean Salter	Group Executive, Global Business Services	Group Executive, Global Business Services
Lyndall Stoyles	Group General Counsel and Group Executive, Sustainability, External Affairs & Legal	Group General Counsel and Group Executive, Sustainability, External Affairs & Legal
Vacant	Group Executive, Consumer & Small Business	Group Executive, Consumer & Small Business
Kim Krogh Anderson	Group Executive, Product & Technology	Group Executive, Product & Technology
David Burns	Group Executive, Enterprise	Group Executive, Enterprise
Nikos Katinakis	Group Executive, Networks & IT	Group Executive, Networks & IT
Brendon Riley	CEO, Telstra InfraCo	CEO, InfraCo Fixed

Source: Telstra Corp

Minor changes to the roles and titles of certain management reflect the Towers Transaction and are not related to the Scheme.

There will not be a separate CEO for ServeCo. Vicki Brady, as CEO of the Telstra Group, and her leadership team will continue to have responsibility for the strategy and performance of ServeCo.

4.4 Pro Forma Historical Financial Information

Basis of Preparation

The Scheme Booklet pro forma historical financial information has been prepared by the Telstra Group and was subject to review by Ernst & Young. Ernst & Young's Independent Limited Assurance Report is set out in Annexure B to the Scheme Booklet. The Scheme Booklet pro forma historical financial information has been prepared on a consolidated basis only (i.e. for the Telstra Group). No pro forma historical financial information has been prepared for InfraCo Fixed, ServeCo and Amplitel (although additional operational performance metrics for each entity (total income and EBITDA) are included in the Scheme Booklet).

The Scheme Booklet pro forma historical financial information has been adjusted to remove one-off costs and expenditure (after tax) that are both directly attributable and incremental to the Scheme from the historical income statements and statements of cash flows. No pro forma adjustment has been made to the historical statement of financial position on the basis that the Scheme will not result in any immediate change to the underlying assets or principal business activities of the Telstra Group.

The Scheme Booklet pro forma historical financial information has not been adjusted to reflect the one-off costs expected to be incurred or paid post 30 June 2022 or the incremental ongoing costs as a result of the Scheme and the Additional Steps. Grant Samuel has made further adjustments to the Scheme Booklet pro forma historical financial information to show the pro forma impact of these one-off costs and incremental ongoing costs on the Telstra Group's historical financial information as if the Scheme and the Additional Steps had been implemented in these historical periods.



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The movement between the Scheme Booklet pro forma historical financial information and the Grant Samuel pro forma historical financial information is indicative of the impact of the Scheme and the Additional Steps on the Telstra Group.

Financial Performance

The pro forma historical financial performance of the Telstra Group for FY21 and FY22 is summarised below:

TELSTRA GROUP – SUMMARISED PRO FORMA HISTORICAL FINANCIAL PERFORMANCE (\$ MILLIONS)

	SCHEME BOOKLET		GRANT SAMUEL	
	FY21 PRO FORMA	FY22 PRO FORMA	FY21 PRO FORMA	FY22 PRO FORMA
Total income (excluding finance income)	23,132	22,045	23,132	22,045
Underlying EBITDA	6,689	7,251	6,686	7,248
Reported lease adjusted EBITDA	7,457	7,294	7,454	7,291
Reported EBIT	3,005	2,936	2,999	2,930
NPAT	1,911	1,841	1,905	1,834
NPAT attributable to New Telstra Corp shareholders	1,866	1,715	1,860	1,708
STATISTICS				
<i>Total income growth</i>		-4.7%		-4.7%
<i>Underlying EBITDA growth</i>		+8.4%		+8.4%
<i>Reported lease adjusted EBITDA growth</i>		-2.2%		-2.2%
<i>Reported lease adjusted EBITDA margin</i>	32.2%	33.1%	32.2%	33.1%
<i>Interest cover</i>	13.2x	14.6x	13.2x	14.5x
<i>Reported ROIC</i>	7.5%	7.2%	7.5%	7.2%
<i>Underlying ROIC</i>	5.0%	7.0%	5.0%	7.0%
<i>Basic earnings per share</i>	15.7¢	14.6¢	15.7¢	14.5¢
<i>Ordinary dividend per share</i>	10.0¢	13.5¢	10.0¢	13.5¢
<i>Special dividend per share</i>	6.0¢	3.0¢	6.0¢	3.0¢
<i>Ordinary dividend payout ratio</i>	102%	94%	102%	94%
<i>Special dividend payout ratio</i>	128%	214%	128%	214%
<i>Amount of dividend franked</i>	100%	100%	100%	100%

Source: Scheme Booklet and Grant Samuel analysis

The Scheme Booklet pro forma historical financial performance of the Telstra Group reflects pro forma adjustments to remove one-off costs and expenditure that are both directly attributable and incremental to the Scheme (\$13 million in FY21 and \$38 million in FY22). These costs were expensed as they were incurred for accounting purposes. The tax impact of these adjustments has also been reflected in the Scheme Booklet pro forma historical financial performance.

The detailed Scheme Booklet pro forma historical financial performance for the Telstra Group (including a description of the assumptions and adjustments made) is set out in Section 4.5 of the Scheme Booklet.

Using the Scheme Booklet pro forma historical financial performance as a starting point, the Grant Samuel pro forma historical financial performance of the Telstra Group has been prepared on the following basis:

- the Scheme and the Additional Steps were effective from 1 July 2020;
- incremental ongoing costs of \$3 million per year are incurred by Telstra Group as a result of the Scheme including incremental costs associated with the administration of the new corporate structure and the two separate legal entities;
- \$32 million in capital expenditure (IT and human resources systems) incurred as part of the one-off costs associated with the Scheme is amortised over an estimated useful life of nine years (equal to \$4



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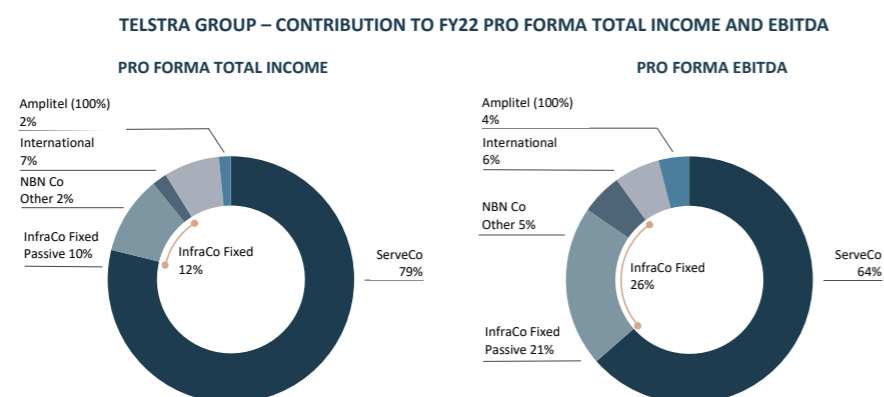


million per annum). While some of this capital expenditure was incurred during FY22, it has been assumed that it was incurred towards the end of FY22 and the adjustment is for a full year of amortisation;

- interest expense is incurred on the incremental increase in net debt (see below) at an interest rate of 3.7%⁴¹; and
- an adjustment for the tax impact of each of the above adjustments at a tax rate of 30%.

The Grant Samuel pro forma historical financial performance indicates that the Scheme and the Additional Steps do not have any material impact on the Telstra Group's pro forma total income, earnings and margins, interest cover and ROIC or its payout ratios and franking.

The Telstra Group has provided disclosure of InfraCo Fixed and Amplitel total income and earnings since 1HY21 (and over a longer period for Telstra International). If the Scheme and the Additional Steps are implemented, there will be additional disclosure, in particular relating to ServeCo and the impact of the intercompany agreements. ServeCo is the largest contributor to the Telstra Group's FY22 pro forma total income and EBITDA:



Source: Scheme Booklet

The FY22 pro forma total income and EBITDA for each business reflects:

- the intended legal structure of the Telstra Group following implementation of the Corporate Restructure;
- third party customer, supplier and employee arrangements that will be transferred to InfraCo Fixed and ServeCo under the Scheme and the Additional Steps and the contracts that have been transferred to Amplitel through the Towers Transaction;
- the employee arrangements of InfraCo Fixed, ServeCo and Amplitel that will be in place following implementation of the Corporate Restructure; and
- intercompany agreements between ServeCo, InfraCo Fixed and other members of the Telstra Group (excluding Telstra International) for the provision of infrastructure access, services and support required for each entity to carry on its respective business following implementation of the Corporate Restructure. The impact of these intercompany agreements will be eliminated on consolidation at the Telstra Group level.

⁴¹ Equal to the Telstra Group's average gross borrowing cost in FY22 and assuming offset arrangements for cash balances.



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The pro forma total income and EBITDA provide an economic view of each of the entities and do not reflect the application of all Australian Accounting Standard requirements, in particular AASB16 Leases, to the intercompany agreements (which will also be eliminated on consolidation).

InfraCo Fixed is separated into InfraCo Fixed Passive (recurring payments under the Infrastructure Services Agreement⁴² with NBN Co) and NBN Co Other (per subscriber address amounts, one-off Infrastructure Services Agreement payments and payments under the NBN Co commercial contracts).

InfraCo Fixed and Amplitel deliver:

- high EBITDA (after internal access payments) margins (66% and 80% respectively in FY22);
- recurring, predictable indexed earnings growth supported by long term contracts with NBN Co and ServeCo; and
- relatively higher capital intensity (capital expenditure/sales of ~13-18%).

In contrast, ServeCo has:

- a lower EBITDA (after internal access payments) margin (25% in FY22);
- underlying EBITDA (after internal access payments) growth from FY21 as the business retains its strategic differentiation and network leadership; and
- relatively lower capital intensity (capital expenditure/sales of ~10-12%).

Telstra International has characteristics that are similar to ServeCo.

In conjunction with the release of its FY22 results on 11 August 2022, Telstra Corp provided guidance for FY23 (see Section 3.4). Telstra Corp has confirmed that the Scheme will have no impact on its FY23 guidance⁴³.

Financial Position

The pro forma historical statement of financial position of the Telstra Group at 30 June 2022 is summarised below:

TELSTRA GROUP – SUMMARISED PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION (\$ MILLIONS)

	AT 30 JUNE 2022	
	SCHEME BOOKLET ACTUAL	GRANT SAMUEL PRO FORMA
Total funds employed	29,557	29,594
Net debt (including lease liabilities)	(12,720)	(12,800)
Net assets	16,837	16,795
Equity attributable to Telstra Corp shareholders	15,349	15,307
STATISTICS		
Gearing (including lease assets and lease liabilities)	43.0%	43.3%

Source: Scheme Booklet and Grant Samuel analysis

No pro forma adjustment has been made to the historical statement of financial position included in the Scheme Booklet.

⁴² The Infrastructure Services Agreement is the Definitive Agreement that documents the detailed terms for the long term provision of access to infrastructure and related services by Telstra Corp to NBN Co.

⁴³ Noting that FY23 guidance excludes material one-offs such as restructuring costs and any stamp duty payable in connection with the Scheme.



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The Grant Samuel pro forma historical statement of financial position of the Telstra Group has been prepared on the basis that the Scheme and the Additional Steps were implemented on 30 June 2022. Specifically, it reflects:

- the one-off costs incurred or to be incurred post 30 June 2022 of \$48 million⁴⁴ (excluding stamp duty), which comprise:
 - operating expenses of \$35 million (\$25 million after tax); and
 - capital expenditure of \$13 million;
- \$24 million of one-off costs (\$17 million of operating expenses and \$7 of capital expenditure) accrued in FY22 (but paid or to be paid in FY23); and
- stamp duty of \$18 million, based on Telstra Corp's current estimates of the minimum amount of stamp duty payable in connection with the Scheme and the Additional Steps (see Section 5.6 for details). The actual stamp duty payable will be based on, among other things, the value of the Telstra Group's assets on implementation.

These one-off costs have been treated as a reduction in cash (and an increase in net debt). One off capital expenditure relates to IT and human resources systems and has been shown as an increase in intangible assets.

The Grant Samuel pro forma historical statement of financial position indicates that the Scheme and the Additional Steps do not have any material impact on the Telstra Group's pro forma assets and liabilities or gearing.

Telstra Corp is currently the key borrowing entity for the Telstra Group's core existing external debt (except for an external bank facility established for Amplitel and immaterial debt in some of Telstra Corp's controlled entities). Following implementation of the Scheme, it is intended that New Telstra Corp will become the key borrowing entity for the Telstra Group going forward and that existing external debt (except for Amplitel's external bank facility) will be refinanced at New Telstra Corp or repaid, in each case, when it matures (or if preferable from a liability management perspective, prior to maturity, including by way of redemption, purchase, exchange, transfer or substitution).

It is proposed that a guarantee will be put in place between New Telstra Corp, ServeCo and InfraCo Fixed under which New Telstra Corp and ServeCo will guarantee relevant debt at InfraCo Fixed (being Telstra Corp's existing external debt plus any additional InfraCo Fixed debt which is designated under the guarantee at Telstra Corp's option) ("debt guarantee"). The debt guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted, and, subject to certain applicable limitations and conditions, may also be released early by Telstra Corp in respect of the guarantee given by New Telstra Corp only if there is a change in control of InfraCo Fixed. The objective of the debt guarantee (as set out in the Scheme Booklet) is to, among other things:

- support the Telstra Group's ability to continue to source external debt financing on equivalent terms and pricing to Telstra Corp's existing external debt and satisfy certain financier requirements;
- support New Telstra Corp's ability to transition to being the key borrowing entity for the Telstra Group;
- support the ongoing strong credit rating of the Telstra Group; and
- mitigate the risk of any structural subordination which may result from the Scheme by ensuring that debt at New Telstra Corp and InfraCo Fixed, in substance, ranks pari passu (i.e. on an equal footing) by providing all relevant debt investors with continued access to the credit and revenues of the broader Telstra Group.

⁴⁴ Total one-off costs (excluding stamp duty) are estimated at \$126 million, \$78 million of which was incurred up to 30 June 2022.



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In addition, certain existing Telstra Corp external debt arrangements that were entered into or refinanced as part of its refinancing activities since announcement of the Scheme contain additional features. These additional features include, in certain cases, an option for financiers in respect of relevant existing external debt arrangements to elect to substitute New Telstra Corp as the borrowing entity for that relevant external debt arrangement following implementation of the Top Hat Component (subject to applicable notice periods) ("substituted guaranteed debt"). In this situation, the relevant financiers will cease to have the benefit of the debt guarantee and instead the Telstra Group will be required to provide separate guarantees from InfraCo Fixed and ServeCo on similar key terms to the debt guarantee referred to above (subject to specific release triggers)⁴⁵.

These additional features are indicative of the actions that Telstra Corp has taken to start the transition for New Telstra Corp to become the key borrowing entity for the Telstra Group following implementation of the Scheme and to continue to support Telstra Group debt (whether at New Telstra Corp or InfraCo Fixed and whether it is refinanced Telstra Group debt or existing Telstra Group debt) with the credit of the broader Telstra Group.

Cash Flow

The Telstra Group's pro forma historical statement of cash flows for FY21 and FY22 is summarised below:

TELSTRA GROUP – SUMMARISED PRO FORMA HISTORICAL STATEMENT OF CASH FLOWS (\$ MILLIONS)

	SCHEME BOOKLET		GRANT SAMUEL	
	FY21 PRO FORMA	FY22 PRO FORMA	FY21 PRO FORMA	FY22 PRO FORMA
Operating cash flow	7,238	7,276	7,238	7,276
Capital expenditure (excluding spectrum and investment)	(3,052)	(3,053)	(3,052)	(3,053)
Free cash flow after lease payments	3,747	3,988	3,747	3,988
Reported free cash flow	4,894	3,881	4,894	3,881
Dividends paid	(1,937)	(1,988)	(1,937)	(1,988)
STATISTICS				
Cash realisation ratio	110%	117%	110%	117%
Capital expenditure as a percentage of sales	14%	15%	14%	15%
Dividends paid as a percentage of free cash flow	61%	57%	61%	57%

Source: Scheme Booklet and Grant Samuel analysis

The Scheme Booklet and the Grant Samuel pro forma historical cash flows for the Telstra Group have been prepared on the same basis as the pro forma historical financial performance set out above.

The detailed Scheme Booklet pro forma historical statement of cash flows (including a description of the assumptions and adjustments made) is set out in Section 4.6 of the Scheme Booklet.

The Grant Samuel pro forma historical statement of cash flows indicates that the Scheme and the Additional Steps have no impact on the Telstra Group's key cash flow balances (as shown in the table above) or its cash flow ratios.

⁴⁵ The key terms of the guarantees in respect of the substituted guaranteed debt are that:

- similar to the debt guarantee, New Telstra Corp, InfraCo Fixed and ServeCo will each directly support payment of the substituted guaranteed debt;
- similar to the debt guarantee, demands may be made under the guarantees in respect of the substituted guaranteed debt which is not paid when due and payable subject to applicable grace periods;
- similar to the debt guarantee, the guarantees will apply for the term of the substituted guaranteed debt, subject to early release if the substituted guaranteed debt is repaid, redeemed, purchased, exchanged or transferred; and
- subject to certain applicable limitations and conditions, the guarantee provided by InfraCo Fixed may also be released early by Telstra Corp if there is a substantial sale event in respect of New Telstra Corp's shareholding in InfraCo Fixed.



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4.5 Regulatory Framework and Arrangements with NBN Co

The current regulatory framework (the key aspects of which are set out in Section 3.1 of this report) will continue to apply to the Telstra Group following implementation of the Scheme.

To ensure continued compliance with this regulatory framework following implementation of the Scheme, the following arrangements have been put in place:

- the *Telstra Corporation and Other Legislation Amendment Act 2021* (“Telstra Corporation and Other Legislation Amendment Act”) received royal assent on 13 December 2021. The Telstra Corporation and Other Legislation Amendment Act amends legislation, including legislation relating specifically to Telstra Corp, to ensure that the Commonwealth’s policy interest in protecting consumers, promoting competition and supporting Telstra Corp’s public interest roles in Australia’s telecommunications system is not diminished as a result of the Corporate Restructure. The Explanatory Memorandum to the Telstra Corporation and Other Legislation Amendment Act states that the legislation has been developed based on the principle of “regulatory equivalence” so that the regulatory obligations that currently fall on Telstra Corp also fall on the entities in the Telstra Group after implementation of the Corporate Restructure in roughly the same way.

These obligations cover core parts of Telstra Corp’s regulatory arrangements, including the restrictions on foreign ownership and the universal service obligation, other consumer safeguards (including emergency call services and priority assistance) and the requirement for Telstra Corp to provide other carriers with access to its facilities.

A detailed description of the key changes in the regulatory framework applicable to Telstra Corp’s core business following implementation of the Corporate Restructure is set out in Section 3.3.3 of the Scheme Booklet (including changes that arise through regulatory requirements other than the Telstra Corporation and Other Legislation Amendment Act).

It should be noted that parts of the Telstra Corporation and Other Legislation Amendment Act have or will come into effect and will apply even if the Scheme and the Additional Steps are not implemented for any reason⁴⁶;

- ACMA has granted ServeCo a carrier licence that will enable ServeCo to operate the ServeCo business on and from implementation of the Business Restructure Component and has advised Telstra Corp that the existing spectrum and apparatus licences will be transferred to ServeCo on implementation of the Business Restructure Component;
- in relation to undertakings and directions, for undertakings provided to the ACCC, it is intended that applicable members of the Telstra Group will be bound to the existing undertakings by entering into a deed of novation or by way of a variation to the undertaking and for ACMA directions, Telstra Corp understands that these will remain with InfraCo Fixed and ACMA will, if necessary, require another Telstra Group entity to take action to assist with performance if required; and
- where other licences, permits or regulatory approvals need to be held by a member of the Telstra Group, the relevant member of the Telstra Group will apply for the licence or regulatory approval so

⁴⁶ For example:

- powers for the Minister for the Department of Infrastructure, Transport, Regional Development and Local Government (“Minister”) and ACMA to give directions to New Telstra Corp or its subsidiaries to take specified actions;
- a new facilities access regime for certain non-carrier owned or operated facilities (that will apply to facilities owned or operated by any entity that is in a group of companies that includes a carrier). This new regime will apply to Amplitel;
- replication of the foreign ownership provisions and the board and management provisions on Telstra Corp under the Telstra Corporation Act to New Telstra Corp, InfraCo Fixed, ServeCo and Amplitel. These obligations will continue even if these companies leave the Telstra Group; and
- notification of the transfer of certain assets and businesses by each of New Telstra Corp, InfraCo Fixed, ServeCo and Amplitel.



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that it is effective after the relevant part of the Corporate Restructure is implemented. Alternatively, licences, permits or approvals may be transferred by normal processes and the intercompany agreements will apply to ensure that the entities provide any required support to ensure that the other entity can continue to comply with its regulatory obligations.

In addition, the Scheme is conditional on having competition authorisation. Details regarding the ACCC Authorisation are set out below. The ACCC is expected to issue its final determination in relation to the ACCC Authorisation by the end of September 2022 and, in any event, before the Scheme meeting. On 14 July 2022, the ACCC issued the draft determination. The draft determination is in a form that is acceptable to both Telstra Corp and NBN Co.

Telstra Corp, ServeCo and NBN Co have negotiated agreements, including amendments to the Definitive Agreements, to accommodate the Scheme and provide New Telstra Corp with additional certainty on its ability to undertake certain transactions involving InfraCo Fixed following implementation of the Corporate Restructure should it choose to do so in the future. The key elements of the agreements are:

- Telstra Corp (which will become InfraCo Fixed) remains the principal contracting party under the Definitive Agreements, but ServeCo accedes to the principal business protections under the Subscriber Agreement⁴⁷ (including the obligation to prefer the nbn as the fixed line connection to the premises, the non-alignment dispute mechanism and the obligation to disconnect Telstra Corp’s copper and HFC broadband networks). The Commonwealth guarantee of the performance by NBN Co of its obligations under the Implementation and Interpretation Deed⁴⁸, the Subscriber Agreement and the Infrastructure Services Agreement will remain in place with InfraCo Fixed as the beneficiary;
- Telstra Corp must procure that New Telstra Corp will give NBN Co financial guarantees of InfraCo Fixed’s and ServeCo’s obligations under the amended Definitive Agreements. New Telstra Corp’s total liability to NBN Co under the financial guarantees in respect of InfraCo Fixed’s and ServeCo’s conduct under the Subscriber Agreement will not exceed \$2.5 billion, and in respect of InfraCo Fixed’s conduct under the Infrastructure Services Agreement will not exceed \$2.5 billion. This means that there would be no change to the maximum liability of the Telstra Group to NBN Co as compared to the position in the existing Definitive Agreements; and
- should it choose to do so in the future, New Telstra Corp will have freedom to undertake, following consultation with NBN Co but without requiring NBN Co consent, a transaction involving the disposal of securities in InfraCo Fixed, an issue of new securities by InfraCo Fixed, a demerger of InfraCo Fixed from the Telstra Group or an initial public offer (“IPO”) of InfraCo Fixed, provided:
 - in the case of disposal of securities or an issue of new securities, the acquirer or subscriber of the securities is an eligible investor⁴⁹ and New Telstra Corp retains control of InfraCo Fixed (i.e. continues to hold at least a 50.1% shareholding and economic interest in InfraCo Fixed and controls the ability to appoint InfraCo Fixed directors carrying a majority of voting rights);
 - in the case of a demerger, it is a full demerger or, if it is not a full demerger, New Telstra Corp retains control of the demerged InfraCo Fixed⁵⁰; or

⁴⁷ The Subscriber Agreement is the Definitive Agreement that deals with the disconnection of Telstra Corp’s copper and HFC networks as the nbn is rolled out.

⁴⁸ The Implementation and Interpretation Deed is the Definitive Agreement that contains common provisions which are incorporated into the other Definitive Agreements.

⁴⁹ An eligible investor for this purpose is a wholesale investor domiciled in a “Five Eyes country” and who meets certain other requirements including relating to asset size and business type. An eligible investor cannot be a carrier or carriage service provider as defined in the Telecommunications Act.

⁵⁰ In addition, if ASX is unwilling to allow restrictions on transfers and issues of securities in InfraCo Fixed after a partial demerger or listing which are equivalent to those which apply pre partial demerger or pre listing, New Telstra Corp must retain at least a 57.6% shareholding and economic interest in InfraCo Fixed following the partial demerger or IPO.



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- in the case of an IPO, New Telstra Corp retains control of InfraCo Fixed and, in addition, any subscriber of the securities who increases its interest in InfraCo Fixed and holds a 10% or greater interest in InfraCo Fixed as a result of the offer must be an eligible investor^{49,50}.

New Telstra Corp is not required to undertake any transaction in the future regarding InfraCo Fixed. New Telstra Corp may consider other potential transactions involving InfraCo Fixed following implementation of the Corporate Restructure which may require consent from NBN Co and other stakeholders.

The agreements with NBN Co are conditional on the ACCC Authorisation (which is required to enable Telstra Corp, ServeCo and NBN Co to give effect to the amended Definitive Agreements) coming into force.

Telstra Corp has also agreed that, on the basis of a favourable tax ruling from the ATO, it will issue a mandatory redeemable preference share to NBN Co on or around implementation of the Business Restructure Component. The purpose of issuing the mandatory redeemable preference shares is to ensure that the transactions involving InfraCo Fixed described above as requiring NBN Co consent under the agreements with NBN Co do not occur without that NBN Co consent.



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5 Evaluation of the Scheme

5.1 Summary

In Grant Samuel's opinion, the Scheme is in the best interests of Telstra Corp shareholders.

The Telstra Group is the largest telecommunications business in Australia, providing fixed and mobile telecommunications products and services in a competitive market to a range of retail, commercial and government customers. It also owns substantial critical telecommunications infrastructure that requires significant ongoing capital investment. Historically, the Telstra Group has operated in an integrated manner across its assets, products and services, although the infrastructure assets essentially support the Telstra Group's customer facing functions.

However, the environment in which the Telstra Group operates has changed materially over the last 30 years. The telecommunications industry is characterised by constant technological advances and an increasingly digital economy. The Telstra Group has also had to respond to substantial changes in industry structure (i.e. the nbn) and increasing competition, not only for its products and services but also from other infrastructure asset owners, as the role of telecommunications infrastructure has become more important and infrastructure assets have become more valuable because of their inherent characteristics. In this environment, it is in the Telstra Group's interests to evolve to remain relevant and to achieve its strategic goals and ambitions.

As an initial step, Telstra InfraCo was established in July 2018 and has operated as a separate infrastructure business unit within the Telstra Group since July 2019. The Scheme and the Additional Steps enhance this existing business structure, increasing the focus on capital intensive infrastructure and customer focused operations through establishing two separate legal entities, InfraCo Fixed and ServeCo, and formalising their commercial arrangements through medium or long term intercompany agreements.

The Scheme will have no impact on the business operations, strategy, capital management framework or Board and management of the Telstra Group. Shareholders⁵¹ will have the same number of shares in New Telstra Corp as they currently hold in Telstra Corp and New Telstra Corp shares will have the same dividend and voting rights as Telstra Corp shares. New Telstra Corp will continue to have the ability to pay fully franked dividends and the Scheme will have no impact on the accumulated franking credit balance or the extent to which the Telstra Group generates franking credits in the future. There will be no change in the Telstra Group's external debt as a result of the Scheme. In short, there is no impact on the economic interest of Telstra Corp shareholders⁵¹. However, the Scheme is an integral part of the Corporate Restructure, which arose as part of the Telstra Group's T22 Strategy. The Telstra Group's rationale for the Scheme is that it provides increased transparency for key businesses within the Telstra Group, increased focus on each business's operations and strategies and greater flexibility and optionality to realise value from the Telstra Group's fixed infrastructure assets over time and the potential to take advantage of future market conditions and opportunities that may arise.

The Scheme is not a "must do" transaction. The status quo would continue to offer shareholders a financially sound exposure to Australia's leading full service telecommunications company. However, Telstra Corp's ability to implement a value enhancing transaction (such as the Towers Transaction involving the sale of a 49% interest in Amplitel) is improved by the separation of the relevant infrastructure assets from the other assets and businesses of the Telstra Group to create a separate investable legal entity. The Towers Transaction, which created substantial value for Telstra Corp shareholders, was able to be completed without the need for a scheme of arrangement. However, the Towers Transaction was a substantially simpler transaction involving the transfer of a smaller number of assets and liabilities. A similar transaction involving the Telstra Group's fixed infrastructure assets would be more difficult due to

⁵¹ Other than ineligible foreign shareholders.



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the greater complexity of the InfraCo Fixed business and the nature of the long term arrangements between Telstra Corp and NBN Co. The Scheme is the most attractive of the alternatives available to Telstra Corp to separate the InfraCo Fixed and ServeCo businesses and will provide Telstra Corp with optionality to take advantage of future opportunities for its fixed infrastructure assets, while enabling it to focus on its customer facing businesses. It creates a more contemporary business model for the Telstra Group in an industry that has fundamentally changed and will continue to do so. If the Scheme is not approved and implemented, Telstra Corp will be in a suboptimal position to implement any future value enhancing opportunity that may arise in relation to its fixed infrastructure assets.

The potential benefits of the Scheme are not quantifiable in monetary terms. On the other hand, the Scheme has few disadvantages and risks, other than the remaining one-off costs (including stamp duty which is expected to be at least \$18 million) and immaterial incremental ongoing costs that will be incurred if the Scheme proceeds and certain implementation risks. While the risks associated with the Scheme cannot be disregarded, they are, for the most part, not outside the normal risks of any corporate restructuring transaction and most have mitigating factors that should minimise their impact.

The critical question is whether shareholders are likely to realise greater value over time if the Scheme is implemented than if the Telstra Group's current structure is maintained. The evaluation is essentially subjective. However, on balance, in Grant Samuel's view, the potential advantages of the Scheme outweigh the disadvantages and risks. While implementation of the Scheme is not a guarantee of future performance or of any value enhancing transaction, shareholders are ultimately likely to be better off if the Scheme proceeds.

5.2 Background

The environment in which the Telstra Group operates has changed materially in the 30 years since Telstra Corp was incorporated as a public company wholly owned by the Commonwealth. With technological advances and the importance of the digital economy ongoing trends in the telecommunications industry, the role of telecommunications infrastructure has become more important. In addition:

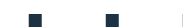
- the structure of the telecommunications industry has changed substantially. In particular, the Telstra Group no longer owns a national fixed line network. This element of the Telstra Group's fixed infrastructure has been transferred to, and replaced by, the Commonwealth owned nbn, with the Telstra Group becoming a retail customer of NBN Co along with its competitors; and
- there is increasing competition, not only in the products and services markets in which the Telstra Group operates, but also from other infrastructure asset owners, as critical telecommunications infrastructure assets have become more attractive and valuable. These telecommunications infrastructure asset owners include passive investors backed by major funds, such as:
 - Axicom, an independent provider of wireless infrastructure that owns, operates and manages a portfolio of approximately 2,000 towers in Australia. Axicom was recently acquired by Australian Tower Network (owned by AustralianSuper and Singtel). AustralianSuper also recently acquired a 70% interest in Optus' mobile telecommunications towers; and
 - the Symphony Consortium, a partnership comprising Stilmark (a developer and investor in telecommunications tower infrastructure in Australia), its shareholder ATN International, Inc. and OMERS Infrastructure, which was formed in November 2020 to jointly pursue opportunities in Australian telecommunications infrastructure. OMERS Infrastructure also recently acquired TPG's passive mobile and rooftop infrastructure and Stilmark.

These funds have access to extensive financial resources and because they invest only in infrastructure assets with secure, low risk cash flows, have lower required rates of return than a diversified telecommunications business such as the Telstra Group.



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These changes have had a fundamental impact on the economics for all participants in the telecommunications industry in terms of total income, margins, capital investment and required returns.

The rollout of the nbn alone will have resulted in an estimated aggregate \$3.5 billion recurring reduction in the Telstra Group's EBITDA once the migration substantially completes in FY22. Furthermore, while Telstra InfraCo owns a portfolio of scarce telecommunications infrastructure assets that provide steady, indexed cash flows secured by long term contracts and consistent and attractive returns, it operates at a disadvantage to its peers as it is:

- competing with participants in the capital intensive infrastructure sector that are passive asset owners focused on maximising the "yield" on assets (in contrast to the Telstra Group which predominantly utilises its telecommunications infrastructure assets within its own business and access and returns are competing priorities that need to be managed); and
- valued, as part of Telstra Corp, as a telecommunications company (with investors focused on short term returns) rather than an infrastructure investment (where investors have a long term investment horizon).

In this environment, it is in the Telstra Group's interests to evolve to remain relevant and to achieve its strategic goals and ambitions.

5.3 Advantages

The key advantage of the Scheme is the greater flexibility it will provide the Telstra Group to realise the value of its substantial infrastructure assets and take advantage of potential value enhancing opportunities, should it choose to do so in the future. Under its current structure, the Telstra Group's infrastructure assets, products and services are predominantly owned by Telstra Corp, albeit that Telstra InfraCo has operated as a separate infrastructure business unit within the Telstra Group since July 2019. Following implementation of the Scheme and the Additional Steps:

- InfraCo Fixed will be a separate legal entity that owns all of the Telstra Group's passive infrastructure assets (other than certain of its passive tower assets and international assets) and will be wholly owned by New Telstra Corp; and
- medium or long term intercompany agreements have been or will be put in place to formalise the commercial arrangements between InfraCo Fixed and ServeCo.

This structure should provide greater freedom to InfraCo Fixed to, for example, access business from third parties, attract potential infrastructure investors and establish a capital structure that is more aligned to its own capital requirements and its risk profile.

The Telstra Group has already demonstrated an ability to successfully realise value in its infrastructure assets and create value for shareholders under its current structure:

- as part of Pillar 4 of its T22 strategy, the Telstra Group has monetised over \$2.0 billion of assets over the period from FY19 to FY22, including the sale of a 49% interest in an unlisted property trust containing 36 fixed network sites (for \$700 million, representing a 4.4% capitalisation rate), the sale of a data centre in Clayton, Victoria (for \$416.7 million, representing a 4.25% capitalisation rate) and the sale of the Pitt Street Exchange, Sydney (for \$281.5 million, representing a 4.53% capitalisation rate). In each case, the Telstra Group entered into long term, triple-net leaseback arrangements; and
- the Towers Transaction, which was completed on 1 September 2021. The Towers Transaction occurred at an FY21 EBITDA multiple (after lease payments) of 28 times compared to Telstra Corp's trading EBITDA multiple (after lease payments, pre announcement of the Towers Transaction) of circa 8.7 times. Following announcement of the Towers Transaction on 30 June 2021, the Telstra Corp



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share price increased by 16 cents (4.4%) to close at \$3.76 (a \$1.9 billion increase in market capitalisation) on a day when the overall market was relatively flat.

However, these transactions have been piecemeal or opportunistic. In particular, Telstra Corp had flagged to the market that it intended to launch a process to monetise Amplitel during calendar year 2021. The process was accelerated following an approach by the consortium that provided a compelling rationale to progress the transaction ahead of schedule, including the price offered, the high calibre of the consortium members and the terms of the agreement (under which Telstra Group continued to own the active parts of the network). To continue to realise value in its infrastructure assets in this ad hoc manner would result in a complex corporate and capital structure for the Telstra Group, with a lack of clarity among various businesses and investments that have different business models, margins and levels of capital intensity.

The Scheme (if implemented) will result in the transfer of a very large number of assets and liabilities (including the transfer of a large number of existing customer and supply contracts) to ServeCo by order of the Court. This is the most practical and efficient way to transfer these assets and liabilities to a separate entity (leaving the fixed infrastructure assets in Telstra Corp, which will become InfraCo Fixed) and to establish New Telstra Corp as the head entity of the Telstra Group. In contrast, the establishment of Amplitel (outside the Scheme and without shareholder approval) was practically possible because it involved the transfer of a much smaller number of assets and liabilities.

In addition, in conjunction with the Scheme:

- legislative amendments have been enacted. The Telstra Corporation and Other Legislation Amendment Act amends legislation relating to Telstra Corp to ensure that the current obligations on the Telstra Group remain effective. It has been developed based on the principle of “regulatory equivalence” so that the regulatory obligations that currently fall on Telstra Corp also fall on the entities in the Telstra Group after implementation of the Corporate Restructure in substantially the same way. This legislative change is a key enabler of the Corporate Restructure; and
- Telstra Corp has negotiated agreements with NBN Co that provide Telstra Corp with additional certainty on its ability to undertake certain transactions involving InfraCo Fixed should it choose to do so in the future (including the disposal of securities, an issue of new securities, a demerger or an IPO) following consultation with NBN Co but without requiring NBN Co consent (provided certain conditions are satisfied). While the present arrangements with NBN Co include mechanisms for Telstra Corp to dispose of its underlying infrastructure, NBN Co has a range of protective rights to ensure that this does not occur without its knowledge and consent.

While future transactions involving Amplitel are unlikely given the importance to the Telstra Group of retaining control over critical infrastructure assets, the legal separation of InfraCo Fixed and ServeCo will assist to facilitate any future potential value enhancing transaction that may arise in relation to InfraCo Fixed (whether individual assets or InfraCo Fixed as a whole) in a more timely and efficient manner. Potential value enhancing opportunities for InfraCo Fixed identified by Telstra Corp include, but are not limited to, a sale or partial sale, a demerger or an initial public offer. Other potential value enhancing opportunities that have previously been considered or discussed for the Telstra Group’s fixed infrastructure assets include:

- unlocking the value in the recurring InfraCo Fixed passive income stream from NBN Co. This payment of around \$1 billion per year for continuing access to InfraCo Fixed’s fixed line infrastructure runs until at least 2046. Telstra Corp sought to securitise approximately 40% of this income stream in 2017 (representing the recurring income stream at that time). While the proposal was well received by equity and debt investors, Telstra Corp was unable to obtain the required technical consents from NBN Co. Although ultimately unsuccessful, this proposal highlighted the significant value of the Telstra Group’s telecommunications infrastructure; and



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- the flexibility to participate in any sale of NBN Co by the Commonwealth. The Commonwealth is not a long term owner of NBN Co (although the privatisation of NBN Co has been ruled out by the current government for the foreseeable future). However, any combination of the Telstra Group with NBN Co would require a more substantive separation of InfraCo Fixed from the Telstra Group (e.g. through a merger of InfraCo Fixed and NBN Co and the separation of the merged entity from the Telstra Group) to ensure that it did not create a vertically integrated fixed line infrastructure entity across the wholesale and retail networks.

The benefits of this greater flexibility should not be overstated. The Scheme does not provide any guarantee that a value enhancing transaction will occur and does not require the Telstra Group to undertake any transaction. No transaction is currently planned by the Telstra Group. Any transaction that involves NBN Co is unlikely to be in the short to medium term. Nonetheless, the greater flexibility that will result from the Scheme provides optionality and the ability to respond quickly to unfolding events and is a real benefit for the Telstra Group.

The Telstra Group anticipates additional benefits in terms of increased transparency of individual business performance, from the perspective of external investors and internal management and increased focus on each business’s strategy and business operations. In theory, this increased transparency and focus should be able to occur under the current structure:

- there is no change in management or the Board of New Telstra Corp as a result of the Scheme and the Boards of InfraCo Fixed and ServeCo comprise current key executives from the relevant businesses, so there is no additional oversight of InfraCo Fixed and ServeCo. Any benefits from the Scheme are likely to be incremental in that Telstra InfraCo already exists as a separate business with its own management (including its own CEO). The split of Telstra InfraCo into InfraCo Fixed and Amplitel should increase the focus on each business but this has already occurred and is not an outcome of the Scheme; and
- the market is already informed as to the performance of Telstra InfraCo (including separate reporting of Amplitel) and the Telstra Group has systems in place to monitor, report and manage the performance of its individual businesses. Management of the Telstra Group does not expect the structure of the operating segments (Consumer & Small Business, Enterprise, Networks & IT and Telstra InfraCo) to be impacted as a result of the implementation of the Scheme but does expect to revise its disclosure of InfraCo Fixed and Amplitel.

However, the reality is that the greater scrutiny from separate legal entities with formalised contractual arrangements and separate reporting should bring increased discipline on the management of InfraCo Fixed and ServeCo to execute their strategies and meet their performance expectations. Furthermore:

- the current legal structure with the majority of the Telstra Group’s business operations in the parent entity, Telstra Corp, creates complexities in the performance reporting process. The Scheme will enable the performance of InfraCo Fixed and ServeCo to be more easily monitored, reported and benchmarked; and
- while the performance disclosure will continue to be supporting material limited to total income, EBITDA (after leases) and assets (which are already disclosed), a benefit of the Scheme is that the reporting of the separate legal entities will be on a standalone basis (i.e. will reflect the costs of a standalone business operation through the intercompany agreements, including shared services). This disclosure will increase the comparability of the InfraCo Fixed and ServeCo businesses to their peers.

Overall, in Grant Samuel’s view, the individual advantages of the Scheme are not overwhelmingly compelling. They will not deliver any significant incremental short term value to shareholders. Even in the longer term, the key advantage of the Scheme may only realise value for shareholders in circumstances where a transaction involving InfraCo Fixed is successfully completed. Such circumstances may never



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eventuate. However, the Scheme does represent a sensible alignment of the Telstra Group's legal structure with its operating structure that will increase the Telstra Group's flexibility, should the opportunity arise, to realise the value of its substantial infrastructure assets in a more timely and effective manner. The advantages of the Scheme, while not quantifiable in monetary terms, are real and are not trivial.

5.4 Disadvantages and Risks

The disadvantages of the Scheme are not material. They primarily relate to the costs associated with implementation of the Scheme.

The Scheme will result in the Telstra Group incurring costs that it would not otherwise incur. These costs include the one-off costs associated with the Scheme and additional ongoing costs:

- the Telstra Group has estimated that the one-off costs associated with the Scheme are approximately \$126 million (excluding stamp duty which is expected to be at least \$18 million). These costs include incremental IT systems and process costs, adviser fees, the cost of the independent expert and costs associated with the Scheme meeting. Most of these costs (an estimated \$107 million)⁵² have already been incurred by the Telstra Group (or will be incurred by the time of the Scheme meeting) and so are not relevant to shareholders' consideration of the Scheme. Approval of the Scheme will result in incremental one-off costs of around \$18 million (excluding stamp duty); and
- the Telstra Group will incur incremental ongoing costs as a result of the Scheme. These are principally incremental costs associated with the administration of the new corporate structure and the key separate legal entities (e.g. additional reporting compliance and governance costs, maintaining additional IT systems, process changes etc). However, these costs are not expected to be material at around \$3 million per annum.

In the context of the scale of the Telstra Group and the potential benefits of the Scheme, the incremental costs associated with the Scheme (both one-off and ongoing) are immaterial.

There are also a number of risks associated with the Scheme and the Corporate Restructure. While these risks cannot be disregarded, they are, for the most part, not outside the normal risks of any corporate restructuring transaction and have mitigating factors that minimise their impact.

There is a risk that the Scheme will not become effective, even if it is approved by Telstra Corp shareholders and it receives Supreme Court approval, as there are a number of conditions precedent to implementation of the Scheme that remain outstanding at the date of this report. These conditions precedent are set out in Section 6.3 of the Scheme Booklet. However, a number of these conditions precedent can be waived (e.g. Telstra Corp obtaining all other authorisations or relief from third parties that it believes are necessary or desirable to implement the Scheme). Those that are not able to be waived are largely procedural. The key risk relates to the ACCC Authorisation, which may not be granted or could differ in some way from the draft determination issued by the ACCC on 14 July 2022 (which is in a form that is acceptable to both Telstra Corp and NBN Co). For example, the ACCC Authorisation could impose conditions on Telstra Corp and NBN Co that were not contemplated in the draft determination. If this situation was to arise and the conditions were not acceptable to Telstra Corp or NBN Co, the Scheme may not proceed.

In addition, certain provisions of the Telstra Corporation and Other Legislation Amendment Act already apply to the Telstra Group and will continue to apply even if the Scheme and the Additional Steps are not implemented (see footnote 46). These provisions may increase the costs and complexity for the Telstra

⁵² \$77 million incurred up to 30 June 2022 and an estimated \$30 million expected to be incurred in FY23 (up to the date of the Scheme meeting).



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Group in conducting its business⁵³ and satisfying its compliance and reporting obligations as well as increase the risk of non-compliance by the Telstra Group.

If the Scheme is implemented, the key risks include:

- the ability for some material customers of, and suppliers to, the Telstra Group to terminate or renegotiate the key terms of their contracts (e.g. because the contract is transferred to ServeCo or New Telstra Corp or the contract has other change of control consequences). Telstra Corp has commenced a program to contact customers and suppliers to advise them of the impact of the Scheme and has assessed the need to obtain consents from key suppliers and lessors. Discussions with third parties are well advanced and continuing. At the date of the Scheme Booklet, no consent from third parties is expected to be required to implement the Scheme and the Additional Steps;
- the potential impact on the Telstra Group's ability to share services received from third parties within the Telstra Group without the consent of the supplier. The Scheme will result in certain services contracts being transferred to ServeCo. There is a risk that InfraCo Fixed may no longer be able to benefit from those services and will be required to establish its own arrangements with the third party supplier, which could involve greater costs or otherwise be on adverse terms compared to the existing arrangements. Telstra Corp has commenced a program to contact these third party service providers and any necessary consents are in the process of being obtained. At the date of the Scheme Booklet, no major issues have been identified. Even if InfraCo Fixed is required to establish its own arrangements, any incremental cost would not be material in the context of the Telstra Group overall;
- unexpected issues and complications may arise during the implementation of changes to the Telstra Group's technology, management systems and processes that are necessary to reflect its new structure and the intercompany agreements. These issues and complications could have a material adverse impact on the performance of the Telstra Group. While this is a large and complex task, Telstra Corp has established a dedicated team to undertake the implementation program which is experienced and well resourced and includes third party assistance. There is also a detailed program in place which includes integrity checks;
- while ServeCo will be a separate legal entity, it will not have its own CEO. The Group Executives for Consumer & Small Business, Enterprise, Product & Technology, Global Business Services and Networks & IT will continue to be responsible for these parts of ServeCo's business operations. Andrew Penn (and following his retirement, Vicki Brady) will continue to have overall responsibility for the strategy and performance of ServeCo, but this role will be in addition to his/her role as CEO of New Telstra Corp, which also includes oversight of InfraCo Fixed and the Telstra Group's 51% interest in Amplitel. There is a risk that ServeCo does not get the additional attention it requires to take advantage of the potential benefits of the Scheme. However, the greater scrutiny from being a separate legal entity with formalised contractual arrangements and separate reporting should bring increased discipline on the management of ServeCo to execute its strategy and meet its performance expectations;
- the ongoing relationship between InfraCo Fixed and ServeCo will be governed by intercompany agreements (including ServeCo's access to InfraCo Fixed's infrastructure assets and InfraCo Fixed obtaining certain corporate and head office services from ServeCo). An inability to access these assets and services would have a material adverse impact on the respective businesses. This risk is mitigated by the fact that both entities are wholly owned by New Telstra Corp. Furthermore, the intercompany agreements will generally be medium or long term agreements, with limited ability to terminate (although in some cases the detail is to be agreed) and a dispute resolution and governance process to resolve any disputes that arise or details that cannot be agreed (with issues escalated to higher level

⁵³ Including reducing the number of potential acquirers if an interest in any of InfraCo Fixed, ServeCo or Amplitel was to be disposed of in the future, which may result in a lower consideration being received and the requirement for Amplitel to provide access to its towers to other carriers on request.



GRANT SAMUEL



committees and ultimately to the CEO, based on the level of impact). Changes to the intercompany agreements will only be binding if they are agreed in writing and signed by the parties; and

- stamp duty relief (see Section 5.6 for details):
 - while Telstra Corp has received rulings to confirm the availability of stamp duty relief, stamp duty relief, if formally applied for, will not be granted until after the Scheme has been implemented. If stamp duty relief is not applied for or not granted in one or more states or territories, implementation of the Scheme and the Additional Steps will attract additional stamp duty costs. Telstra Corp estimates that the up front stamp duty cost could be in excess of \$300 million. However, this is the usual basis on which rulings confirming the availability of stamp duty relief are received and Telstra Corp expects that, if applied for, stamp duty relief will be available in relation to the Scheme and the Additional Steps; and
 - even where stamp duty relief is formally applied for and granted, some states and territories may be entitled to revoke some or all of the stamp duty relief and stamp duty (plus interest and penalties) may become payable if InfraCo Fixed and ServeCo do not remain at least 90% owned and controlled by New Telstra Corp for period of at least three years post implementation (i.e. if there was a further restructure or transaction during this period). The amount of any stamp duty (plus interest and penalties) that could become payable would depend on that applicable stamp duty regime in any particular state or territory and the nature and timing of any further restructure or transaction and would be based on the amount of stamp duty for which relief is initially obtained. Telstra Corp estimates that the potential amount of stamp duty (including interest and penalties) that could become payable if the stamp duty relief was sought, granted and then subsequently revoked in all relevant states and territories could be in excess of \$400 million. This risk is within the control of New Telstra Corp and would be taken into account by the New Telstra Corp Board in determining whether to apply for stamp duty relief in relation to the Scheme and the Additional Steps or proceed with any further restructure or transaction. In this regard, while it is a risk associated with any potential realisation of value in InfraCo Fixed in the short term, it is not a direct risk associated with the Scheme.

Section 2.9 of the Scheme Booklet sets out a number of risks associated with the Scheme and the Corporate Restructure that have been identified by Telstra Corp. Shareholders should also consider these factors in making a decision on whether to vote in favour of the Scheme.

5.5 Alternatives

The Telstra Corp Board considered a number of alternatives to the Scheme, including:

- maintaining the current corporate structure; and
- alternative holding company structures where Telstra Corp remains as the head entity of the Telstra Group and:
 - InfraCo Fixed and ServeCo become subsidiaries of Telstra Corp⁵⁴; or
 - Telstra Corp remains the owner of the ServeCo business and InfraCo Fixed becomes a subsidiary of Telstra Corp⁵⁴.

These alternatives and the Scheme were assessed against Telstra Corp's objectives to:

- create a modern portfolio structure with the benefits of enhanced focus, increased transparency and greater flexibility and optionality for New Telstra Corp and its subsidiaries to realise value from the Telstra Group's fixed infrastructure assets; and

⁵⁴ Note that Amplitel is already a subsidiary of Telstra Corp. The Telstra Group's 51% interest in Amplitel is held through Amplitel HoldCo, a wholly owned subsidiary of Telstra Corp.



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- achieve this while limiting disruption to the Telstra Group's businesses, including its arrangements with NBN Co.

The Telstra Corp Board determined that the Scheme best achieves Telstra Corp's objectives, having regard to execution risk, long term flexibility and transaction costs.

5.6 Other Matters

Impact on Underlying Businesses

The Scheme will have no direct impact on the underlying businesses, strategy or capital management framework of the Telstra Group. The Telstra Group will continue to operate as Australia's leading full service telecommunications company. The Scheme will not result in any change to the Telstra Group's management team or Board and the Boards of InfraCo Fixed and ServeCo will comprise current key executives from the relevant businesses. While the composition of the Amplitel Board is different, this is a result of the sale of a 49% interest in Amplitel and is not an outcome of the Scheme.

Impact on Employees

The Scheme will have no material impact on the Telstra Group's employees. The majority of current employees working in the ServeCo business will be transferred to ServeCo and all executives (other than the CEO of Amplitel) will be transferred to New Telstra Corp. The remaining employees will stay employed by InfraCo Fixed.

Telstra Corp's enterprise agreements and employment policies provide certainty that there will be no overall disadvantage to employment terms and conditions if an employee is offered the same or a substantially similar role with a subsidiary. Consequently, employee remuneration will continue on the same, or substantially the same terms, amended to reflect the change in the employing entity.

Leave entitlements will be transferred to the new employing entity. Membership of the defined benefit superannuation scheme will continue for relevant employees. Defined benefit liabilities will be transferred to the new employing entity.

Impact on Dividends

The Scheme is not expected to impact the ability of New Telstra Corp to pay dividends relative to Telstra Corp.

While New Telstra Corp will not be an operating company and therefore will not generate cash from operations, InfraCo Fixed and ServeCo will be operating entities and will generate cash from their operations which will be available to pay cash dividends to New Telstra Corp.

As a result, New Telstra Corp will have accumulated profits and cash from which to pay dividends (and/or other capital distributions).

Historically, Telstra Corp has paid fully franked dividends to shareholders. New Telstra Corp will inherit the franking account balance of Telstra Corp and the Telstra Group will continue to generate the same level of franking credits. The Scheme is therefore not expected to impact the capacity of New Telstra Corp to frank dividends.

The Scheme is not expected to result in any change to the dividend policy of the Telstra Group which is to maximise fully franked dividends and seek to grow dividends over time. However, there can be no guarantee as to the amount or timing of future dividend payments by New Telstra Corp which will be subject to the discretion of the New Telstra Corp Board and will depend on, among other criteria, its financial position and capital requirements.

It is proposed that the final dividend for FY22 (scheduled to be paid on 22 September 2022) will be paid by Telstra Corp (not New Telstra Corp).



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If the Scheme becomes effective, New Telstra Corp intends to establish a DRP on substantially the same terms as the Telstra Corp DRP. Telstra Corp shareholders who participate in the Telstra Corp DRP will agree to participate in the New Telstra Corp DRP in the same manner and to the same extent as their current participation in the Telstra Corp DRP. Residual balances in the Telstra Corp DRP account of each participant will be paid by Telstra Corp to New Telstra Corp and applied under the New Telstra Corp DRP. The Telstra Corp DRP will operate for the final dividend for FY22.

Debt and Credit Ratings

Implementation of the Scheme is not expected to have any material impact on the Telstra Group's external debt financing arrangements and, as a result of the guarantees that it is proposed will be put in place, is not expected to have any material impact on the ability of the Telstra Group to continue to have sufficient access to debt financing and financial markets necessary to ensure continued liquidity for, and funding of, the Telstra Group's business operations (including during and after implementation of the Scheme).

The creditworthiness of the Telstra Group is expected to remain unchanged because the Corporate Restructure does not result in any significant change to its activities, business and financial metrics and policies and procedures. Since announcement of the proposed legal reorganisation in March 2021, there has been no change to Telstra Corp's ratings or outlook from its ratings agencies⁵⁵. Final ratings will be determined by the ratings agencies on completion of the Corporate Restructure.

Taxation Consequences

Telstra Corp and its Australian resident wholly owned entities are currently a tax consolidated group, with Telstra Corp as the parent entity. Telstra Corp applied for a private binding ruling from the ATO in respect of the Top Hat Component. Broadly, the private ruling confirmed that the tax consolidated group will continue to exist with New Telstra Corp as the head entity. As head entity, New Telstra Corp will inherit the tax attributes of Telstra Corp, including its franking account balance and carried forward capital losses.

While the Scheme and the Additional Steps could potentially crystallise a significant stamp duty liability, Telstra Corp has applied for, and received, rulings confirming the availability of stamp duty relief in each relevant jurisdiction other than Tasmania (which does not grant pre-transaction rulings).

Based on the rulings that have been received, Telstra Corp intends to apply for stamp duty relief and expects to pay a stamp duty cost in Victoria which is estimated by Telstra Corp to be at least \$18 million^{56,57}. Although rulings have not been received in Tasmania, Telstra Corp expects that, if it applies for relief, that relief will be available such that no stamp duty will be payable in Tasmania on implementation of the Scheme and the Additional Steps.

It should be noted that:

- as is usual, if stamp duty relief is applied for, it will not be formally granted until after the Scheme has been implemented. If relief is not applied for or granted, implementation of the Scheme and the Additional Steps will attract additional stamp duty costs; and
- where stamp duty relief is applied for and granted, the stamp duty regimes in certain states and territories include the ability for the stamp duty relief to be revoked in certain circumstances and additional costs (such as interest and penalties) may be incurred. In relation to the Business

⁵⁵ Including following the Towers Transaction. The Towers Transaction is not part of the Scheme but was announced on 30 June 2021 (after announcement of the Scheme) and completed on 1 September 2021 (prior to implementation of the Scheme).

⁵⁶ Stamp duty will be payable in Victoria as under the stamp duty regime in Victoria, the maximum relief that Telstra Corp is entitled to is a 90% reduction of the duty otherwise payable. All other states and territories which grant stamp duty relief allow for a 100% exemption from duty.

⁵⁷ This stamp duty estimate is based on the most recently available valuations of all of Telstra Corp's underlying assets at 31 December 2021 (or for Amplitel only, 31 August 2021). The actual stamp duty cost in Victoria will be based on the applicable values of Telstra Corp's assets when the Scheme is implemented and may be more than the estimate of \$18 million.



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Restructure Component and the Additional ServeCo Steps, some of those regimes require that InfraCo Fixed and ServeCo remain at least 90% owned and controlled by New Telstra Corp for a period of at least three years following implementation of the Business Restructure Component (although some states and territories apply a shorter timeframe).

The Scheme is not expected to give rise to any other capital gains tax or other tax related liability for Telstra Corp or New Telstra Corp.

Similarly, it is expected that the Scheme (specifically, the Top Hat Component) will have no adverse tax consequences for relevant Australian resident Telstra Corp shareholders⁵⁸. Australian resident shareholders account for approximately 80% of Telstra Corp's issued capital (on a beneficial shareholder basis). It is expected that the relevant Australian resident Telstra Corp shareholders will be eligible for rollover relief to defer the capital gains tax consequences of the capital gains tax events relating to the Top Hat Component. Telstra Corp has applied to the ATO for a class ruling regarding the Australian income tax consequences of the Top Hat Component for those Telstra Corp shareholders and expects that a final class ruling will be issued in the form sought shortly after implementation of the Top Hat Component.

Telstra Corp shareholders who are not residents of Australia and are not ineligible foreign shareholders should not generally be subject to Australian capital gains tax rules if they hold their shares on capital account and their Telstra Corp shares are not considered "taxable Australian property". The non-Australian taxation implications for non-Australian resident shareholders will depend on the country of domicile of the shareholders. Non-Australian residents (including ineligible foreign shareholders) should seek their own taxation advice in relation to the taxation impact of the Top Hat Component.

The analysis set out above outlines the major tax consequences of the Scheme and should be viewed as indicative only. It does not purport to represent formal tax advice regarding the taxation consequences of the Scheme. Further details on the taxation consequences of the Scheme for Australian resident shareholders are set out in Section 5 of the Scheme Booklet. In any event, the tax consequences for shareholders will depend on their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

Ineligible Foreign Shareholders

Ineligible foreign shareholders will cease to hold their Telstra Corp shares and will not receive New Telstra Corp shares under the Scheme. The New Telstra Corp shares they would otherwise have been entitled to receive will be issued to a sale nominee and sold through a sale facility. Ineligible foreign shareholders will receive the proceeds from the sale of those New Telstra Corp shares. Ineligible foreign shareholders may also be required to pay tax on any profit on that disposal (in their country of residence). However:

- the New Telstra Corp shares will be sold for market value;
- the ineligible shareholder can acquire New Telstra Corp shares through the ASX following its listing if it wishes to retain an exposure to the Telstra Group; and
- shareholders representing less than 0.1% of Telstra Corp's issued shares are expected to be impacted by these provisions.

⁵⁸ Relevant Australian resident Telstra Corp shareholders are those that did not acquire their Telstra Corp shares under an employee share plan, are not temporary residents of Australia (as defined in the *Income Tax Assessment Act 1997* (Cth)), hold their Telstra Corp shares on capital account, as trading stock or revenue assets for tax purposes and are not subject to the taxation of financial arrangements rules set out in the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Telstra Corp shares.



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5.7 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Scheme is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Telstra Corp.

In any event, the decision whether to vote for or against the Scheme is a matter for individual shareholders based on each shareholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the Scheme, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Telstra Corp or New Telstra Corp. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.



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6 Qualifications, Declarations and Consents

6.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 575 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD and Stephen Wilson MCom (Hons) CA SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters and is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

6.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Scheme is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Telstra Corp shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Telstra Corp and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

Grant Samuel has had no involvement in Telstra Corp's due diligence investigation in relation to the Scheme Booklet and does not accept any responsibility for the completeness or reliability of the process which is the responsibility of Telstra Corp.

6.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with the Telstra Group or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel had no part in the formulation of the Scheme or any other aspect of the Corporate Restructure. Its only role has been the preparation of this report and a separate independent expert's report on whether the Business Restructure Component materially prejudices the interests of creditors in Telstra Corp.

Grant Samuel will receive a fixed fee of \$625,000 for the preparation of these reports. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the reports will be reimbursed. Grant Samuel will receive no other benefit for the preparation of the reports.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.



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6.4 Declarations

Telstra Corp has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving negligence, wilful misconduct or fraud by Grant Samuel. Telstra Corp has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Telstra Corp are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent, engaged in wilful misconduct or fraudulent Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Telstra Corp and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft reports. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the draft reports.

6.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to shareholders of Telstra Corp. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

6.6 Other

The accompanying letter dated 23 August 2022 forms part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

23 August 2022

Grant Samuel & Associates



Annexure B

Independent Limited Assurance Report



Ernst & Young Strategy and Transactions Limited
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23 August 2022

The Board of Directors
Telstra Corporation Limited
Level 41, 242 Exhibition Street,
Melbourne, Victoria, 3000

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Telstra Corporation Limited (“Telstra”, together with its related bodies corporate, “Telstra Group”) to report on the historical financial information and pro forma historical financial information of the Telstra Group for inclusion in the scheme booklet dated 23 August 2022 (“Scheme Booklet”) to be issued by Telstra in connection with the proposed restructure of the Telstra Group, being a scheme of arrangement (the “Scheme”) proposed to be made between Telstra and Telstra shareholders which will be implemented to establish a new structure with Telstra Group Limited (“New Telstra Corp”) as the head entity of the Telstra Group (the “Top Hat Component”) and to separate the Telstra Group’s operating and infrastructure businesses into separate subsidiaries and to transfer certain assets and liabilities from InfraCo Fixed to New Telstra Corp (the “Business Restructure Component”).

Expressions and terms defined in the Scheme Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Strategy and Transactions Limited (“Ernst & Young Strategy and Transactions”) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Jo Barker is a Director and Representative of Ernst & Young Strategy and Transactions. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following historical financial information of the Telstra Group:

- the historical consolidated statement of financial position as at 30 June 2022 as set out in Table 4.1 of Section 4.4 of the Scheme Booklet;
- the historical consolidated income statements for the financial years ended 30 June 2021 and 30 June 2022 as set out in Table 4.2 of Section 4.5 of the Scheme Booklet (“Historical Income Statements”); and

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- the historical consolidated statements of cash flows for the financial years ended 30 June 2021 and 30 June 2022 as set out in Table 4.3 of Section 4.6 of the Scheme Booklet (“Historical Statements of Cash Flows”).

(hereafter the “Historical Financial Information”).

The Historical Financial Information has been derived from the respective consolidated financial statements of the Telstra Group for the financial years ended 30 June 2021 and 30 June 2022, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these consolidated financial statements.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards (“AAS”).

Pro Forma Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma historical financial information of the Telstra Group:

- the pro forma historical consolidated income statements for the financial years ended 30 June 2021 and 30 June 2022 as set out in Table 4.2 of Section 4.5 of the Scheme Booklet; and
- the pro forma historical consolidated statements of cash flows for the financial years ended 30 June 2021 and 30 June 2022 as set out in Table 4.3 of Section 4.6 of the Scheme Booklet.

(hereafter the “Pro Forma Historical Financial Information”, and together with the Historical Financial information, the “Financial Information”).

The Pro Forma Historical Financial Information has been derived from the Historical Income Statements and Historical Statements of Cash Flows of the Telstra Group, and adjusted for the effects of pro forma adjustments described in Sections 4.5 and 4.6 of the Scheme Booklet.

The Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS other than that it includes certain adjustments which have been prepared in a manner consistent with AAS that reflect the exclusion of certain transactions that occurred in the relevant periods.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Telstra Group’s actual or prospective financial performance and/ or cash flows.

The 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*.

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3. Directors' Responsibility

The directors of Telstra are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

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*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Telstra Group comprising:

- the historical consolidated statement of financial position as at 30 June 2022 as set out in Table 4.1 of Section 4.4 of the Scheme Booklet;
- the historical consolidated income statements for the financial years ended 30 June 2021 and 30 June 2022 as set out in Table 4.2 of Section 4.5 of the Scheme Booklet; and
- the historical consolidated statements of cash flows for the financial years ended 30 June 2021 and 30 June 2022 as set out in Table 4.3 of Section 4.6 of the Scheme Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Scheme Booklet.



Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Telstra Group comprising:

- the pro forma historical consolidated income statements for the financial years ended 30 June 2021 and 30 June 2022 as set out in Table 4.2 of Section 4.5 of the Scheme Booklet; and
- the pro forma historical consolidated statements of cash flows for the financial years ended 30 June 2021 and 30 June 2022 as set out in Table 4.3 of Section 4.6 of the Scheme Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.2 of the Scheme Booklet.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2 of the Scheme Booklet, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Strategy and Transactions has consented to the inclusion of this limited assurance report in the Scheme Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Strategy and Transactions does not have any interests in the outcome of the Scheme other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

Ernst & Young Strategy and Transactions Limited

Jo Barker
Director and Representative



23 August 2022

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT
LIMITED ASSURANCE REPORT**

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Strategy and Transactions

Ernst & Young **Strategy and Transactions Limited** (“Ernst & Young Strategy and Transactions” or “we,” “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.



4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$160,600 (inclusive of GST).

Ernst & Young Strategy and Transactions is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Strategy and Transactions, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Strategy and Transactions and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Strategy and Transactions, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days



of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

9. Compensation Arrangements

Ernst & Young and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Ernst & Young's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Ernst & Young satisfy the requirements of section 912B of the Corporations Act 2001.

<p>Contacting Ernst & Young Strategy and Transactions Limited</p> <p>AFS Compliance Manager</p> <p>Ernst & Young</p> <p>200 George Street</p> <p>Sydney NSW 2000</p> <p>Telephone: (02) 9248 5555</p>	<p>Contacting the Independent Dispute Resolution Scheme:</p> <p>Australian Financial Complaints Authority Limited</p> <p>GPO Box 3</p> <p>Melbourne, VIC 3001</p> <p>Telephone: 1800 931 678</p>
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This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.

Annexure C

Scheme of Arrangement

Pursuant to sections 411 and 413 of the *Corporations Act 2001* (Cth)

Telstra Corporation Limited (ACN 051 775 556) (“**Scheme Company**”)
 Each person registered as a holder of Telstra Shares at 7:00pm on the Record Date (“**Scheme Participants**”)
 Each company listed in Schedule 1 (“**Transferee Companies**”)

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Parties	Scheme Company, Scheme Participants and Transferee Companies	
Scheme Company	Name	Telstra Corporation Limited
	ACN	051 775 556
	Address	Level 41, 242 Exhibition Street, Melbourne, Victoria 3000 Australia
Scheme Participant	Each person registered as a Telstra Shareholder at 7:00pm on the Record Date	
Transferee Companies	Each company listed in Schedule 1	
Recitals	A	The Scheme Company is currently the Ultimate Holding Company of the Telstra Group and the Telstra Shares are quoted on ASX.
	B	Each Scheme Participant is a member of the Scheme Company.
	C	The Telstra Shares held by each Scheme Participant are valuable property of that shareholder.
	D	Each Transferee Company is currently a wholly-owned direct or indirect Subsidiary of the Scheme Company.
	E	E In accordance with the Scheme and the Manual Restructure Documents, the following are proposed to be implemented as part of a restructure involving the Scheme Company, the Telstra Shareholders and the Transferee Companies: (a) the Top Hat Arrangement; (b) the Top Hat Manual Transfers; (c) the Employee Transfer and the Executive Transfer; (d) the Business Restructure Arrangement; and (e) the ServeCo Manual Transfers, (together, the “Restructure”).

Recitals (continued)	F	The Scheme Company proposes a scheme of arrangement under section 411 and section 413 of the Corporations Act between the Scheme Company and the Scheme Participants pursuant to which: (a) under the Top Hat Arrangement, New Telstra Corp (as Transferee Company) will be interposed as a new parent company between the Scheme Company and the Eligible Shareholders; and (b) under the Business Restructure Arrangement: i. (ServeCo Scheme Assets) the ServeCo Scheme Assets of the Scheme Company will be transferred to and vested in ServeCo (as Transferee Company) without the need for any further act or deed; ii. (ServeCo Scheme Liabilities) the ServeCo Scheme Liabilities of the Scheme Company will be transferred to and become Liabilities of ServeCo (as Transferee Company) without the need for any further act or deed; iii. (Transferring Litigation) the proceedings identified in the Transferring Litigation List pending by or against the Scheme Company will be continued by or against ServeCo (as Transferee Company); iv. (Top Hat Scheme Assets) the Top Hat Scheme Assets of the Scheme Company will be transferred to and vested in New Telstra Corp (as Transferee Company) without the need for any further act or deed; and v. (Top Hat Scheme Liabilities) the Top Hat Scheme Liabilities of the Scheme Company will be transferred to and become Liabilities of New Telstra Corp (as Transferee Company) without the need for any further act or deed.
	G	Subject to and conditional upon the Top Hat Arrangement first being implemented (or in the case of the Employee Transfer, the Scheme becoming Effective), the Scheme Company, the Transferee Companies and other Telstra Group entities intend to enter into the Manual Restructure Documents to which they are a party to give effect to the Top Hat Manual Transfers, the Employee Transfer, the Executive Transfer and the ServeCo Manual Transfers (together “Manual Restructure Steps”). The Manual Restructure Steps are not part of the Scheme and will take place pursuant to the Manual Restructure Documents.
	H	The Scheme Company and each Transferee Company have entered into the Implementation Deed under which they have agreed to, amongst other things, implement the terms of the Scheme and undertake the Manual Restructure Steps.
	I	This document sets out the terms of the Scheme subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved by the Scheme Company.

General Terms

1 | Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ACCC means the Australian Competition and Consumer Commission.

ACMA means the Australian Communications and Media Authority.

Amplitel means Amplitel Pty Ltd (formerly known as Telstra TowerCo No. 1 Pty Ltd) (ACN 648 133 073) as trustee for the Towers Business Operating Trust, or as the context requires, the Towers Business Operating Trust.

Amplitel Business means the business and assets transferred under the Towers Business Sale Agreement.

Amplitel HoldCo means Telstra TowerCo No. 2 Pty Ltd (ACN 648 133 297).

ASIC means the Australian Securities and Investments Commission.

ASIC Relief means an exemption or declaration granted by ASIC which gives relief from certain requirements of the Corporations Act.

Assets means real and personal property (including “property” as that term is defined in section 413(4) of the Corporations Act) and any interest in such property, wherever located, whether tangible or intangible, and extends to:

- (a) any part of the business or undertaking of a body corporate;
- (b) choses in action, including rights under any contract or other arrangement;
- (c) any Authorisation; and
- (d) any other things capable of being owned, transferred or otherwise dealt with,

and including any such property and interest which comprises “Collateral” in respect of a “Security Interest” (as those terms are defined in the PPSA).

ASX means ASX Limited or Australian Securities Exchange, as appropriate.

ATO means the Australian Tax Office.

Authorisation means:

- (a) an authorisation, right, consent, declaration, exemption, notarisation, permit, benefit, licence, approval, clearance or waiver, however it is described; and/or
- (b) in relation to anything that could be prohibited or restricted by law or regulation if a Government Agency acts in any way within a specific period, the expiry of that period without that action being taken,

including any renewal or amendment.

Business Day means a day on which banks are open for general banking business in Melbourne, Victoria, Australia (not being a Saturday, Sunday or public holiday in that place).

Business Restructure Arrangement means the arrangement under which:

- (a) the ServeCo Scheme Assets, ServeCo Scheme Liabilities and proceedings identified in the Transferring Litigation List will be transferred from the Scheme Company to ServeCo; and
- (b) the Top Hat Scheme Assets and the Top Hat Scheme Liabilities will be transferred from the Scheme Company to New Telstra Corp,

each as described in clause 8 of this document.

Business Restructure Implementation Time means 00:01am on 1 January 2023 or such other time as determined by the Scheme Company (and approved by the Court, if necessary).

Cboe means Cboe Australia Pty Ltd or the market operated by it, as the context requires.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Ltd (ABN 49 008 504 532).

Claim means:

- (a) any allegation, claim, demand, cause of action, chose in action, litigation, liability, proceeding, declaration or order, inquiry, investigation or prosecution (whether based in contract, tort, statute, equity or otherwise) of any nature including by a Government Agency, involving either party,
- (b) whether or not the claim was commenced or made (but not resolved), or the events giving rise to it occurred, prior to, or after the Business Restructure Implementation Time.

Corporations Act means the *Corporations Act 2001* (Cth) and a reference to the Corporations Act or a provision of it includes that reference or provision as modified by applicable ASIC Relief.

Court means the Supreme Court of New South Wales.

Effective means, in respect of the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) and 413(1) of the Corporations Act, but in any event at no time before an office copy of the orders of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Eligible Foreign Jurisdictions are expected to include Belgium, British Virgin Islands, Canada, People's Republic of China, Denmark, Finland, Germany, Hong Kong (institutional shareholders and Restricted Share holders only), Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Netherlands, New Zealand, Norway, Philippines, Singapore, Spain, Sweden, South Africa, South Korea, Switzerland, United Arab Emirates, United Kingdom, United States (noting that these jurisdictions are subject to change without notice and no assurance can be given that Foreign Shareholders in any of the jurisdictions listed in that section will ultimately be able to participate in the Scheme).

Eligible Foreign Shareholder means each Foreign Shareholder on the Record Date who has a Registered Address:

- (a) in an Eligible Foreign Jurisdiction; or
- (b) in another foreign jurisdiction and the Scheme Company is reasonably satisfied that the issue of New Telstra Corp Shares to that Foreign Shareholder is not prohibited, not unduly onerous and not impracticable.

Eligible Shareholder means the Scheme Participants (other than Ineligible Foreign Shareholders) and the Sale Nominee (in respect of the Ineligible Telstra Shares).

Employee Transfer means the transfer of certain employees from the Scheme Company to ServeCo through an offer and acceptance process.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any “security interest” as defined in sections 12(1) or (2) of the PPSA, or any agreement to create any of them or allow them to exist.

End Date means the date that is 9 months after the date of the Implementation Deed or such other date as determined by the parties to the Implementation Deed.

Excluded Assets are:

- (a) the InfraCo Fixed Assets;
- (b) Amplitel Holdco and the assets of the Amplitel Business;
- (c) the Top Hat Assets;
- (d) Telstra International and the Telstra International Assets;
- (e) any employment contracts of the Scheme Company;
- (f) any policies of insurance and related instruments;
- (g) vehicle novated lease agreements between the Scheme Company, the relevant finance company and employees;
- (h) any fixtures attached to land, if that fixture is on land that is not a ServeCo Asset; and
- (i) any other assets as determined by the Scheme Company prior to the Second Court Date.

Executive Transfer means the transfer of Executives from the Scheme Company to New Telstra Corp pursuant to contractual arrangements.

Executives means employees of the Scheme Company who hold senior management positions (at Band C and above).

Foreign Shareholder means a Telstra Shareholder whose Registered Address is in any jurisdiction other than Australia.

Government Agency means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity in any part of the world and includes ASX, ASIC, ATO, ACCC and ACMA.

Implementation Deed means the Implementation Deed between the Scheme Company and the Transferee Companies in relation to the Restructure, as amended from time to time.

Ineligible Foreign Shareholder means a Foreign Shareholder at 7:00pm on the Record Date who is not an Eligible Foreign Shareholder.

Ineligible New Telstra Corp Shares means each New Telstra Corp Share which an Ineligible Foreign Shareholder is ineligible to receive, and which are instead issued to the Sale Nominee, under the terms of this Scheme.

Ineligible Telstra Shares means each Telstra Share in respect of which an Ineligible Foreign Shareholder is ineligible to receive New Telstra Corp Shares under the terms of this Scheme.

Information means information (including Personal Information) or data regardless of its Material Form.

InfraCo Fixed Assets means those assets of the Scheme Company immediately before the Business Restructure Implementation Time that are:

- (a) described in Schedule 6 of the Implementation Deed as InfraCo Fixed Assets;
 - (b) assets owned by the InfraCo Fixed Subsidiaries;
 - (c) any other assets not identified in Schedule 6 of the Implementation Deed but which the Scheme Company determines, prior to the Second Court Date, are required for the InfraCo Fixed Business; or
 - (d) the InfraCo Fixed Business Goodwill,
- but excluding assets of the Amplitel Business and the Telstra International Assets.

InfraCo Fixed Business means the passive infrastructure asset business undertaken by the “InfraCo” business unit of the Scheme Company immediately before the Business Restructure Implementation Time that comprises:

- (a) the **nbn** Services Business; and
 - (b) the business of designing, constructing, operating, maintaining, relocating and rationalising/decommissioning:
 - (i) passive fibre networks; and
 - (ii) ducts, pits, poles, tunnels, certain fixed network sites and structures (including data centres); and
 - (c) ownership of infrastructure assets including the Telstra copper and HFC networks,
- but excludes the Amplitel Business and the Telstra International Business.

InfraCo Fixed Business Goodwill means the goodwill of the InfraCo Fixed Business.

InfraCo Fixed Infrastructure Assets means the InfraCo Fixed Assets described in clause 3 of Schedule 6 of the Implementation Deed.

InfraCo Fixed Liabilities means the Liabilities of the Scheme Company that arise before the Business Restructure Implementation Time, and which are specified as being InfraCo Fixed Liabilities in Schedule 8 of the Implementation Deed.

InfraCo Fixed Subsidiaries has the meaning set out in the Implementation Deed.

Intellectual Property Rights means all intellectual property rights including current and future registered and unregistered rights in respect of copyright, rights in designs, circuit layouts, trade marks, rights in Information including know-how and confidential information, patents, rights in inventions, discoveries, trade and business names, rights to sue for passing off or for unfair competition, and domain names and all other intellectual property as defined in article 2 of the convention establishing the World Intellectual Property Organisation 1967, whether registered or unregistered and including all applications for, and renewals, extensions or revivals of, such rights for their full term.

Liabilities means all liabilities (including “liabilities” as that term is defined in section 413(4) of the Corporations Act) howsoever arising and whether present, unascertained, immediate, future or contingent, including (without limitation):

- (a) any ‘liabilities’ within the meaning in section 413(4) of the Corporations Act;
- (b) any liability to a Government Agency or any other person; and
- (c) any liability under any potential or future Claims (whether civil, regulatory or otherwise) which have not yet commenced but for which the cause of action has accrued or the injury or event that may lead to a cause of action accruing has occurred or will occur in the future.

Manual Restructure Documents means:

- (a) the Top Hat Manual Transfer Deed and associated documents;
- (b) the documents required to effect the Employee Transfer;
- (c) the documents required to effect the Executive Transfer; and
- (d) the ServeCo Manual Transfer Deed and associated documents.

Material Form includes any form (whether visible or not) of storage from which reproductions can be made.

nbn Services Business means the obligations and rights of, and services provided by, the Scheme Company under the **nbn** contracts which are InfraCo Fixed Assets as listed in Schedule 6 of the Implementation Deed.

New Telstra Corp means Telstra Group Limited (ACN 650 620 303).

New Telstra Corp Constitution means the constitution of New Telstra Corp.

New Telstra Corp Deed Poll means the deed poll under which New Telstra Corp covenants in favour of each Eligible Shareholder and each Ineligible Foreign Shareholder to perform acts attributed to it under the Scheme, signed on or about the date of the Implementation Deed.

New Telstra Corp Share means a fully paid ordinary share in the capital of New Telstra Corp.

Personal Information has the meaning given in the Privacy Act 1988 (Cth).

PPSA means the *Personal Property Securities Act 2009* (Cth).

Pre-existing Telstra Data means all Information relating to the business, assets, liabilities, customers, or suppliers of the Scheme Company (including all of its business units or functions) that was created by or on behalf of, or was in the possession or control of, the Scheme Company, immediately before the Business Restructure Implementation Time.

Pre-existing Telstra IP means all the Intellectual Property Rights owned by or licensed to the Scheme Company immediately before the Business Restructure Implementation Time.

Record Date means the second Business Day following the Effective Date, or such other date as determined by the Scheme Company (and approved by the Court, if necessary).

Registered Address means, in relation to a Telstra Shareholder, the Telstra Shareholder’s address in the Telstra Share Register.

Registry means Link Market Services Limited (ACN 083 214 537).

Related Body Corporate has the meaning it has in the Corporations Act, but as if each reference to “body corporate” includes a proprietary company, a partnership or a trust.

Relevant Sale Facility Consideration means, in relation to each Ineligible Foreign Shareholder, an amount equal to the average price at which the Ineligible New Telstra Corp Shares are sold by the Sale Nominee under the Sale Facility, multiplied by the corresponding number of Ineligible New Telstra Corp Shares of that Ineligible Foreign Shareholder (subject to rounding to the nearest whole cent or, if the amount calculated is exactly half a cent, subject to rounding down to the nearest whole cent).

Restricted Share means Telstra Shares held by Telstra Growthshare Pty Ltd as trustee of the Telstra Growthshare Trust (which is used to operate Telstra’s employee equity plans) on behalf of a participant for the duration of a restriction period during which they cannot be traded and are subject to forfeiture if the participant ceases employment with the Telstra Group for certain non-permitted reasons.

Restructure has the meaning provided in Recital E of this document.

Sale Facility means the facility to be established and implemented by the Scheme Company under which Ineligible New Telstra Corp Shares issued to and held by the Sale Nominee are sold on ASX or Cboe in accordance with clause 6 of this Scheme.

Sale Facility Account means the account established by the Sale Nominee in its own name, into which the Sale Nominee must deposit the gross sale proceeds received in respect of the Ineligible New Telstra Corp Shares.

Sale Nominee means the entity appointed by the Scheme Company to act as the Sale Facility nominee under this Scheme.

Sale Period means the 20 Business Day period commencing on the date on which the New Telstra Corp Shares commence trading on ASX on a normal (T+2) settlement basis.

Scheme means the scheme of arrangement proposed to be made under Part 5.1 of the Corporations Act under which the Top Hat Arrangement and the Business Restructure Arrangement will occur, the terms of which are set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved by the Scheme Company.

Scheme Company means Telstra Corporation Limited (ACN 051 775 556).

Scheme Meeting means the meeting of the Telstra Shareholders convened by order of the Court in relation to this Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.

Scheme Participant means each person registered as a Telstra Shareholder at 7:00pm on the Record Date, and **Scheme Participants** means all of them.

Second Court Date means the day on which the Court makes orders pursuant to sections 411(4)(b) and 413(1) of the Corporations Act approving the Scheme, including the Section 413 Orders.

Section 413 Orders means the Court orders in respect of the Business Restructure Arrangement, made in accordance with section 413 of the Corporations Act.

ServeCo means Telstra Limited (ACN 086 174 781).

ServeCo Assets has the meaning it has in the Implementation Deed.

ServeCo Business means the entire business of the Scheme Company and its Subsidiaries immediately before the Business Restructure Implementation Time, including:

- (a) the retail business of providing fixed, data, mobility, wireless, entertainment and ancillary services and products to retail, government and enterprise customers;
- (b) the Telstra Wholesale Business;
- (c) the business of Telstra Health Pty Ltd (ACN 163 077 236) and its Subsidiaries;
- (d) the business of Telstra Energy (Holdings) Pty Ltd (ACN 644 977 908) and its Subsidiaries; and
- (e) the Telstra Purple Business, but excluding:
 - (f) the InfraCo Fixed Business;
 - (g) the Amplitel Business; and
 - (h) the Telstra International Business.

ServeCo Business Goodwill means the goodwill of the ServeCo Business.

ServeCo Manual Transfer Deed means the deed giving effect to the ServeCo Manual Transfers.

ServeCo Manual Transfers means the transfer of certain Assets and Liabilities from the Scheme Company and Telstra Holdings Pty Ltd to ServeCo and Telstra Purple Pty Ltd pursuant to the ServeCo Manual Transfer Deed.

ServeCo Scheme Assets means the Assets that are moving from the Scheme Company to ServeCo pursuant to the Scheme, being the ‘ServeCo Scheme Assets’ as described in Schedule 2, and any other assets which the Scheme Company determines, prior to the Second Court Date, are ServeCo Scheme Assets.

ServeCo Scheme Liabilities means the Liabilities that are moving from the Scheme Company to ServeCo pursuant to the Scheme, being the ‘ServeCo Scheme Liabilities’ as described in Schedule 2, and any other Liabilities which the Scheme Company determines, prior to the Second Court Date, are ServeCo Scheme Liabilities.

Subscription Form means a duly completed and executed proper instrument of subscription for the New Telstra Corp Shares, which may be a master subscription form.

Subsidiary of an entity has the meaning given to that term in the Corporations Act, but also includes:

- (a) a partnership in which the entity has, in aggregate, a direct or indirect interest of over 50% in the partnership, or which is controlled by the entity; and
- (b) a trust in which the entity has, in aggregate, a direct or indirect interest of over 50% of the issued units of the trust.

Telstra means the Scheme Company.

Telstra Constitution means the constitution of the Scheme Company as adopted at the Scheme Company’s 2020 annual general meeting.

Telstra Group means:

- (a) prior to the Top Hat Arrangement Implementation Date, the Scheme Company and its Related Bodies Corporate; and
- (b) following the Top Hat Arrangement Implementation Date, New Telstra Corp and its Related Bodies Corporate.

Telstra International means Telstra International Holdings Pty Ltd (ACN 648 133 475).

Telstra International Assets means certain assets, more particularly described in the Implementation Deed as “Telstra International Assets”, including assets within the following categories:

- (a) assets and share interests;
- (b) assets of any member of the Telstra International Group;
- (c) contracts associated with the Telstra International Group; and
- (d) intellectual property and data relating to the Telstra International Group.

Telstra International Business means the business of the Telstra Group of providing international services using the Telstra International Assets.

Telstra International Group means the group of companies comprising Telstra International and Telstra Holdings Pty Ltd and their respective subsidiaries as at the Business Restructure Implementation Time, excluding any entities transferring to ServeCo as set out in Schedule 2 of the Implementation Deed.

Telstra Purple Business means the “Telstra Purple” business of the Scheme Company immediately before the Business Restructure Implementation Time, including the businesses of Telstra Purple Pty Ltd, Epicon Software Pty Ltd, Epicon IT Solutions Pty Ltd (and its Subsidiary) Telstra Broadcast Services Pty Ltd, Acqura Technologies Pty Ltd and Alliance Automation Pty Ltd, but excluding Company 85 Ltd.

Telstra Share means a fully paid ordinary share in the capital of the Scheme Company.

Telstra Share Register means the register of members of the Scheme Company maintained pursuant to the Corporations Act.

Telstra Shareholder means a person registered as a holder of Telstra Shares at the relevant time in the Telstra Share Register.

Telstra Wholesale Business means the wholesale business and functions (including the provision of active services and passive infrastructure services) undertaken by the “Telstra Wholesale” business unit of the Scheme Company immediately before the Business Restructure Implementation Time, but excluding the supply of passive infrastructure services under the Telstra Wholesale Passive Only Contracts, and the Telstra International Business.

Telstra Wholesale Passive Only Contracts means all wholesale customer contracts of the Scheme Company that were in existence immediately before the Business Restructure Implementation Time under which the customer only acquires access to InfraCo Fixed Infrastructure Assets immediately before the Business Restructure Implementation Time.

Top Hat Arrangement means the arrangement under which all the Telstra Shares are proposed to be transferred to New Telstra Corp and New Telstra Corp Shares are proposed to be issued to Eligible Shareholders, in accordance with the terms set out in this document.

Top Hat Arrangement Implementation Date means 31 October 2022 or such other date as determined by the Scheme Company and approved by the Court, if necessary.

Top Hat Assets means:

- (a) the Assets the subject of the Top Hat Manual Transfers; and
- (b) the Top Hat Scheme Assets.

Top Hat Contracts means certain contracts, more particularly described in the Implementation Deed as “Top Hat Contracts” including contracts in the following categories:

- (a) banking services agreements;
- (b) operational treasury contracts;
- (c) financing contracts;
- (d) power purchase agreements; and
- (e) contracts in relation to prior sale and acquisitions of certain businesses.

Top Hat Data means Pre-existing Telstra Data that principally relates to:

- (a) ownership or membership of the entities identified in column 3 of Schedule 2 of the Implementation Deed as transferring via the Top Hat Manual Transfers; or
 - (b) the Top Hat Contracts,
- including employment related information in respect of Executives.

Top Hat IP means Pre-existing Telstra IP that principally relates to:

- (a) ownership or membership of the entities identified in column 3 of Schedule 2 of the Implementation Deed as transferring via the Top Hat Manual Transfers;
- (b) the Top Hat Contracts; or
- (c) the Top Hat Data.

Top Hat Manual Transfer Deed means the deed giving effect to the Top Hat Manual Transfers.

Top Hat Manual Transfers means the transfer of certain Assets and Liabilities from the Scheme Company to New Telstra Corp pursuant to the Top Hat Manual Transfer Deed.

Top Hat Scheme Assets means the Assets that are moving from the Scheme Company to New Telstra Corp pursuant to the Scheme, being the ‘Top Hat Scheme Assets’ as described in Schedule 2, and any other assets which the Scheme Company determines, prior to the Second Court Date, are Top Hat Scheme Assets.

Top Hat Scheme Liabilities means the Liabilities that are moving from the Scheme Company to New Telstra Corp pursuant to the Scheme, being the ‘Top Hat Scheme Liabilities’ as described in Schedule 2 and any other Liabilities which the Scheme Company determines, prior to the Second Court Date, are Top Hat Scheme Liabilities.

Towers Business Sale Agreement means the Business Sale and Purchase Deed between the Scheme Company and Amplitel dated 30 June 2021.

Transfer Form means a duly completed and executed proper instrument of transfer for Telstra Shares for the purpose of section 1071B of the Corporations Act, which may be a master transfer form.

Transferee Company means each entity set out in column 1 of Schedule 1.

Transferring Litigation means all proceedings pending by or against the Scheme Company that are identified in the Transferring Litigation List.

Transferring Litigation List means the ‘Transferring Litigation List’ as described in Schedule 2.

Ultimate Holding Company has the meaning provided in section 9 of the Corporations Act.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement, deed or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions;
- (e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and a Government Agency or any other entity or organisation;
- (f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Melbourne, Victoria time;

(h) a reference to “**law**” includes common law, principles of equity and legislation (including regulations);

(i) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;

(j) a reference to “**regulations**” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations); and

(k) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day.

2 | Preliminary

2.1 Scheme Company

Telstra:

- (a) is the Scheme Company;
- (b) is a public company limited by shares and incorporated in Australia;
- (c) is a “Part 5.1 body” (as that term is defined in the Corporations Act);
- (d) is admitted to the official list of ASX and Telstra Shares are officially quoted on the official list of ASX; and
- (e) is currently the Ultimate Holding Company of the Telstra Group.

2.2 Transferee Company

Each Transferee Company:

- (a) is a public company limited by shares;
- (b) is incorporated in Australia;
- (c) is a “Part 5.1 body” (as that term is defined in the Corporations Act); and
- (d) is a member of the Telstra Group.

2.3 Implementation Deed

The Scheme Company acknowledges that the Scheme, the Top Hat Manual Transfers, the Employee Transfer, the Executive Transfer and the ServeCo Manual Transfers will be implemented at the times and in the order described in the Implementation Deed.

3 | Conditions precedent

3.1 Conditions precedent to the Scheme

The Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all of the conditions precedent set out in clause 3.1 of the Implementation Deed (other than the condition precedent set out in clause 3.1(b) (Court approval) of the Implementation Deed) having been satisfied or waived (other than those conditions precedent which cannot be waived) in accordance with the terms of the Implementation Deed;

(b) the Court having approved the Scheme, with or without any alteration or condition, pursuant to section 411(4)(b) of the Corporations Act and the Court having made all required orders under section 413(1) of the Corporations Act, and if applicable, the Scheme Company having approved any alteration or condition made or required by the Court under section 411(6) of the Corporations Act.

3.2 Certificate in relation to conditions precedent

The Scheme Company must provide to the Court on the Second Court Date a certificate confirming (in respect of matters within its knowledge) whether or not all of the conditions precedent set out in clause 3.1 (other than the condition precedent in clause 3.1(b)) have been satisfied or waived as at 8.00am on the Second Court Date.

The certificate referred to in this clause 3.2 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 (other than the condition precedent in clause 3.1(b)) have been satisfied or waived as at 8:00am on the Second Court Date.

3.3 End Date

The 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 has been terminated in accordance with its terms.

3.4 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 are satisfied, the Scheme Company must lodge with ASIC:

- (a) in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving the Scheme as soon as reasonably practicable, and in any event by no later than 5:00pm on the first Business Day after the day on which the Court approves the Scheme or such later time as the Scheme Company determines; and
- (b) in accordance with section 413(3) of the Corporations Act an office copy of the Court order under section 413(1) of the Corporations Act as soon as reasonably practicable, and in any event by no later than 5:00pm on the first Business Day after the day on which the Court grants the order under section 413(1) of the Corporations Act or such later time as the Scheme Company determines.

4 | Top Hat Arrangement

4.1 Transfer to Sale Nominee

(a) After the Record Date and prior to the Top Hat Arrangement Implementation Date, all of the Ineligible Telstra Shares together with all rights and entitlements attaching to those Ineligible Telstra Shares will be transferred to the Sale Nominee without the need for any further act by any Ineligible Foreign Shareholder (other than acts performed by the Scheme Company (or its directors or officers) as attorney and agent for the Ineligible Foreign Shareholders).

- (b) The Scheme Company must procure that the Sale Nominee accepts the transfer of Ineligible Telstra Shares under clause 4.1(a) by immediately executing the Transfer Form as transferee and delivering it to the Scheme Company for registration.
- (c) In order to give effect to the transfer of Ineligible Telstra Shares under clause 4.1(a), the Scheme Company will:
- (i) as attorney and agent for each Ineligible Foreign Shareholder, execute the Transfer Form, which was previously duly completed and executed by the Sale Nominee, to transfer all Ineligible Telstra Shares to the Sale Nominee; and
 - (ii) register the transfer of Ineligible Telstra Shares and enter the name of the Sale Nominee in the Telstra Share Register in respect of all Ineligible Telstra Shares transferred under clause 4.1(a).

4.2 Transfer to New Telstra Corp

Following the transfers set out in clause 4.1 and after the provision of New Telstra Corp Shares in the manner contemplated in clause 5:

- (a) on the Top Hat Arrangement Implementation Date, all of the Telstra Shares held by Eligible Shareholders together with all rights and entitlements attaching to those Telstra Shares will be transferred to New Telstra Corp without the need for any further acts by any Eligible Shareholder (other than the acts performed by the Scheme Company (or its directors or officers) as attorney and agent for the Eligible Shareholders);
- (b) the Scheme Company must procure that New Telstra Corp accepts the transfer of Telstra Shares under clause 4.2(a) by immediately executing the Transfer Form as transferee and delivering it to the Scheme Company for registration;
- (c) in order to give effect to the transfer of Telstra Shares under clause 4.2(a), the Scheme Company will:
 - (i) as attorney and agent for each Eligible Shareholder execute the Transfer Form, which was previously duly completed and executed by New Telstra Corp, to transfer all Telstra Shares held by the Eligible Shareholders to New Telstra Corp; and
 - (ii) as soon as possible following receipt of the Transfer Form, register the transfer of Telstra Shares and enter the name of New Telstra Corp in the Telstra Share Register in respect of all Telstra Shares transferred under clause 4.2(a).

4.3 Scheme Participants' agreements

Each Scheme Participant agrees to the transfer of all of their Telstra Shares together with all rights and entitlements attaching to those Telstra Shares in accordance with this Scheme and agrees to any variation, cancellation or modification of their rights constituted by or resulting from this clause 4.

4.4 Scheme Participants' warranties

Each Scheme Participant is taken to have warranted to the Scheme Company and New Telstra Corp (and in the case of an Ineligible Foreign Shareholder, to the Sale Nominee), and appointed and authorised the Scheme Company as its attorney and agent to warrant to New Telstra Corp (and in the case of an Ineligible Foreign Shareholder, to the Sale Nominee), that:

- (a) the Telstra Shares transferred under this clause 4 will be transferred free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Telstra Shares (including any rights and entitlements attaching to those Telstra Shares) under the Top Hat Arrangement.

The Scheme Company will hold as attorney and agent of each Scheme Participant the benefit of such warranties for New Telstra Corp (and in the case of an Ineligible Foreign Shareholder, for the Sale Nominee).

4.5 Title and rights in Telstra Shares

- (a) The Telstra Shares transferred under this clause 4 will be transferred free from all Encumbrances.
- (b) The Sale Nominee will be beneficially entitled to the Ineligible Telstra Shares transferred to it under this clause 4 pending registration by the Scheme Company of the Sale Nominee in the Telstra Share Register as a registered holder of Telstra Shares.
- (c) New Telstra Corp will be beneficially entitled to the Telstra Shares transferred to it under this clause 4 pending registration by the Scheme Company of New Telstra Corp in the Telstra Share Register as a registered holder of Telstra Shares.

5 | New Telstra Corp Shares

5.1 Subscribing for New Telstra Corp Shares

- (a) In consideration for the transfer of Telstra Shares under clause 4.2(a), each Eligible Shareholder will be entitled to receive 1 New Telstra Corp Share for every 1 Telstra Share transferred under the Top Hat Arrangement.
- (b) The Scheme Company, as attorney and agent for each Eligible Shareholder, will apply for the number of New Telstra Corp Shares to be issued to that Eligible Shareholder under the Top Hat Arrangement.
- (c) On the Top Hat Arrangement Implementation Date, and before the transfer set out in clause 4.2 occurs, in order to apply for the issue of New Telstra Corp Shares under clause 5.1(b), the Scheme Company will, as attorney and agent for each Eligible Shareholder, duly complete and execute the Subscription Form in respect of all the New Telstra Corp Shares to be issued under the Top Hat Arrangement to the Eligible Shareholders.
- (d) Each Eligible Shareholder:
 - (i) accepts the New Telstra Corp Shares under the Top Hat Arrangement; and
 - (ii) agrees to become a member of New Telstra Corp and be bound by the New Telstra Corp Constitution.

5.2 Issue of New Telstra Corp Shares

- (a) On the Top Hat Arrangement Implementation Date, and before the transfer set out in clause 4.2 occurs, in consideration for the transfer of Telstra Shares to New Telstra Corp, the Scheme Company must procure that New Telstra Corp:
 - (i) issues the New Telstra Corp Shares to each Eligible Shareholder as it is entitled under the Top Hat Arrangement;
 - (ii) enters the name and address of each Eligible Shareholder in the New Telstra Corp members register in respect of the New Telstra Corp Shares to which it is entitled under the Top Hat Arrangement; and
 - (iii) ensures that each such New Telstra Corp Share is duly and validly issued in accordance with all applicable laws and the New Telstra Corp Constitution.
- (b) In the case of Telstra Shares held in joint names, the New Telstra Corp Shares to be issued under the Top Hat Arrangement must be issued to and registered in the names of the joint holders.
- (c) The entitlement of the Ineligible Foreign Shareholders under the Top Hat Arrangement is satisfied by the Scheme Company providing the New Telstra Corp Shares to which the Ineligible Foreign Shareholder would have been entitled (had they been determined to be eligible) to the Sale Nominee, and the Sale Nominee and the Scheme Company complying with the Sale Facility provisions under clause 6.

5.3 Status of New Telstra Corp Shares

- (a) New Telstra Corp Shares issued to Eligible Shareholders under the Top Hat Arrangement will rank equally in all respects with any existing New Telstra Corp Shares.
- (b) On issue, each New Telstra Corp Share issued to Eligible Shareholders will be fully paid and free from any Encumbrance.
- (c) New Telstra Corp must use all reasonable endeavours to ensure that New Telstra Corp Shares issued for the Top Hat Arrangement are before the commencement of trading on the day after the Effective Date, quoted for trading on ASX on a deferred settlement basis.

5.4 Acknowledgement regarding New Telstra Corp Shares

Each Eligible Shareholder agrees and acknowledges that, after the issue of New Telstra Corp Shares under the Top Hat Arrangement, the New Telstra Corp Shares they hold will represent that number of New Telstra Corp Shares equal to:

- (a) for a Scheme Participant (other than an Ineligible Foreign Shareholder), the number of Telstra Shares they held on the Record Date; and
- (b) for the Sale Nominee, the number of Ineligible Telstra Shares held by Ineligible Foreign Shareholders on the Record Date.

5.5 Despatch of holding statements

As soon as practicable after the Top Hat Arrangement Implementation Date, New Telstra Corp must send a certificate or holding statement (or equivalent document) to the registered address of each Eligible Shareholder representing the number of New Telstra Corp Shares that Eligible Shareholder holds pursuant to the Top Hat Arrangement.

6 | Top Hat Arrangement Sale Facility

6.1 Appointment

The Scheme Company must, prior to the Top Hat Arrangement Implementation Date, appoint the Sale Nominee and must procure that the Sale Nominee performs all acts attributed to it under the Top Hat Arrangement and does any other thing necessary to give effect to the Sale Facility under this clause 6.

6.2 Disposal of Consolidated New Telstra Corp Shares

The Scheme Company will enforce its contractual rights against the Sale Nominee to require that:

- (a) as soon as is reasonably practicable after the Top Hat Arrangement Implementation Date, the Sale Nominee sells the Ineligible New Telstra Corp Shares in such manner, at such prices and at such times as the Sale Nominee determines in good faith, with the objectives of:
 - (i) achieving the best price for the Ineligible New Telstra Corp Shares that is reasonably obtainable at the time of the relevant sale; and
 - (ii) ensuring all sales of the Ineligible New Telstra Corp Shares are effected in the ordinary course of trading on ASX or Cboe during the Sale Period;
- (b) the Sale Nominee promptly deposits (or procures the deposit of) the gross sale proceeds received in respect of the Ineligible New Telstra Corp Shares into the Sale Facility Account;
- (c) once all the Ineligible New Telstra Corp Shares are sold, the Sale Nominee advises the Registry of the completion of the sale of the Ineligible New Telstra Corp Shares, the total gross sale proceeds received in respect of Ineligible New Telstra Corp Shares and the average price received for each Ineligible New Telstra Corp Share; and
- (d) once settlement of the sale of all the Ineligible New Telstra Corp Shares has occurred, and in no case later than 2 Business Days thereafter, the Sale Nominee transfers the total gross sale proceeds received in the Sale Facility Account to New Telstra Corp or the Registry on trust for the Ineligible Foreign Shareholders.

6.3 Update by the Registry

The Scheme Company must procure that the Registry:

- (a) following receipt of information from the Sale Nominee in accordance with clause 6.2(c), calculates the Relevant Sale Facility Consideration for each Ineligible Foreign Shareholder; and
- (b) no later than 5 Business Days after the Sale Nominee has transferred the total gross sale proceeds received in the Sale Facility Account in accordance with paragraph 6.2(d), arranges in respect of each Ineligible Foreign Shareholder for payment of the Relevant Sale Facility Consideration by either:
 - (i) dispatching by mail to the registered address of that Ineligible Foreign Shareholder a cheque or bank draft of the Relevant Sale Facility Consideration for that Ineligible Foreign Shareholder payable in Australian dollars (provided that, in the case of Ineligible Foreign Shareholders who are joint holders of Telstra Shares, the cheque will be made payable to the joint holders and sent to the holder whose name appears first in the Telstra Share Register as at 7:00pm on the Record Date); or

- (ii) making an electronic funds transfer in Australian dollars to an account nominated by that Ineligible Foreign Shareholder for the purposes of the Sale Facility or the payment of distributions by the Scheme Company.

6.4 Relevant Sale Facility Consideration

- (a) Each Ineligible Foreign Shareholder agrees that the payment of the Relevant Sale Facility Consideration is a full discharge of the obligations of the Scheme Company under this clause 6.
- (b) Each Ineligible Foreign Shareholder agrees that their entitlement to the Relevant Sale Facility Consideration is subject to compliance with applicable law (including on conduct of the Sale Facility and remittance of funds).

7 | Dealings in Telstra Shares

7.1 Determination of identity

To establish the identity and addresses of the Scheme Participants, dealings in Telstra Shares 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 Telstra Share Register as the holder of the relevant Telstra Shares on or before 7:00pm on the Record Date; and
- (b) in all other cases, registrable applications or transfers in registrable form in respect of those dealings are received by the Registry on or before 5:00pm on the Record Date.

7.2 Telstra Share Register

- (a) The Scheme Company must register any registrable transmission applications or transfers of Telstra Shares received in accordance with clause 7.1(b) on or before 5:00pm on the Record Date.
- (b) If the Scheme becomes Effective, a person registered as a holder of Telstra Shares at 5:00pm on the Record Date (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Telstra Shares or any interest in them after 5:00pm on the Record Date.
- (c) The Scheme Company will not accept for registration or recognise for any purpose any transmission, application or transfer in registrable form or other request in respect of Telstra's Shares received after 5:00pm on the Record Date, or received prior to such time but not in registrable or actionable form (except a transfer to the Sale Nominee or New Telstra Corp pursuant to clause 4 and any subsequent transfer by New Telstra Corp or its successors in title).
- (d) For the purpose of determining entitlements to the New Telstra Corp Shares, the Scheme Company will maintain the Telstra Share Register in accordance with the provisions of this clause 7.2 and, following the registration of the transfer of the Ineligible Telstra Shares from Ineligible Foreign Shareholders to the Sale Nominee and the entry of the name of the Sale Nominee in the Telstra Share Register referred to in clause 4.1(c), the Telstra Share Register in this form will solely determine entitlements to the New Telstra Corp Shares.

- (e) Any statements of holding in respect of Telstra Shares will cease to have effect after 7:00pm on the Record Date as documents of title in respect of those Telstra Shares (other than statements of holding in favour of New Telstra Corp and its successors in title). After 7:00pm on the Record Date, each entry current on the Telstra Share Register as at 7:00pm on the Record Date (other than entries in respect of New Telstra Corp or its successors in title) will cease to have effect except as evidence of entitlement to the New Telstra Corp Shares.
- (f) As soon as possible on or after the Record Date, and in any event within 2 Business Days after the Record Date, the Scheme Company will ensure that details of the names, registered addresses and Telstra Shareholdings for each Scheme Participant as shown in the Telstra Share Register as at the Record Date are available to New Telstra Corp in the form New Telstra Corp reasonably requires.

7.3 Quotation of Telstra Shares

- (a) The Telstra Shares will only trade on ASX until the close of trading on ASX on the Effective Date.
- (b) As soon as practical after the Top Hat Arrangement Implementation Date, the Scheme Company will apply for termination of the official quotation of the Telstra Shares on ASX.

8 | Business Restructure Arrangement

8.1 Overview

Subject to clause 3.1, with effect from the Business Restructure Implementation Time and by virtue of the orders of the Court under sections 411(4)(b) and 413(1) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act), each of the following steps will occur in the order set out below:

- (a) (**ServeCo Scheme Assets**) the ServeCo Scheme Assets of the Scheme Company will be transferred to and vested in ServeCo without the need for any further act or deed;
- (b) (**ServeCo Scheme Liabilities**) the ServeCo Scheme Liabilities of the Scheme Company will be transferred to and become Liabilities of ServeCo without the need for any further act or deed;
- (c) (**Transferring Litigation**) the Transferring Litigation pending by or against the Scheme Company will be continued by or against ServeCo without the need for any further act or deed;
- (d) (**Top Hat Scheme Assets**) the Top Hat Scheme Assets of the Scheme Company will be transferred to and vested in New Telstra Corp without the need for any further act or deed; and
- (e) (**Top Hat Scheme Liabilities**) the Top Hat Scheme Liabilities of the Scheme Company will be transferred to and become Liabilities of New Telstra Corp without the need for any further act or deed.

8.2 ServeCo Scheme consideration

ServeCo will pay consideration for the transfers effected to it by the Business Restructure Arrangement in such form as agreed with the Scheme Company.

8.3 Top Hat Scheme consideration

New Telstra Corp will pay consideration for the transfers effected to it by the Business Restructure Arrangement in such form as agreed with the Scheme Company.

8.4 Right to specify ServeCo or ServeCo Subsidiary

At any time prior to the Second Court Date, ServeCo may, by notice in writing to the Scheme Company, nominate a direct or indirect wholly owned subsidiary of ServeCo to be the Transferee Company for any part of the ServeCo Scheme Assets, ServeCo Scheme Liabilities or proceedings in the Transferring Litigation List.

8.5 Period between Effective Date and Implementation

The ServeCo Scheme Assets, ServeCo Scheme Liabilities, proceedings in the Transferring Litigation List, Top Hat Scheme Assets and Top Hat Scheme Liabilities include all such Assets and Liabilities in those categories which arise or come into existence in the period between the Effective Date and the Business Restructure Implementation Time except as the Scheme Company determines otherwise.

9 | Scheme binds parties and steps to perfect title

9.1 Scheme binds parties

- (a) The Scheme will bind the Scheme Company and Scheme Participants.
- (b) Each Scheme Participant approves the Scheme and:
 - (i) consents to the Scheme and any rights that it may have in connection with the Scheme at law (including under the Telstra Constitution); and
 - (ii) waives any rights it may otherwise have as against the Scheme Company in connection with the Scheme.

9.2 Steps to perfect title under the Business Restructure Arrangement

As from the Business Restructure Implementation Time, and by virtue of the orders of the Court, each Transferee Company and each of its directors and duly authorised signatories may sign all documents and do all things:

- (a) required to be done by the Scheme Company to complete or perfect the transfer of the ServeCo Scheme Assets, ServeCo Scheme Liabilities, proceedings in the Transferring Litigation List, Top Hat Scheme Assets and Top Hat Scheme Liabilities of the Scheme Company described in clause 8.1 (including updating registrations on any register maintained by or on behalf of any Government Agency); or
- (b) in any other way necessary, desirable or incidental to the transactions contemplated by the Scheme.

Each Scheme Participant and the Scheme Company consents to and approves the powers and authorities given in this clause 9.2.

10 | Effective Date and Implementation Times

10.1 Effective Date

The Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

10.2 Implementation Time

- (a) The Top Hat Arrangement will be implemented on the Top Hat Arrangement Implementation Date.
- (b) The Business Restructure Arrangement will be implemented at the Business Restructure Implementation Time.

11 | General

11.1 Power of attorney

From the Top Hat Arrangement Implementation Date, each Eligible Shareholder and each Ineligible Foreign Shareholder, without the need for any further act, irrevocably appoints the Scheme Company and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) enforcing the New Telstra Corp Deed Poll against New Telstra Corp; and
- (b) executing any document or doing or taking any other act, necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it, including (without limitation) executing the transfer of Telstra Shares.

The Scheme Company as attorney and agent of each Eligible Shareholder and each Ineligible Foreign Shareholder, may sub-delegate its functions, authorities or powers under this clause 11.1 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

11.2 Instructions

Binding instructions or notifications between an Eligible Shareholder and the Scheme Company relating to Telstra Shares or an Eligible Shareholder's status as a Scheme Participant (including, without limitation, any instructions relating to payment of dividends or communications from the Scheme Company) will (to the extent permitted by law), from the Record Date, be deemed by reason of the Scheme to be similarly binding instructions or notifications to, and accepted by, New Telstra Corp in respect of the New Telstra Corp Shares issued to the Eligible Shareholder until those instructions or notifications are, in each case, revoked or amended in writing addressed to New Telstra Corp or the Registry. Each Eligible Shareholder agrees that the Scheme Company holds the benefit of this clause 11.2 for New Telstra Corp.

11.3 Instructions, authorisations and notifications to New Telstra Corp in relation to the Scheme Company's dividend reinvestment plan

Without limiting clause 11.2, except for a Telstra Shareholder's tax file number, each binding instruction, authorisation or notification between a Telstra Shareholder and the Scheme Company relating to any election with respect to participation in the Scheme Company's dividend reinvestment plan will, from the Record Date, be deemed, by reason of the Scheme to be a similarly binding instruction, authorisation or notification to, and be accepted by, New Telstra Corp in respect of the New Telstra Corp Shares issued to Telstra Shareholders until that instruction or notification is revoked or amended in writing addressed to New Telstra Corp. Any outstanding balances in a Telstra Shareholder's Scheme Company dividend reinvestment plan account will be transferred to that Scheme Participant's New Telstra Corp dividend reinvestment plan account under this Scheme.

11.4 Notices

Notices and other communications in connection with this document must be in writing. They must be sent to the address referred to in Schedule 1 or the Details (as applicable) or if the intended recipient has notified changed contact details, then they must be sent to the changed contact details.

11.5 Variations, alterations and conditions

If the Court proposes to approve the Scheme subject to any alterations or conditions, the Scheme Company may, by its counsel or solicitor, consent on behalf of all persons concerned to any variations, alterations or conditions provided that in no circumstances will the Scheme Company be obliged to do so.

11.6 Further acts by the Scheme Company

The Scheme Company must do all things and execute all documents (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to give full effect to the Scheme and the transactions contemplated by it.

11.7 Authority and acknowledgement

Each Scheme Participant:

- (a) irrevocably consents to the Scheme Company doing all things necessary or expedient for or incidental to the implementation of the Scheme; and
- (b) acknowledges that the Scheme binds the Scheme Company and each Scheme Participant (including those who did not attend the Scheme Meeting, did not vote at that meeting or voted against the Scheme at that meeting).

11.8 No liability when acting in good faith

Neither the Scheme Company nor any of its officers will be liable for anything done or omitted to be done in the performance of the Scheme in good faith.

11.9 Enforcement of New Telstra Corp Deed Poll

The Scheme Company undertakes in favour of each Eligible Shareholder and each Ineligible Foreign Shareholder to enforce the New Telstra Corp Deed Poll on behalf of and as agent and attorney for each Eligible Shareholder and each Ineligible Foreign Shareholder.

11.10 Stamp duty

In respect of the Scheme:

- (a) the Scheme Company must pay or reimburse all stamp duty, registration fees and similar taxes payable (including any fees, fines, penalties and interest in connection with any of these amounts) to a Government Agency in Australia in connection with the Top Hat Arrangement; and
- (b) subject to clause 11.10(a), ServeCo must pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable (including any fees, fines, penalties and interest in connection with any of those amounts) to a Government Agency in Australia in connection with the Business Restructure Arrangement (unless otherwise agreed between the Scheme Company, New Telstra Corp and ServeCo).

11.11 Constitution

Each party acknowledges that the Scheme binds the Scheme Company and the Scheme Participants and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of the Scheme Company.

11.12 Governing law and jurisdiction

The law in force in Victoria, Australia governs the Scheme and, to the extent the law permits, all matters in connection with the Scheme including any non-contractual matters. The parties submit to the non-exclusive jurisdiction of the courts of that place.

Schedule 1 Transferee Companies

1	2	3	4	5
Name	ACN	Formed in	Address	Relevant arrangement(s)
Telstra Group Limited	650 620 303	Victoria	Level 41, 242 Exhibition Street Melbourne, Victoria 3000 Australia	Top Hat Arrangement and Business Restructure Arrangement
Telstra Limited	086 174 781	Victoria	Level 41, 242-282 Exhibition Street Melbourne, Victoria 3000 Australia	Business Restructure Arrangement

Schedule 2

Business Restructure Arrangement

1 | ServeCo Scheme Assets

All of the assets of the Scheme Company immediately before the Business Restructure Implementation Time, including:

- (a) certain assets within the following categories, more particularly described in Schedule 7 of the Implementation Deed:
- (i) equity interests and other interests in subsidiaries or memberships of foundations, boards and associations;
 - (ii) real property and land-based assets, including those identified in a transferring property schedule confirmed and initialled by an authorised representative of the Scheme Company, and provided to the Court prior to the Second Court Date;
 - (iii) infrastructure assets;
 - (iv) contractual rights;
 - (v) regulatory authorisations;
 - (vi) inventory and stock;
 - (vii) intellectual property and data;
 - (viii) IT systems;
 - (ix) fleet assets;
 - (x) goodwill; and
 - (xi) other assets; and
- (b) the ServeCo Business Goodwill,
- but excluding the Excluded Assets and the Assets the subject of the ServeCo Manual Transfers.

2 | ServeCo Scheme Liabilities

All Liabilities of the Scheme Company arising in respect of the period prior to the Business Restructure Implementation Time, including the Liabilities of ServeCo specified in column 2 of Schedule 8 to the Implementation Deed, which includes certain liabilities within the following categories:

- (a) Liability to certain customers, dealers, distributors, channel partners, suppliers;
- (b) Liability under contracts transferring to ServeCo;
- (c) Liability for certain Claims by former or current employees of the Scheme Company;

- (d) Liability to native title parties or under cultural heritage laws arising in relation to ServeCo Assets;
 - (e) Liability in respect of public liability Claims arising in relation to ServeCo Assets;
 - (f) Liability in respect of certain categories of disputes or Claims;
 - (g) Liabilities under certain regulatory authorisations, obligations and undertakings including Liabilities imposed by government agencies and regulators;
 - (h) Liabilities under certain Court orders and undertakings and associated instruments; and
 - (i) Liability for Claims arising under any legislation (including regulations) or common law,
- but excluding the InfraCo Fixed Liabilities, the Top Hat Scheme Liabilities and any Liabilities arising from the Telstra International Associated Agreements.

3 | Transferring Litigation List

The litigation schedule confirmed and initialled by an authorised representative of the Scheme Company, and provided to the Court prior to the Second Court Date.

4 | Top Hat Scheme Assets

The Assets comprising:

- (a) the Top Hat Contracts;
- (b) the Top Hat Data;
- (c) the Top Hat IP; and
- (d) any other assets specified as such in the Implementation Deed.

5 | Top Hat Scheme Liabilities

Any Liabilities of the Scheme Company arising under or in relation to the Top Hat Scheme Assets in respect of the period prior to the Business Restructure Implementation Time, including Liabilities under subpoenas, warrants, national security and law enforcement notices that concern employee information of Executives, and any other liabilities specified as such in the Implementation Deed.

Annexure D

Notice of Scheme Meeting

Notice of Scheme Meeting

By order of the Supreme Court of New South Wales made on 23 August 2022 pursuant to section 411(1) of the Corporations Act, a meeting of holders of ordinary shares in Telstra Corporation Limited will be held on Tuesday 11 October 2022 at the Hilton Sydney Ballroom, Level 3, 488 George Street, Sydney and using the online platform provided by Link Market Services, meetings.linkgroup.com/TLSScheme22. The Scheme Meeting will be held following Telstra's 2022 Annual General Meeting and will not commence before 12:30pm (Sydney time).

The purpose of the Scheme Meeting is to consider the Scheme described in the Scheme Booklet of which this notice forms part. The Scheme Booklet includes the explanatory statement required by section 412(1) of the Corporations Act in connection with the Scheme.

The Supreme Court of New South Wales has directed that Mr John Mullen act as Chairman of the Scheme Meeting or, failing him, Mr Craig Dunn, and has directed the Chairman of the Scheme Meeting to report the result of the Scheme Meeting to the Supreme Court of New South Wales.

Terms used in this notice have the same meaning as set out in the Glossary in the Scheme Booklet, unless indicated otherwise.

Business of the meeting

The business of the meeting is to consider and, if thought fit, to pass the following resolution:

“That, pursuant to, and in accordance with section 411 of the Corporations Act 2001 (Cth), the proposed Scheme of Arrangement between Telstra Corporation Limited and the holders of its ordinary shares (the terms of which are annexed to and described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without any alterations or conditions made or required by the Supreme Court of New South Wales pursuant to section 411(6) of the Corporations Act 2001 (Cth) and approved by Telstra Corporation Limited).”

Instructions on how to vote are set out in the explanatory notes to this notice.

By order of the Supreme Court of New South Wales.



Sue Laver

Company Secretary
23 August 2022

Explanatory notes – important information for Shareholders

These notes should be read in conjunction with the Notice of Scheme Meeting and the information in the Scheme Booklet of which that notice and these notes form part.

Scheme Meeting attendance

At the venue

The physical venue for the Scheme Meeting is the Hilton Sydney Ballroom Level 3, 488 George Street, Sydney NSW 2000.

Location

Hilton Sydney Hotel
Grand Ballroom
Level 3
488 George Street
Sydney NSW 2000

The Hilton Sydney Hotel is located in the heart of the Sydney CBD across the road from the Queen Victoria Building.

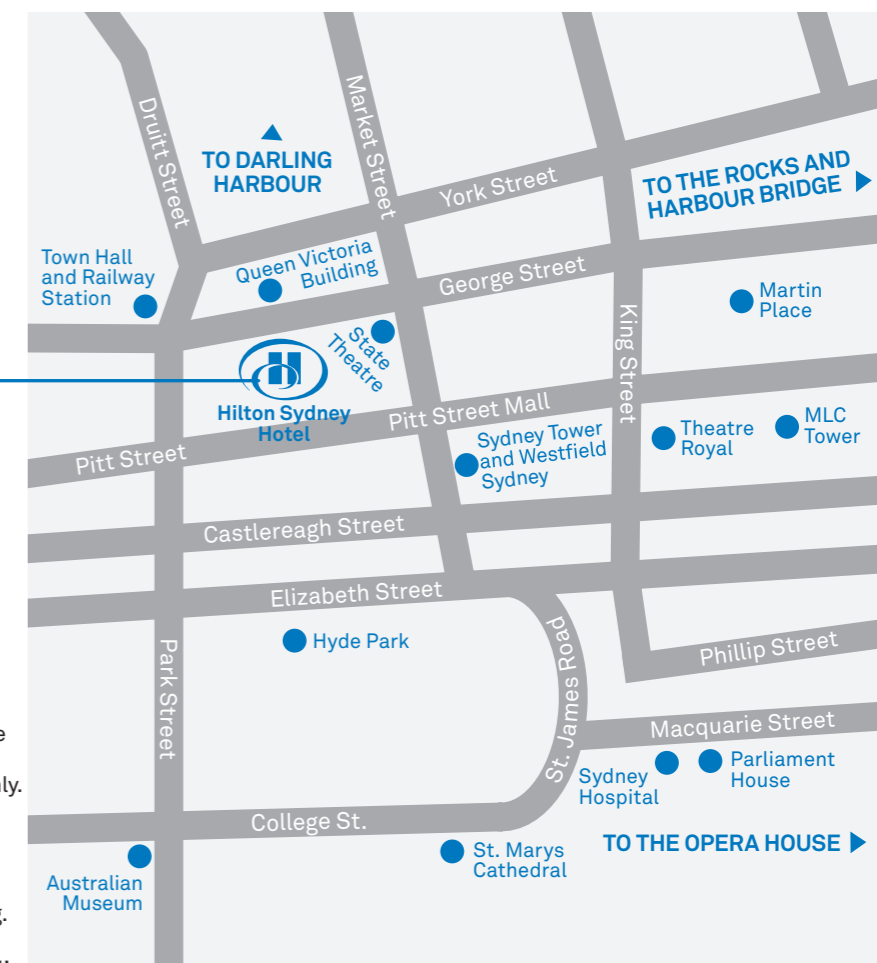
Public transport

Train

The closest train station is Town Hall. Exit the train at Town Hall Station and the Hilton Sydney Hotel is located adjacent to the Victoria Galleries, entry via Pitt Street or George Street.

By Car

Due to one way road systems on George Street, please note that car access to Hilton Sydney Hotel is via Pitt Street only. Please program 255 Pitt Street if using a car navigational device. There is a secure underground car park located at Hilton Sydney Hotel. This carpark is owned and managed by Secure Parking. Self-parking and casual rates are available at www.secureparking.com.au



Important: Complying with COVID restrictions.

Telstra prioritises the health and wellbeing of our Shareholders, our customers and our teams. Our COVID-19 vaccination policy for Telstra events and locations requires attendees to be fully vaccinated (including boosters when required). Shareholders will need to comply with our policy and any local laws when attending our Shareholder Meetings and you may be asked to show proof of your vaccination status. Our website, [telstra.com/meetings22](https://www.telstra.com/meetings22), provides further information and we also encourage you to check this website for the latest information prior to attending.

If you have any concerns, we urge you to attend the meetings online.

Online

The Telstra Virtual Meetings Guide is available for download at [telstra.com/meetings22](https://www.telstra.com/meetings22). The guide includes all the important information about how to attend, vote and ask a question online using the virtual meeting platform provided by our share registry, Link Market Services. Please note the guide is relevant for both Telstra's 2022 Annual General Meeting and the Scheme Meeting to be held on 11 October 2022.

It may be necessary or appropriate for Telstra to make alternative arrangements for the holding or conduct of the Scheme Meeting. For example, alternative arrangements may be necessary or appropriate in response to COVID-19 restrictions or developments, in order to comply with any public health orders and/or if in Telstra's view it would be in the interests of the health and wellbeing of our shareholders, customers and teams.

If it becomes necessary or appropriate for Telstra to make alternative arrangements for the holding or conduct of the Scheme Meeting, we will make an ASX announcement and the information will also be made available at [telstra.com/meetings22](https://www.telstra.com/meetings22).

Requisite majority required

The resolution set out in the Notice of Scheme Meeting (**Scheme Resolution**) must be passed by:

- a majority in number (more than 50%) of those Telstra Shareholders who vote on the Scheme Resolution (either in person or by proxy, nominee or representative);¹ and
- at least 75% of the votes cast on the Scheme Resolution (either in person or by proxy, nominee or representative).

The vote will be conducted by poll.

Key terms used in this Notice of Scheme Meeting

Shareholders – the term Shareholder in this Notice of Scheme Meeting (and the proxy/voting form ('Shareholder Voting Form')) includes all Telstra Shareholders recorded in the register of Telstra Shareholders and holders of Restricted Shares.

Restricted Shares – are Telstra shares held on behalf of a participant under a Telstra employee equity plan.

Shareholder number – is a general term for your:

- Shareholder Reference Number (SRN) or Holder Identification Number (HIN) if your shareholding is on the Australian share register; or
- Employee number if applicable.

Proxy – if you are a holder of Restricted Shares, references to proxies in this Notice of Scheme Meeting (and other meeting documents including the online platforms) are to nominees you appoint to attend and vote on your behalf.

Locating your Shareholder number

Shareholders who wish to attend and vote at the Scheme Meeting online need to ensure they have located their Shareholder number in advance of joining the meeting. For security reasons, Shareholder numbers can only be sent by post to the Shareholder's registered address, they cannot be provided by email or phone. Shareholders can attend the meeting without their Shareholder number but will not be able to vote or ask a question.

Shareholders who receive hard copy communications can locate their Shareholder number on their proxy/voting form, holding statement or hard copy dividend statements up to 2020.

Shareholders who receive electronic communications can locate their Shareholder number on any previously received hard copy dividend statement (up to 2020) or holding statement.

Holders of Restricted Shares and Shareholders with a holding on the employee share register can use their Employee number to log in.

For further information, please visit [telstra.com/meetings22](https://www.telstra.com/meetings22).

The Telstra Virtual Meetings Guide is available at [telstra.com/meetings22](https://www.telstra.com/meetings22). The guide provides information on:

- How to log in to the Scheme Meeting online
- How to Vote online
- How to Ask a Question during the Scheme Meeting either online or via the telephone.

Voting and asking questions**Am I eligible to vote at the Scheme Meeting?**

You are eligible to vote at the Scheme Meeting if you are a Shareholder as at 12:30pm (Sydney time) on Sunday, 9 October 2022.

How can I vote?

If you are entitled to vote at the Scheme Meeting you can exercise your vote in the following ways.

Option	Details	Instructions
Lodge your vote before the Scheme Meeting	You can lodge your vote directly before the Scheme Meeting online.	<p>You can lodge your vote:</p> <ul style="list-style-type: none"> • online at vote.linkmarketservices.com/tls To log in you will need your Shareholder number and the postcode or country code for your Telstra Shareholding (refer to page 156 for information on how to locate your Shareholder number). • by hand: Telstra Share Registry (Australia) Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 • by fax: +61 (2) 9287 0309 • by mail: Telstra Share Registry (Australia) Link Market Services Limited PO Box A942 Sydney South NSW 1234 <p>Votes must be received by: 12:30pm (Sydney time) on Sunday, 9 October 2022</p>
Appoint a proxy before the Scheme Meeting	<p>You can appoint a proxy to attend the Scheme Meeting and vote at the Scheme Meeting on your behalf.</p> <p>Your proxy may be an individual or a body corporate and does not need to be a Shareholder.</p> <p>You cannot appoint more than two proxies. If you do appoint two proxies to attend virtually and vote for you, you must specify the proportion or number of votes that each of your two proxies can exercise. If you do not do that, each proxy may exercise half of your votes. If you have specified how your proxy is to vote on the item of business, your proxy must vote the way you have specified.</p> <p>If you have specified how your proxy is to vote on the item of business, but your proxy does not attend the Scheme Meeting – or does not vote on the item – then the Chairman of the Scheme Meeting will vote as you have directed (or in accordance with the voting intentions outlined below).</p>	<p>You can appoint a proxy:</p> <ul style="list-style-type: none"> • online at vote.linkmarketservices.com/tls To log in you will need your Shareholder number and the postcode or country code for your Telstra Shareholding (refer to page 156 for information on how to locate your Shareholder number). • by hand: Telstra Share Registry (Australia) Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 • by fax: +61 (2) 9287 0309 • by mail: Telstra Share Registry (Australia) Link Market Services Limited PO Box A942 Sydney South NSW 1234 <p>Proxy appointments must be received by: 12:30pm (Sydney time) on Sunday, 9 October 2022</p>

1. The Court has the power to waive this approval requirement.

How can I vote? (continued)

Option	Details	Instructions
Vote online during the Scheme Meeting	<p>You can attend the Scheme Meeting by logging into the online platform meetings.linkgroup.com/TLSScheme22.</p> <p>You will be able to vote online through the platform during the Scheme Meeting.</p> <p>The Chairman of the Scheme Meeting will open the poll shortly after the Scheme Meeting commences and you will be able to vote at any time during the Scheme Meeting and for a short time afterwards (you will be notified on the platform how much time is left).</p> <p>If you have lodged a direct vote or proxy before the meeting and then vote online during the Scheme Meeting, your direct vote or proxy lodged before the Scheme Meeting will be cancelled.</p>	<p>Registration will open half an hour before the meeting commences but not before 12:00pm (Sydney time) on Tuesday, 11 October 2022.</p> <p>When you log into the online platform meetings.linkgroup.com/TLSScheme22, you will be required to register and will be able to vote your Telstra Shares or the Telstra Shares you represent.</p> <p>You will need to provide your Shareholder number and the postcode or country for your holding to register to vote once you have logged in.</p> <p>A proxy who is attending the Scheme Meeting online will need a proxy number, issued by Telstra's share registry, Link Market Services, to register to vote once logged in. Link will provide confirmation of the proxy number by email to the email address provided by on the Shareholder Voting Form or online no later than 24 hours prior to the Scheme Meeting and following lodgement of the proxy appointment.</p> <p>Alternatively, proxy holders can call the Scheme Meeting help line on 1800 990 363 on the day of the Scheme Meeting to request confirmation of the proxy number.</p>
Vote in person at the Scheme Meeting	<p>You can vote in person at the Scheme Meeting by attending the physical venue.</p>	<p>Registration will open half an hour before the meeting commences but not before 12:00pm (Sydney time) on Tuesday, 11 October 2022</p> <p>You can attend the Scheme Meeting in person which will be held following the Annual General Meeting and not before 12:30pm (Sydney time) on Tuesday, 11 October 2022 at the Hilton Sydney Ballroom Level 3, 488 George Street, Sydney NSW 2000.</p>
<p>What if I hold my Telstra Shares jointly?</p> <p>If you hold your Telstra Shares jointly, you and the other holders may attend the Scheme Meeting. However, if more than one joint holder votes using any of the options outlined above, only the vote of the holder named first in the register will be accepted.</p>		

How can I ask questions?

Shareholders can ask or submit questions using one of the options below. Questions should be relevant to the Scheme Meeting.

Option	Instructions
Before the Scheme Meeting	<p>You can submit questions before the Scheme Meeting online at vote.linkmarketservices.com/tls. To log in you will need your Shareholder number (see page 156) and the postcode or country code for your Telstra Shareholding. When you have accessed your Telstra Shareholding online, select the 'Ask Question' option under the 'Action' column.</p> <p>Questions must be received by Telstra's share registry by 12:30pm (Sydney time) on Sunday, 9 October 2022.</p> <p>The Chairman and CEO will endeavour to address the more frequently raised shareholder matters during the Scheme Meeting and we will make available after the Scheme Meeting the frequently asked questions and the responses at telstra.com/meetings22.</p>
At the Scheme Meeting	<p>If attending the Scheme Meeting online, you will have the opportunity to ask questions during the Scheme Meeting:</p> <ol style="list-style-type: none"> via the online platform at meetings.linkgroup.com/TLSScheme22; or by telephone. <p>The Telstra Virtual Meetings Guide available at telstra.com/meetings22 provides more detailed information on how to ask questions online or by telephone if attending the meeting online.</p> <p>If attending the Scheme Meeting at the venue, the Chairman will invite you to move to a microphone to ask your question at the appropriate time.</p>
<p>Customer related questions received ahead of the Scheme Meeting will be responded to as soon as possible from the date of receipt. If a customer related question is received during the Scheme Meeting, either online or at the venue, staff will be available to respond to the enquiry and it will be addressed outside of the Scheme Meeting.</p>	

Corporate representatives

A body corporate who is a Shareholder or proxy must appoint an individual as its corporate representative, if it wishes to attend and vote at the Scheme Meeting. If you are a corporate representative, you will need to provide evidence of your appointment as a corporate representative with Telstra's Registry prior to the Scheme Meeting or have previously provided the company with evidence of your appointment.

Powers of attorney

If you appoint an attorney to attend and vote at the Scheme Meeting on your behalf, the power of attorney (or a certified copy) must be received by Telstra's Registry by 12:30pm (Sydney time) on Sunday, 9 October 2022, unless the power of attorney has previously been lodged with the Telstra's Registry.

Chairman's voting intentions

The Chairman of the Scheme Meeting intends to vote all available proxies in favour of the Scheme Resolution. If you appoint the Chairman as your proxy, or the Chairman of the Scheme Meeting is taken to be appointed as your proxy and you have not specified the way to vote on the Scheme Resolution, the Chairman of the Scheme Meeting will exercise your votes in favour of the Scheme Resolution.

Chairman as proxy

You may appoint the Chairman of the Scheme Meeting as your proxy.

If you direct the Chairman of the Scheme Meeting how to vote on the Scheme Resolution, your vote will be cast in accordance with your direction. If you do not direct the Chairman of the Scheme Meeting how to vote on the Scheme Resolution, or the Chairman of the Scheme Meeting becomes your proxy by default, then by submitting a proxy appointment you will be expressly authorising the Chairman to exercise your votes as an undirected proxy on the Scheme Resolution.

Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting.

The Chairman has discretion as to whether and how the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chairman of the meeting will have regard to the number of Shareholders impacted and the extent to which participation in the business of the Scheme Meeting is affected.

Where he considers it appropriate, the Chairman of the Scheme Meeting may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, if you have already decided how to cast your vote, you are encouraged to cast a direct vote online or lodge a proxy by 12 (Sydney time) on Sunday, 9 October 2022 even if you plan to attend in person or online.

Glossary

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Term	Meaning
A\$	Australian dollars.
AAS	Australian Accounting Standards, issued by the AASB.
AASB	Australian Accounting Standards Board.
ACCC	Australian Competition and Consumer Commission.
ACCC Authorisation	Authorisation from the ACCC under section 88(1) of the Competition and Consumer Act which enables Telstra, ServeCo and nbn to give effect to the amended Definitive Agreements described in section 3.4.
ACMA	Australian Communications and Media Authority.
Additional ServeCo Steps	The additional steps that will be undertaken outside the Scheme to help separate the Telstra Group's infrastructure and operating businesses. The steps will involve InfraCo Fixed transferring to ServeCo the assets and liabilities needed to operate the ServeCo Business that are not transferred under the Scheme.
Additional Steps	The Additional ServeCo Steps and Additional Top Hat Steps.
Additional Top Hat Steps	The additional steps that will be undertaken outside the Scheme to help establish New Telstra Corp as the head entity of the Telstra Group. The steps include InfraCo Fixed transferring to New Telstra Corp the shares in ServeCo and the interests in certain other Telstra Group entities.
ADR Program	American Depository Receipts program.
Amplitel	Amplitel Pty Ltd (ACN 648 133 073) as trustee for the Towers Business Operating Trust or, as the context requires, any of its subsidiaries.
Amplitel Assets	The assets of the Amplitel Business.
Amplitel Business	The separate business undertaken by Amplitel of providing access to passive tower assets owned or operated by Amplitel.
Amplitel HoldCo	Telstra TowerCo No. 2 Pty Ltd (ACN 648 133 297).
Amplitel HoldCo Transfer	The intended transfer of the shares in Amplitel HoldCo from InfraCo Fixed to New Telstra Corp on or following the Business Restructure Implementation Date.
ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.
ASX Listing Rules	The listing rules of the ASX and any other rules of the ASX which are applicable to Telstra or New Telstra Corp, subject to any waiver or exemption granted to Telstra or New Telstra Corp from compliance with those rules (including those outlined in section 7.7.2).

Term	Meaning
ATO	The Australian Taxation Office.
Business Day	Any day that is each of the following: <ul style="list-style-type: none"> • a "Business Day" within the meaning given in the ASX Listing Rules; and • a day that banks are open for business in Sydney, New South Wales.
Business Restructure Component	The component of the Scheme being used to separate the Telstra Group's operating and infrastructure businesses into separate subsidiaries and to transfer certain assets and liabilities from InfraCo Fixed to New Telstra Corp, as described in more detail in section 8 of the scheme of arrangement set out in Annexure C.
Business Restructure Implementation Date	Expected to be 1 January 2023, or such other date as is determined in accordance with the Implementation Deed.
Business Restructure Implementation Time	Expected to be 00:01am on 1 January 2023, or such other date as is determined in accordance with the Implementation Deed.
CHESS	The Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act.
Competition and Consumer Act	The <i>Competition and Consumer Act 2010</i> (Cth).
Corporate Restructure	The legal re-organisation of the Telstra Group that is being implemented through the Scheme and the Additional Steps. It also includes the Telstra International Steps, the Amplitel HoldCo Transfer and the Towers Transfer that has been completed.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Court	Supreme Court of New South Wales.
Definitive Agreements	The agreements between Telstra and nbn described in section 3.4.
DRP	Dividend reinvestment plan.
Draft ACCC Authorisation	The draft authorisation received from the ACCC on 14 July 2022 indicating that the ACCC proposes to provide a final authorisation under section 88(1) of the Competition and Consumer Act which enables Telstra, ServeCo and nbn to give effect to the amended Definitive Agreements described in section 3.4 until 30 June 2034.
EBIT	Earnings before interest and income tax.
EBITDA	Earnings before interest, income tax, depreciation and amortisation.
Effective	In relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under sections 411(4)(b) and 413(1) of the Corporations Act, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
Effective Date	The date on which the Scheme becomes Effective.

Term	Meaning
Eligible Foreign Jurisdictions	The list of jurisdictions Telstra expects (as at the date of this Scheme Booklet) to be Eligible Foreign Jurisdictions are set out in section 7.10.1. However, that list of jurisdictions is subject to change without notice and no assurance can be given that Foreign Shareholders in any of the jurisdictions listed in that section will be able to participate in the Scheme.
Eligible Foreign Shareholder	Each Foreign Shareholder on the Record Date who has a Registered Address: <ul style="list-style-type: none"> • in an Eligible Foreign Jurisdiction; or • in another foreign jurisdiction and Telstra is reasonably satisfied that the issue of New Telstra Corp Shares to that Foreign Shareholder is not prohibited, not unduly onerous and not impracticable.
Eligible Shareholder	<ul style="list-style-type: none"> • Each Telstra Shareholder on the Record Date who has a Registered Address in Australia. • Each Eligible Foreign Shareholder. • The Sale Nominee (in respect of Telstra Shares held by Ineligible Foreign Shareholders on the Record Date).
Ernst & Young Strategy and Transactions	Ernst & Young Strategy and Transactions Limited (ACN 003 599 844).
Existing ASIC DOCG	Has the meaning given to it in section 7.11.
Existing Telstra External Debt	Has the meaning given to it in section 3.5.1.
Final Migration Plan	The migration plan as part of the Structural Separation Undertaking which sets out the steps that Telstra will take to progressively migrate voice and broadband services from its copper and HFC networks to the nbn network.
Financial Information	Has the meaning given to it in section 4.1.
First Court Hearing	The hearing of an application made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting.
Foreign Shareholder	A Telstra Shareholder whose Registered Address is in any jurisdiction other than Australia.
Government Agency	Any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity in any part of the world and includes ASX, ASIC, ATO, ACCC and ACMA.
Growthshare Trustee	Telstra Growthshare Pty Ltd as trustee of the Telstra Growthshare Trust (which is used to operate Telstra's employee equity plans).

Term	Meaning
GST	Australian goods and services tax.
Historical Financial Information	Has the meaning given to it in section 4.1.
Historical Income Statements	Has the meaning given to it in section 4.1.
Historical Statements of Cash Flows	Has the meaning given to it in section 4.1.
Historical Statement of Financial Position	Has the meaning given to it in section 4.1.
ICAs	The intercompany agreements described in section 3.2.6.
IFRS	International Financial Reporting Standards.
Implementation Deed	The Implementation Deed between Telstra, New Telstra Corp and ServeCo, as described in section 7.3.
Independent Expert	Grant Samuel & Associates Pty Limited (ACN 050 036 372).
Independent Expert's Reports	The Independent Expert's Report for Shareholders and the Independent Expert's Report on Creditors.
Independent Expert's Report for Shareholders	The report of the Independent Expert in Annexure A concluding that the Scheme is in the best interests of Telstra Shareholders.
Independent Expert's Report on Creditors	The report of the Independent Expert summarised in section 6.10.2 concluding that the Business Restructure Component will not materially prejudice the interests of creditors of Telstra Corporation Limited.
Independent Limited Assurance Report	The report of Ernst & Young Strategy and Transactions set out in Annexure B.
Ineligible Foreign Shareholder	A Foreign Shareholder on the Record Date who is not an Eligible Foreign Shareholder.
InfraCo Fixed	Following implementation of the Top Hat Component, Telstra Corporation Limited (ACN 051 775 556) will be known as InfraCo Fixed and the definition of InfraCo Fixed will include Telstra Corporation Limited and, where the context requires, its subsidiaries.
InfraCo Fixed Assets	Those assets that are retained by InfraCo Fixed after the Business Restructure Implementation Date, but excluding the Amplitel Assets and the International Assets.

Term	Meaning
InfraCo Fixed Business	The passive infrastructure asset business undertaken by Telstra's "InfraCo" business unit immediately before the Business Restructure Implementation Date that comprises: <ul style="list-style-type: none"> • the nbn Services Business; • the business of designing, constructing, operating, maintaining, relocating and rationalising or decommissioning: <ul style="list-style-type: none"> – passive fibre networks; and – ducts, pits, poles, tunnels, certain fixed network sites and structures (including data centres); and • the ownership of infrastructure assets, including the Telstra Group's copper and HFC networks,²³ but excludes the Amplitel Business and the International Businesses.
ISA	Has the meaning given to it in section 4.8.
International Businesses	The Telstra Group's international businesses providing international services using the International Assets, including Digicel's business in the South Pacific.
International Assets	Telstra's international network assets, comprising: <ul style="list-style-type: none"> • all international subsea assets; • DWDM/SDH transmission equipment connected to the subsea cable system; • any international PoPs; • international voice gateway and signalling equipment; • satellite antenna and equipment dedicated to the international network; • investments in other companies owning international network assets; and • any other telecommunications infrastructure and active electronic equipment that forms part of the international network.
Long Service Leave Act	The <i>Long Service Leave (Commonwealth Employees) Act 1976</i> (Cth).
LSL Regulations	The Long Service Leave (Commonwealth Employees) Regulation 2016.
Minister	Minister for the Department of Infrastructure, Transport, Regional Development and Local Government.
nbn	NBN Co Limited (ACN 136 533 741) and, if applicable, its Related Bodies Corporate.
nbn Services Business	Telstra's rights and obligations, including the obligation to supply services and access to infrastructure, under all the agreements Telstra has with nbn, excluding the following agreements: <ul style="list-style-type: none"> • the nbn supply agreements under which nbn supplies wholesale telecommunications and related services to Telstra; • the FNN/ULL Database Hosting Agreement between nbn and Telstra; and • the customer relationship agreement under which nbn acquires certain telecommunications and related services on a wholesale basis from Telstra.

23. ServeCo will operate and maintain the Telstra Group's copper and HFC networks pursuant to the ICAs.

Term	Meaning
New ASIC DOCG	Has the meaning given to it in section 7.11.
New Telstra Corp	Telstra Group Limited (ACN 650 620 303).
New Telstra Corp Board	The board of New Telstra Corp Directors.
New Telstra Corp Constitution	The constitution of New Telstra Corp, a summary of which is included in section 7.1.
New Telstra Corp Deed Poll	The deed poll under which New Telstra Corp covenants in favour of each Eligible Shareholder and each Ineligible Foreign Shareholder to perform acts attributed to it under the Top Hat Component.
New Telstra Corp Directors	The directors of New Telstra Corp.
New Telstra Corp Share	A fully paid ordinary share in New Telstra Corp.
New Telstra Corp Shareholder	A person registered as the holder of a New Telstra Corp Share, including any person jointly registered.
New Telstra Group	New Telstra Corp and its Related Bodies Corporate (which includes InfraCo Fixed, ServeCo, Amplitel and Telstra International on and from the implementation of the Top Hat Component).
Notice of Scheme Meeting	The notice of meeting set out in Annexure D.
Participate	To receive New Telstra Corp Shares under the Scheme.
Performance Rights	Has the meaning given to it in section 6.7.1.
Pro Forma Historical Financial Information	Has the meaning given to it in section 4.1.
Pro Forma Historical Income Statements	Has the meaning given to it in section 4.1.
Pro Forma Historical Statements of Cash Flows	Has the meaning given to it in section 4.1.
RAN	Radio access network.
Record Date	7:00pm on 24 October 2022, or such other time as is determined in accordance with the Implementation Deed.
Register	The register of Telstra Shareholders.
Registered Address	In relation to a Telstra Shareholder, means the Telstra Shareholder's address in the Register.

Term	Meaning
Registry	Link Market Services Limited (ACN 083 214 537).
Related Body Corporate	Has the meaning given to it in the Corporations Act, but as if each reference to “body corporate” includes a proprietary company, a partnership or a trust.
Restricted Shares	Has the meaning given to it in section 6.7.1.
Restructuring Costs	Has the meaning given to it in section 4.2.2.
Sale Facility	The facility under which Telstra Shares held by Ineligible Foreign Shareholders are transferred to the Sale Nominee and an equivalent number of New Telstra Corp Shares are sold, with the sale proceeds paid to Ineligible Foreign Shareholders, as described in section 6.4.
Sale Nominee	The entity appointed by Telstra to act as the sale facility nominee under the Scheme.
Scheme	The scheme of arrangement proposed to be made between Telstra Corporation Limited and the Telstra Shareholders under which the Top Hat Component and the Business Restructure Component will be implemented, the terms of which are set out in Annexure C, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved by Telstra Corporation Limited.
Scheme Booklet	This document dated 23 August 2022, which includes the Notice of Scheme Meeting, explanatory statement and accompanying materials in connection with the Scheme to be provided to Telstra Shareholders.
Scheme Meeting	The meeting of Telstra Shareholders in relation to the Scheme convened by order of the Court pursuant to section 411(1) of the Corporations Act, and includes any adjournment of that meeting, the notice for which is set out in Annexure D.
Scheme Resolution	The resolution to approve the Scheme to be considered by Telstra Shareholders at the Scheme Meeting, the form of which is set out in the Notice of Scheme Meeting in Annexure D.
SEC	US Securities and Exchange Commission.
Second Court Hearing	The hearing of an application made to the Court for an order approving the Scheme.
ServeCo	Telstra Limited (ACN 086 174 781) including, where the context requires, its subsidiaries.
ServeCo Assets	All of the assets that are being transferred to ServeCo under the Scheme or the Additional ServeCo Steps. For the avoidance of doubt, the ServeCo Assets excludes the Amplitel Assets, the InfraCo Fixed Assets, the Top Hat Assets and the International Assets.

Term	Meaning
ServeCo Business	The entire business of the Telstra Group, immediately before the Business Restructure Implementation Date, including: <ul style="list-style-type: none"> • the retail business of providing fixed, data, mobility, wireless, entertainment and ancillary services and products to retail, government and enterprise customers; • the Telstra wholesale business; • the Telstra Health business; • the Telstra Energy business; and • the Telstra Purple business, but excluding: <ul style="list-style-type: none"> • the InfraCo Fixed Business; • the International Businesses; and • the Amplitel Business.
Structural Separation Undertaking	The structural separation undertaking given by Telstra to the ACCC under section 577A of the Telecommunications Act.
T22	The Telstra2022 strategy announced in 2018.
T25	The Telstra2025 strategy announced in September 2021.
Telecommunications Act	The <i>Telecommunications Act 1997</i> (Cth).
Telecommunications (Consumer Protection and Service Standards) Act	The <i>Telecommunications (Consumer Protection and Service Standards) Act 1999</i> (Cth).
Telecommunications Declaration	The Telecommunications (Carrier Licence Conditions – Telstra Corporation Limited) Declaration 2019 (Cth).
Telstra	Telstra Corporation Limited or, following implementation of the Top Hat Component, New Telstra Corp, as the context requires.
Telstra Board	The board of Telstra Directors.
Telstra Constitution	The current constitution of Telstra Corporation Limited.
Telstra Corporation Act	The <i>Telstra Corporation Act 1991</i> (Cth).
Telstra Corporation and Other Legislation Amendment Act	Has the meaning given in section 3.3.
Telstra Directors	The directors of Telstra.
Telstra Group	<ul style="list-style-type: none"> • Up to the implementation of the Top Hat Component, Telstra and its Related Bodies Corporate. • On and from the implementation of the Top Hat Component, New Telstra Group.

Term	Meaning
Telstra International	Telstra International Holdings Pty Ltd (ACN 648 133 475).
Telstra International Steps	The steps that will be undertaken to establish: <ul style="list-style-type: none"> • Telstra International as a separate subsidiary sitting beneath New Telstra Corp; and • the International Businesses under Telstra International.
Telstra Share	A fully paid ordinary share of Telstra Corporation Limited, and Telstra Shareholding has a corresponding meaning.
Telstra Shareholder	A person who is recorded in the Register as the holder of a Telstra Share or as the holder of a New Telstra Corp Share, as the case may be.
TLS Energy	Telstra Energy (Holdings) Pty Ltd (ACN 644 977 908).
TLS Health	Telstra Health Pty Ltd (ACN 163 077 236).
TLS Purple	Telstra Purple Pty Ltd (ACN 097 323 781).
Top Hat Assets	The assets which will be transferred to New Telstra Corp under the Scheme or the Additional Top Hat Steps.
Top Hat Component	The component of the Scheme being used to establish a new structure with New Telstra Corp as the head entity of the Telstra Group. It will involve all Telstra Shares being transferred to New Telstra Corp and Eligible Shareholders receiving New Telstra Corp Shares as consideration on a 1:1 basis, as set out in the scheme of arrangement in Annexure C.
Top Hat Implementation Date	Expected to be 31 October 2022, or such other date as is determined in accordance with the Implementation Deed.
Towers Transaction	The transaction described in section 2.5 under which Telstra sold 49% of Amplitel for \$2.8 billion to a consortium.
Towers Transfer	The transfer of the Telstra Group's passive tower asset business from Telstra to Amplitel.
TUSOPA	The Telstra Universal Service Obligation Performance Agreement between Telstra, Commonwealth of Australia and Telecommunications Universal Service Management Agency.
Universal Service Obligation	Has the meaning given to it in section 9 of the Telecommunications (Consumer Protection and Service Standards) Act.
US Securities Act	The <i>United States Securities Act of 1933</i> , as amended.

Registered Office

Level 41, 242 Exhibition Street
Melbourne VIC 3000
Telstra website: www.telstra.com.au

Telstra Share Registry

Link Market Services Limited
PO Box A942
Sydney South NSW 1234

Australian Legal and Tax Adviser

King & Wood Mallesons
Level 27, 447 Collins Street
Melbourne VIC 3000

Independent Expert

Grant Samuel & Associates Pty Limited
Level 19, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Investigating Accountant

Ernst & Young Strategy and Transactions Limited
8 Exhibition Street
Melbourne VIC 3000

Telstra Shareholder Information Line

1300 88 66 77 (within Australia)
+61 1300 88 66 77 (outside Australia)
8:00am to 8:00pm (Sydney time) Monday to Friday
(excluding Public Holidays)

