

# TELSTRA SHARE BUY-BACK

Buy-Back Booklet

NOT FOR DISTRIBUTION IN OR INTO OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES.

This is an important document. If you are in any doubt as to the action you should take, please consult your financial, taxation or other professional adviser immediately.

This Buy-Back Invitation is not being made in the United States or to: (i) any person who is located or resident in the United States; (ii) any US Person; (iii) any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States; or (iv) any person who has a registered address in Canada.

# IMPORTANT DATES

| August 2014  |                              |
|--|------------------------------|
| Announcement of the Buy-Back   | <b>Thursday, 14 August</b>   |
| Last day that Shares can be acquired to be eligible to participate in the Buy-Back and as a consequence may be eligible for Buy-Back franking entitlements | <b>Tuesday, 19 August</b>    |
| Buy-Back Ex-entitlement Date: the date that Shares commence trading on ASX on an ex-Buy-Back basis   | <b>Wednesday, 20 August</b>  |
| Buy-Back Record Date: determination of Eligible Shareholders entitled to participate in the Buy-Back   | <b>Friday, 22 August</b>     |
| Dividend Ex-entitlement Date: the date that Shares commence trading on an ex-entitlement basis for the 2014 final dividend                                 | <b>Wednesday, 27 August</b>  |
| Dividend record date: determination of shareholders entitled to receive the 2014 final dividend  | <b>Friday, 29 August</b>     |
| September 2014   |                              |
| Distribution of Buy-Back Documents to shareholders is expected to be completed   | <b>Thursday, 4 September</b> |
| Tender Period opens  | <b>Monday, 8 September</b>   |
| Payment date for 2014 final dividend   | <b>Friday, 26 September</b>  |
| October 2014   |                              |
| Tender Period closes: Tenders must be received by the Registry no later than 7.00pm (Australian Eastern Standard Time)                                     | <b>Friday, 3 October</b>     |
| Buy-Back Date: Buy-Back Price and scale back (if any) determined and Buy-Back Contracts entered into   | <b>Monday, 6 October</b>     |
| Buy-Back proceeds paid to successful shareholders and updated holding statements commence to be dispatched   | <b>Tuesday, 14 October</b>   |

While Telstra does not anticipate any changes to these dates and times, it reserves the right to vary them without notification. Any change in date or time will take effect from the time it is authorised by Telstra and will be publicly announced as soon as practicable following that authorisation. Any such change will be taken to amend this Booklet (and the other Buy-Back Documents) accordingly. Telstra may in its absolute discretion also decide not to proceed with the Buy-Back and may vary the size of the Buy-Back (either increasing or decreasing) depending on a number of factors including shareholder demand, market conditions and forecast future capital requirements.

This document is dated 14 August 2014 and is current as at that date (except where otherwise indicated).

## ELIGIBILITY TO PARTICIPATE

Subject to the following, you are eligible to participate in the Buy-Back if the Shares are registered in your name on the Buy-Back Record Date (Friday, 22 August 2014) and, in accordance with the ASX Settlement Rules, the Shares confer an entitlement to receive this Buy-Back Invitation and you are not an Ineligible Foreign Shareholder. You will be an Ineligible Foreign Shareholder if you reside in a jurisdiction other than Australia or New Zealand.

In particular: (i) any person who is located or resident in the United States; (ii) any US Person; (iii) any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States; or (iv) any person who has a registered address in Canada is not entitled to participate, directly or indirectly, in the Buy-Back. Copies of the Buy-Back Documents are not being mailed or otherwise distributed or sent into the United States or Canada.

Any person receiving any of the Buy-Back Documents must not distribute or send them into the United States, or make them available to any US Person (including to any legal or beneficial owner of Telstra shares that is a US Person) or any person who is located or resident in the United States. ADRs may not be tendered into the Buy-Back.

The distribution of this Booklet in some jurisdictions outside Australia and New Zealand might be restricted by law and does not constitute an invitation to participate in any place where, or to any person to whom, it would be unlawful to do so. Persons who come into possession of this Booklet should seek advice on and observe any restrictions on distributing it.

For more information see our dedicated Buy-Back website [www.telstra.com/buyback](http://www.telstra.com/buyback).

# CHAIRMAN'S LETTER

## DEAR SHAREHOLDER

On behalf of the Board of Telstra, I am pleased to invite you to consider participating in an off-market buy-back of up to approximately \$1 billion worth of Telstra ordinary shares.

Your Board has decided to undertake the Buy-Back because we have excess capital as a result of our strong operating performance and the sale of our interest in the Hong Kong mobiles business, CSL New World and 70% of our Sensis directories business. In accordance with our Capital Management Framework, the Board considers that the Buy-Back and the increases to the ordinary dividend in February 2014 and August 2014 are the preferred way to return surplus capital to our shareholders at this point in time.

We believe that the Buy-Back will benefit all Telstra shareholders, whether or not you decide to participate.

For those shareholders who successfully participate in the Buy-Back, the ATO has indicated to Telstra that for Australian tax purposes the Capital Component of the price that you are paid for each Share bought back will be \$2.33 and the remainder of that price will be a fully franked dividend. For those shareholders who decide not to participate, the Buy-Back will improve earnings per share because the number of Shares on issue will be reduced. We do not expect the potential impact of the Buy-Back to be a factor in our ability to continue to fully frank future ordinary dividends in accordance with our Capital Management Framework.

The Buy-Back will be conducted by way of a tender process. The final Buy-Back Price will be determined as the lowest price at which we can buy back the targeted amount of capital, based on the tenders received from all participating shareholders. You may choose to tender Shares at specified discounts to the Market Price, or you may elect to simply submit a Final Price Tender, which is the easiest way for you to participate and means you would accept the final Buy-Back Price.

Whether or not you decide to participate in the Buy-Back will depend on your own personal circumstances. Whilst participation in the Buy-Back would result in you selling Shares at a price which is lower than the Market Price, if you are an Australian tax resident you may still be better off by selling your Shares through the Buy-Back because of the tax treatment of the proceeds you would receive from the Buy-Back. Whether or not you can benefit from this tax treatment will depend on a number of factors specific to your personal circumstances, including your marginal tax rate.

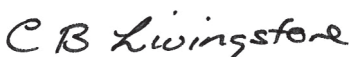
This Booklet contains important information about the Buy-Back to assist your consideration of whether or not to participate in it, and I encourage you to read it carefully. The decision to participate in the Buy-Back is entirely voluntary. In deciding whether or not to participate in the Buy-Back, you should also discuss your circumstances with financial, taxation and/or other professional advisers.

If, after reading this Booklet, you have any queries on how the Buy-Back operates or how you can participate, please either access our dedicated Buy-Back website at [www.telstra.com/buyback](http://www.telstra.com/buyback) or contact our information line on 1300 88 66 77 within Australia or +61 1300 88 66 77 from outside Australia or 0800 835 787 within New Zealand. If you do not wish to participate in the Buy-Back, you do not need to take any action.

If you wish to participate, please ensure your Tender is received by no later than 7.00pm (Australian Eastern Standard Time) on Friday, 3 October 2014.

On behalf of the Board, thank you for being a Telstra shareholder and supporting Telstra.

Yours sincerely



**Catherine Livingstone AO**  
Chairman



# FEATURES OF THE BUY-BACK

## At a glance...

If you are an Eligible Shareholder you can offer to sell some or all of your Shares to Telstra:

- at between a 6% to 14% discount (inclusive) to the Market Price, OR
- at the final Buy-Back Price (as a Final Price Tender).

If you wish you can also select a Minimum Price below which none of your Shares will be bought back.

To participate you must offer to sell at least 925 Shares or, if you own less than that, you must offer to sell them all. You can make that offer during the Tender Period (Monday, 8 September 2014 to Friday, 3 October 2014) by following the instructions set out in Section 3. You can also withdraw or amend your offer before the Tender Period closes.

|  |  |
|--|--|
| <b>Buy-Back</b>  | Telstra is buying back Shares by way of an off-market tender which provides you with an opportunity to sell some or all of your Shares to Telstra.   |
| <b>Target size</b>   | Telstra is seeking to buy back up to approximately \$1 billion worth of its Shares. However, Telstra may vary the size of the Buy-Back depending on a number of factors including shareholder demand, market conditions and forecast future capital requirements.  |
| <b>Eligible Shareholders</b>                                 | You are eligible to participate in the Buy-Back if Shares are registered in your name on the Buy-Back Record Date (Friday, 22 August 2014) and you are not an Ineligible Foreign Shareholder, including US Persons. You will be an Ineligible Foreign Shareholder if you reside in a jurisdiction other than Australia or New Zealand.   |
| <b>Participation in the Buy-Back</b>                         | <ul style="list-style-type: none"> <li>• If you are an Eligible Shareholder, you can offer to sell any or all of the Shares registered in your name on Friday, 22 August 2014 (the Buy-Back Record Date). This means that Shares you acquire on the ASX on or after Wednesday, 20 August 2014 (the Buy-Back Ex-entitlement Date) cannot be offered for sale by you under the Buy-Back.</li> <li>• Participation is voluntary. You do not need to take any action if you decide not to participate.</li> <li>• If you do decide to participate you can offer to sell any or all of your Shares, but you must offer to sell at least 925 Shares unless you hold less than 925 Shares, in which case you need to tender all of them.</li> </ul>   |
| <b>Setting the price you are willing to sell your Shares</b> | <ul style="list-style-type: none"> <li>• If you are an Eligible Shareholder and decide to participate, you will also need to indicate at what price you are willing to sell your Shares to Telstra.</li> <li>• You do this by indicating a Tender Discount at which you are willing to sell your Shares. The Tender Discount is the discount to the Market Price you are willing to accept. The Market Price is calculated as the volume weighted average price (VWAP) of Telstra Shares over the five trading days up to and including the Closing Date. You can select a Tender Discount in the range of 6% to 14% inclusive (at 1% intervals).</li> <li>• As an alternative to selecting a Tender Discount, you can just submit a Final Price Tender, which is an offer to sell Shares at the Buy-Back Price determined by Telstra after the close of the Tender Period. Final Price Tenders are designed to make it easier for retail shareholders to successfully participate in the Buy-Back. Submitting a Final Price Tender will increase the likelihood that some or all of your Shares will be bought back.</li> <li>• Given how it is calculated, the Market Price will not be known until after the Tender Period has closed. So if there is a price below which you do not want to sell your Shares to Telstra, you can select a Minimum Price (being one of four prices specified on the Tender Form) in conjunction with your Tender Discount(s) and/or Final Price Tender. That means that if the final Buy-Back Price is lower than the Minimum Price you specified, none of your Shares will be bought back, even if you submitted a Final Price Tender or the Buy-Back Price reflects a discount which is equal to or greater than the Tender Discount you selected.</li> <li>• If you are an Eligible Shareholder, and are tendering more than 925 Shares, you may tender different parcels of Shares at different Tender Discounts and/or as a Final Price Tender. If you are an Eligible Shareholder and own 925 Shares or less, you can only tender all of your Shares at one Tender Discount, or as a Final Price Tender.</li> </ul> |
| <b>Buy-Back Price</b>  | <ul style="list-style-type: none"> <li>• The Buy-Back Price is the price determined by Telstra at which it will buy back Shares from its shareholders.</li> <li>• The final Buy-Back Price will be determined as the lowest price at which Telstra can buy back the targeted amount of capital, based on the Tenders received from all participating shareholders.</li> <li>• The Buy-Back Price will be calculated by applying the Buy-Back Discount to the Market Price determined by Telstra under the tender process.</li> </ul>   |
| <b>Capital Component of the Buy-Back Price<sup>1</sup></b>   | \$2.33   |
| <b>Dividend Component of the Buy-Back Price<sup>2</sup></b>  | The Buy-Back Price less the \$2.33 Capital Component.  |
| <b>Withdrawal or amendment of Tender</b>                     | Prior to the Closing Date, you may withdraw or amend your Tender by following the procedures set out in section 3.2.   |
| <b>Closing Date</b>  | 7.00pm (Australian Eastern Standard Time) on Friday, 3 October 2014  |
| <b>Buy-Back Contract entered into</b>                        | Monday, 6 October 2014   |

<sup>1</sup> The ATO has indicated to Telstra that the Capital Component of the Buy-Back Price will be \$2.33, but this remains subject to the Class Ruling (see section 4).

<sup>2</sup> For Australian tax purposes only (see section 4).

# HOW TO PARTICIPATE

Below is a summary of the steps you need to follow if you are an Eligible Shareholder and wish to participate in the Buy-Back. There is more detail in this Booklet, which you should read carefully to ensure that you understand the Buy-Back and how it will affect you. If you are in any doubt, you should seek independent professional advice.

|   |  |
|---|--|
| <b>Participation</b>  | Decide whether or not you wish to participate in the Buy-Back.<br>If you decide not to participate, no further action is required.   |
| <b>Number of Shares, Tender Discount(s) and Minimum Price</b> | To participate, you need to decide: <ul style="list-style-type: none"><li>• the number of Shares you wish to tender;</li><li>• the Tender Discount(s) at which you tender those Shares and/or whether you elect to tender Shares as a Final Price Tender; and</li><li>• whether you wish to specify a Minimum Price.</li></ul> If you hold 925 Shares or less and want to participate, you must tender all of your Shares in one parcel at either the Tender Discount to the Market Price you specify, or as a Final Price Tender. The final Buy-Back Price will be determined as the lowest price at which Telstra can buy back the targeted amount of capital, based on the Tenders received from all participating shareholders. If you hold more than 925 Shares, you must tender at least 925 Shares and you can tender different parcels of Shares at different Tender Discounts and/or as a Final Price Tender. |
| <b>Lodging your Tender</b>                                    | All shareholders can lodge their Tender online at <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a> . This is the most efficient way of ensuring your Tender is received by the Closing Date. Alternatively you can complete and sign the relevant Tender Form that accompanies this Booklet if you received a hardcopy (or which you have otherwise requested and received) and lodge it in accordance with the instructions below.<br>For further details, please see section 3.  |
| <b>Lodgement</b>  | Your completed Tender Form whether mailed, delivered, submitted online or processed by controlling CHESS participants, must be received by the Telstra Share Registry by 7.00pm (Australian Eastern Standard Time) on Friday, 3 October 2014. You should allow sufficient time for this to occur if you are sending your Tender Form by mail.  |
| <b>All shareholders on the New Zealand register</b>           | If you hold Shares on the New Zealand register you must submit your completed and signed white Tender Form by mail to Telstra Corporation Limited, C/-Link Market Services Limited, PO Box 91976, Auckland 1142, so that it is received no later than 7.00pm (Australian Eastern Standard Time) on Friday, 3 October 2014.   |

## Definitions

Some words in this Booklet and the Buy-Back Documents have defined meanings. Section 7 “Definitions and Interpretation” defines certain words that are capitalised in this Booklet and the Buy-Back Documents.

## Important Notice

This is an important document.

It does not provide financial product advice and has been prepared without taking into account your particular objectives, financial situation or needs. You should consider the appropriateness of the Buy-Back having regard to your objectives, financial situation and needs. If you are in any doubt as to the action you should take, you should consult your financial, taxation or other professional adviser immediately.

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# SECTION 1. ABOUT THE BUY-BACK

## 1.1 Why is Telstra implementing a buy-back?

Telstra has accumulated excess capital from its strong operating performance and recent key asset sales. These are the sale of:

- 70% of Telstra's Sensis directories business; and
- Telstra's entire 74.6% interest in its Hong Kong mobiles business, CSL New World Limited.

Telstra's current level of capital is more than it has assessed as needed in the short to medium term.

Accordingly, Telstra proposes to undertake the Buy-Back as part of an initiative which balances the distribution of this surplus capital whilst preserving an appropriate capacity for future investment in the business. Telstra's primary focus continues to be on strong operational performance, and the return of a portion of Telstra's surplus capital to shareholders is considered to be appropriate in the current environment.

Further, Telstra's capital management is undertaken within target financial parameters. In the past, Telstra has undertaken distributions to its shareholders by way of special dividends, off-market buy-backs and increases in ordinary dividends. The Buy-Back, and the increase in the ordinary dividends announced in February 2014 and August 2014, are consistent with our Capital Management Framework, and the Board considers these mechanisms to be the preferred ways to deploy a portion of surplus capital.

## 1.2 What is an off-market buy-back tender?

An off-market buy-back tender involves a company inviting its shareholders to offer to sell some or all of their shares to the company by way of a tender process. The shares bought back are subsequently cancelled by the company, reducing the total number of shares the company has on issue.

Under this Buy-Back, Shares may be tendered by Eligible Shareholders to Telstra at discounts from 6% to 14% inclusive (at 1% intervals) to the Market Price or as a Final Price Tender.

## 1.3 What are the advantages of a tender process?

Telstra is conducting the Buy-Back by way of a tender process. The advantages of the tender process include the following:

- Both participating and non-participating shareholders (including Ineligible Foreign Shareholders) are expected to benefit from the Buy-Back as:
  - for some shareholders, depending on their particular circumstances, the after-tax return from participating in the Buy-Back may be greater than if they had sold their Shares on-market; and
  - the Buy-Back is expected to improve earnings per share for shareholders who continue to hold shares in Telstra by reducing the number of shares on issue (as shown in section 5.7).
- The Buy-Back allows Telstra to buy back Shares at a discount of between 6% and 14% (inclusive) to the Market Price. This allows Telstra to buy back a greater number of Shares than under an on-market buy-back for the same cash consideration.
- Participation in the Buy-Back is optional and Eligible Shareholders may tailor their participation to suit their own circumstances. As an Eligible Shareholder you are able to:
  - choose whether or not to tender your Shares in the Buy-Back;
  - choose how many (if any) Shares to tender (subject to the minimum participation requirements); and

- choose the basis upon which you tender your Shares (for example, at what Tender Discount(s) or a Final Price Tender, with the option of making your Tender conditional on a Minimum Price).

- All Eligible Shareholders have an equal opportunity to participate in the Buy-Back.
- Telstra is able to determine the most appropriate number of Shares to buy back.
- Telstra shareholders with small holdings are able to sell all of their Shares so as not to be left with a small parcel of Shares after successfully participating in the Buy-Back.
- Telstra shareholders will not have to pay any brokerage to sell their Shares into the Buy-Back.

## 1.4 Did Telstra consider other ways of returning capital?

In the past, Telstra has undertaken distributions to its shareholders by way of special dividends, off-market buy-backs and increases in ordinary dividends. Telstra has a Capital Management Framework outlining how Telstra manages its capital. In considering alternative ways to deploy a portion of surplus capital and operating profits, Telstra determined that the increase in the fully franked ordinary dividend in February 2014 and August 2014 (the first such increases since 2005), combined with the Buy-Back best achieves the objectives of its Capital Management Framework at this time.

## 1.5 Do I have to tender my Shares?

No. Participation in the Buy-Back is entirely at your discretion. If you do not wish to participate, you do not have to do anything and the number of Shares you hold will not change as a result of the Buy-Back.

## 1.6 What does the Buy-Back mean for me if I do not participate?

If you choose not to participate (or you are an Ineligible Foreign Shareholder or your Tender is unsuccessful), the number of Shares you hold will not change as a result of the Buy-Back. After the Buy-Back is completed, you will hold a slightly larger percentage of the total Shares in Telstra as there will be fewer shares on issue (as shown in section 5.7).

## 1.7 Are foreign shareholders being invited to participate?

The Buy-Back Invitation is not being made to Ineligible Foreign Shareholders (see definition in section 7).

However, the Buy-Back will benefit Ineligible Foreign Shareholders, in the same manner as shareholders who do not participate in the Buy-Back, due to the expected improvement in earnings per share via the reduction in the number of Shares on issue following the Buy-Back.

## SECTION 1. ABOUT THE BUY-BACK

### 1.8 How does the Buy-Back compare to selling my Shares on the stock market?

To execute a share sale on the ASX, you will need to appoint a broker and may have to pay brokerage, whereas you will not need to appoint a broker or pay brokerage if you sell your Shares into the Buy-Back.

It is likely that you will be able to sell your Shares on the ASX for a price that is higher than the Buy-Back Price. This is because the prices at which Eligible Shareholders can tender Shares into the Buy-Back are at discounts of between 6% and 14% inclusive to the Market Price. Therefore, it is likely that the Telstra share price on the ASX will be higher than the Buy-Back Price during and possibly immediately after the Tender Period.

However, depending on your circumstances, as a consequence of the tax treatment of the buy back of the Shares, selling Shares into the Buy-Back may be more appealing for some shareholders

than selling on the ASX. General information on the Australian tax consequences for Tender participants is provided in section 4 of this Booklet.

To provide Eligible Shareholders with an indication of the possible after-tax proceeds from selling their Shares into the Buy-Back compared to selling their Shares on the ASX, Telstra intends to provide access to a tax calculator through its website [www.telstra.com/buyback](http://www.telstra.com/buyback) during the Tender Period.

By issuing the invitation constituted by the Buy-Back Documents to participate in the Buy-Back, and setting the range of Tender Discounts, Telstra is not making any recommendations or giving any advice on the value of your Shares or whether (or how) you should sell your Shares.

Before deciding whether to participate in the Buy-Back, Telstra strongly recommends that you seek your own professional advice.

### 1.9 How have Telstra shares performed over recent times?

The closing price of Telstra shares on the ASX on Wednesday, 13 August 2014, being the last trading day before the Buy-Back announcement date, was \$5.44.

Telstra's highest and lowest market closing prices during each of the preceding six months were as follows:

| Month                    | High | Low  | VWAP <sup>1</sup> |
|--------------------------|------|------|-------------------|
| March 2014               | 5.11 | 4.99 | 5.04              |
| April 2014               | 5.22 | 5.04 | 5.11              |
| May 2014                 | 5.38 | 5.18 | 5.28              |
| June 2014                | 5.39 | 5.17 | 5.24              |
| July 2014                | 5.49 | 5.21 | 5.38              |
| August 2014 <sup>2</sup> | 5.46 | 5.39 | 5.43              |

Source: IRESS

A graph indicating the share price performance of Telstra over the period from 1 January 2012 to 13 August 2014 is set out below:



Source: IRESS

<sup>1</sup> Per the definition of VWAP in section 7.

<sup>2</sup> Figures for August 2014 represent month to date figures as at Wednesday, 13 August 2014.



# SECTION 2. DETAILS OF THE BUY-BACK AND TENDER PROCESS

## OVERVIEW

The Buy-Back involves Telstra inviting Eligible Shareholders to offer to sell some or all of their Shares to Telstra by way of a tender process. Your offer to Telstra to sell your Shares is made by lodging your Tender either electronically, by returning your completed Tender Form or by contacting your controlling CHESS participant (normally your broker).

Your offer will be:

- for the number of Shares you specify in your completed Tender. You may specify all or part of your shareholding, unless your shareholding is 925 Shares or less, in which case you must tender all of your Shares; and
- to sell the Shares you specify to Telstra at the discount to the Market Price you choose by selecting a Tender Discount on your Tender. That is, the price you receive for any Shares tendered and which are bought back by Telstra, will be the Market Price (which is the volume weighted average price (see the definition of VWAP in section 7) of Telstra Shares over the five days up to and including the Closing Date, so at this point is not known) less the Buy-Back Discount (which is the discount which Telstra determines but will be in the range of 6% to 14% (inclusive)). Rather than specifying a Tender Discount, you may submit a Final Price Tender, which effectively means you are offering to sell to Telstra your specified Shares at whatever the final Buy-Back Price determined by Telstra is. You may also, but do not have to, indicate in your Tender a Minimum Price which is a price below which you are not willing to sell your Shares to Telstra.

You should note that submitting your Tender does not mean that your Shares will be bought back by Telstra. It is only an offer by you to sell Shares to Telstra on the specified terms, which may or may not be accepted by Telstra in its sole discretion.

At the completion of the Tender Period, Telstra will assess all the Tenders submitted by shareholders and determine both the Buy-Back Price and which Shares they will purchase from shareholders. The Shares that you offered may be bought back in whole, in part, or not at all. This will depend on many factors, including the Tender Discount you specified and the Buy-Back Discount determined by Telstra, and whether or not the total number of Shares tendered by all shareholders at and above the Buy-Back Discount (or as Final Price Tenders) is more than the total number of Shares that Telstra has determined to buy back (in which case a scale back will be applied). In these circumstances, there are also special rules that will be applied in respect of Priority Allocations (under which a minimum number of Shares will be bought back from each shareholder whose offer constituted by their Tender was accepted by Telstra) and Small Holding Tenders.

Any Shares bought back are cancelled by Telstra, reducing the number of Shares it has on issue.

This section provides you more information about:

- the process of tendering your Shares to participate in the Buy-Back; and
- the determination of the outcome of the tender process.

You should read this section and the entire Booklet carefully. It will assist you in making a decision whether to participate in the Buy-Back or not. You should also consider other information previously made available to you about Telstra, such as the Telstra 2014 Annual Report, including its financial report (set out on pages 65 to 195 of the Telstra 2014 Annual Report) and specific disclosure regarding Telstra's negotiations with NBN Co and the Commonwealth on potential changes to the current agreements that may result from the Government's intent to move to a multi-technology NBN rollout (set out on page 6 of the Telstra 2014 Annual Report), and any announcements made on or after the date of this Booklet. Any such announcements can be found on Telstra's website at [www.telstra.com/investor](http://www.telstra.com/investor).

The invitation to apply to participate in the Buy-Back constituted by this document does not give rise to a legally binding offer capable of your acceptance. If you are an Eligible Shareholder and wish to tender your Shares in the Buy-Back, you make a formal offer to Telstra to sell those Shares on the terms and conditions set out in the Buy-Back Documents. If Telstra accepts your Tender, a Buy-Back Contract is then formed and your tendered Shares will be sold to Telstra on those terms and conditions.

## THE TENDERING PROCESS

### 2.1 Am I entitled to tender my Shares in the Buy-Back?

You will be eligible to participate in the Buy-Back if:

- you have Shares registered in your name on the Buy-Back Record Date (Friday, 22 August 2014); and
- you are not an Ineligible Foreign Shareholder.

If you own Shares under a relevant Telstra employee share scheme, the arrangements you have agreed to under the relevant scheme may prevent you from tendering your Shares in the Buy-Back. Exiting TESOP Participants may participate in the Buy-Back in a different manner, and you should refer to section 6.3 for further details.

The Buy-Back Invitation is not being made to Ineligible Foreign Shareholders. In particular: (i) any person who is located or resident in the United States; (ii) any US Person; (iii) any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States; or (iv) any person who has a registered address in Canada is not entitled to participate, directly or indirectly, in the Buy-Back. ADRs may not be tendered into the Buy-Back.

## SECTION 2. DETAILS OF THE BUY-BACK AND TENDER PROCESS

### 2.2 At what discount(s) can I tender my Shares?

If you hold 925 Shares or less, and you wish to participate in the Buy-Back, you must tender all of your Shares at the same Tender Discount or as a Final Price Tender.

If you hold more than 925 Shares, you may tender your Shares at different Tender Discounts to the Market Price, and/or as a Final Price Tender. However, you must tender a minimum of 925 Shares in aggregate.

The final Buy-Back Price will be determined as the lowest price at which Telstra can buy back the targeted amount of capital, based on the Tenders received from all participating shareholders.

### 2.3 What Shares and how many can I tender into the Buy-Back?

If you are eligible to participate, you are entitled to tender Shares that are registered in your name on the Buy-Back Record Date (Friday, 22 August 2014) and which, in accordance with the ASX Settlement Rules, confer an entitlement to participate in the Buy-Back. Shares acquired on the ASX on, or after, the Buy-Back Ex-entitlement Date (Wednesday, 20 August 2014) generally will not be registered in your name by the Buy-Back Record Date and therefore will not carry an entitlement to participate in the Buy-Back.

The maximum number of Shares you are entitled to tender in the Buy-Back is set out on the personalised Tender Form enclosed with this Booklet and is also stated via the online tendering process.

If you hold 925 Shares or less and you wish to participate you must tender all of your Shares. Otherwise, you may tender any or all of your Shares (subject to a minimum number of 925 Shares).

Shares which you acquire on the ASX on or after the Buy-Back Ex-entitlement Date (Wednesday, 20 August 2014) are not able to be tendered into the Buy-Back.

### 2.4 What is a Final Price Tender?

A Final Price Tender is an offer to sell your Shares to Telstra at whatever price is ultimately determined by Telstra to be the Buy-Back Price. The Buy-Back Price could be as low as a 14% discount to the Market Price or as high as a 6% discount to the Market Price.

Final Price Tenders are designed to make it easier for retail shareholders to successfully participate in the Buy-Back. Submitting a Final Price Tender will increase the likelihood that some or all of your Shares will be bought back.

You should understand that submitting a Final Price Tender means, provided the Buy-Back Price is higher than any Minimum Price you may specify, you will definitely sell some or all of your Shares at a price per Share that could be anywhere in the range of a 6% to a 14% discount (inclusive) to the Market Price. If a large number of Final Price Tenders are submitted, it is more likely that the Buy-Back Price will be at a larger discount to the Market Price, subject to the 14% maximum. Final Price Tenders will only be scaled back (see section 2.18) if the Buy-Back Price is set at a 14% discount to the Market Price and the total number of Shares tendered is more than Telstra determines to buy back.

### 2.5 What is the Priority Allocation?

Each shareholder who successfully tenders under the Buy-Back is guaranteed that a certain number of Shares will be bought back and will not be subject to any scale back (see section 2.18). This ensures that small Eligible Shareholders are not disadvantaged by any such scale back. This guaranteed number of Shares to be bought back is the Priority Allocation.

The Priority Allocation will be 925 Shares, unless the level of Tenders is such that buying back 925 Shares from each successfully participating shareholder (and including Small Holding Tenders) would result in the total amount of capital bought back to be greater than that determined by Telstra. In this case the number of Shares constituting the Priority Allocation will be reduced accordingly.

If you successfully tender less than the Priority Allocation, then all of your tendered Shares will be bought back.

### 2.6 What is a Small Holding Tender?

A Small Holding Tender is a Tender submitted by a Telstra shareholder who tenders all of their Shares:

- at one or more Tender Discounts equal to or greater than the Buy-Back Discount; and/or

- as a Final Price Tender,

and who would otherwise be left with 370 Shares or less as a result of Telstra's acquisition of the Priority Allocation and any scale back.

Where a Small Holding Tender arises, it will be accepted in full by Telstra.

However, if you become the registered holder of additional Shares after the Buy-Back Record Date and, as a result, you are the registered holder of more Shares at the Closing Date than you held on the Buy-Back Record Date, then your Tender will not be a Small Holding Tender and the scale back will apply to your Tender as it would any other Tender.

### 2.7 Can I select a Minimum Price for the sale of my Shares?

You are entitled, although not required, to select a Minimum Price below which you are not prepared to sell your Shares. This is not an alternative to specifying a Tender Discount and/or Final Price Tender, but is used in conjunction with the Tender Discount(s) and/or Final Price Tender you specify. Selecting a Minimum Price may alleviate any concerns you have in respect of movements in the Market Price after you lodge your Tender.

By selecting a Minimum Price, your Tender may not be successful as the Buy-Back Price may be below the Minimum Price. In these circumstances, your Tender will be rejected and your Shares will not be bought back.

If you choose to make your Tender conditional on the Buy-Back Price being no less than one of the specified Minimum Prices, you must do this in addition to nominating a Tender Discount and/or a Final Price Tender. If you make your Tender conditional only on a specified Minimum Price, your Tender will be invalid and will not be accepted by Telstra.

## SECTION 2. DETAILS OF THE BUY-BACK AND TENDER PROCESS

### 2.8 What if I have more than one holding of Shares?

For the purposes of administering the Buy-Back, each separate registered holding of Shares you may have will be treated separately (for example, if you hold some Shares in your name and some Shares jointly with another person, you will receive two Tender Forms or electronic invitations).

You may tender Shares in the Buy-Back from any or all of your separate registered holdings provided that you make separate online lodgements or complete the Tender Form(s) and follow the instructions on each Tender Form for each holding you wish to tender.

Any scale back that applies to Shares tendered from more than one of your registered holdings of Shares will be applied to each of those registered holdings as if they were held by different persons.

### 2.9 Can I trade my Shares after submitting a Tender?

Once you have tendered Shares into the Buy-Back, you should not:

- sell or offer to sell those Shares;
- convert those Shares from an Issuer Sponsored Holding to a CHESS Holding or vice versa; or
- move them between CHESS Holdings (for instance, if you change your controlling CHESS participant).

However, any Shares which you have not tendered into the Buy-Back may be sold or otherwise dealt with in the ordinary manner.

Once you have submitted a Tender, you will not be able to deal with those Shares before the end of the Tender Period unless you first withdraw your Tender in respect of the relevant Shares, in accordance with the procedures set out in section 3.2.

### 2.10 If I purchase other Shares during the Tender Period, will my tendered Shares be affected?

In principle, the ATO accepts that shares acquired on or after the Buy-Back Ex-entitlement Date will be excluded from the last-in-first-out rule (see section 4.2). This means that any Shares an Eligible Shareholder acquires on the ASX on or after Wednesday, 20 August 2014 should not be treated as being disposed of under the Buy-Back for the purposes of the 45 day rule (see section 4.2). General information on the Australian tax implications for Eligible Shareholders participating in the Buy-Back is included in section 4.

### 2.11 Will I still receive the FY 2014 final dividend if my Shares are bought back?

Yes. The dividend record date is on Friday, 29 August 2014, which is prior to the Buy-Back Date. Accordingly, all shareholders with an entitled registered holding on the record date for the dividend will receive the 15 cents fully franked final dividend per Share, whether or not they participate in the Buy-Back.

### 2.12 Can I still vote at the Annual General Meeting if I tender my Shares to Telstra?

Holders of Shares are entitled to vote at any meeting of Telstra that is held before the end of the Tender Period.

However, the Annual General Meeting is to be held on Tuesday, 14 October 2014, which is after the scheduled close of the Tender Period. On this basis, shareholders who successfully tender their Shares to Telstra will no longer hold those Shares and will not be entitled to vote at the Annual General Meeting in respect of those Shares.

## TENDER OUTCOMES

### 2.13 How will Telstra determine successful Tenders?

If Telstra proceeds with the Buy-Back and your Tender Discount is equal to or greater than the Buy-Back Discount, or you lodged a Final Price Tender, your Tender will be successful and some, or all, of your Shares will be bought back (subject to any scale back and, if applicable, any Minimum Price condition).

If your Tender Discount is lower than the Buy-Back Discount, your Tender will be rejected and your Shares will not be bought back.

If you have chosen a Minimum Price and the Buy-Back Price is below that price, your Tender will be rejected and your Shares will not be bought back.

### 2.14 What price will Telstra pay to buy back my Tender?

Telstra will pay the Buy-Back Price for each Share bought back. The Buy-Back Price will be determined as the lowest price at which Telstra can Buy-Back the targeted amount of capital, based on the Tenders received from all participating shareholders.

Telstra will pay you the Buy-Back Price for each of your Shares accepted under the Buy-Back, even if your Tender Discount is greater than the Buy-Back Discount adopted to determine the Buy-Back Price.

For each Share purchased from you under the Buy-Back, you will receive a cash amount determined in accordance with the following formula:

$$A = B \times (1 - C)$$

Where:

A is the Buy-Back Price (rounded to the nearest cent);  
B is the Market Price; and  
C is the Buy-Back Discount.

For example, if the relevant Market Price is \$5.30 and the Buy-Back Discount is 10%, the Buy-Back Price would be \$4.77 (i.e.  $\$5.30 \times (1 - 0.10)$ )<sup>1</sup>.

The Buy-Back Price will not exceed the CGT Value (see section 4).

### 2.15 How will I know what the Market Price is?

The Market Price is calculated as the volume weighted average price (VWAP) (see section 7 for definitions of VWAP and Market Price) of Shares over the five trading days up to and including the Closing Date, excluding certain trades.

To provide an indication of the Market Price, Telstra will calculate and make available to shareholders the running VWAP during this five trading day period. The running VWAP will be available through [www.telstra.com/buyback](http://www.telstra.com/buyback) and will be updated each day.

The actual Market Price, representing the VWAP for the full five trading day period up to and including the Closing Date, will be available as soon as possible after 4.00pm (Australian Eastern Standard Time) on the Closing Date and will be announced to the ASX. It will also be able to be obtained by accessing [www.telstra.com/buyback](http://www.telstra.com/buyback) or by calling the Telstra Share Registry line on 1300 88 66 77 (within Australia), +61 1300 88 66 77 (from outside Australia) or 0800 835 787 (within New Zealand). Telstra intends to announce the Market Price to the ASX as soon as possible after 4.00pm (Australian Eastern Standard Time) on the Closing Date.

<sup>1</sup> \$4.77 is an example only and assumes a Buy-Back Discount of 10% to an assumed Share price of \$5.30. You should not rely on this price as being the Buy-Back Price.

## SECTION 2. DETAILS OF THE BUY-BACK AND TENDER PROCESS

### 2.16 How will I know what the Buy-Back Price is?

Telstra intends to announce the Buy-Back Price to the ASX as soon as possible after the Tender Period closes. The proposed date of announcement is Monday, 6 October 2014. You can access the announcement from the investor relations section of the Telstra website ([www.telstra.com/investor](http://www.telstra.com/investor)) or from the ASX website ([www.asx.com.au](http://www.asx.com.au)).

### 2.17 Will all the Shares I tender be bought back?

The success of your Tender will depend on the Tender Discount you select, the size and Tender Discounts of Tenders lodged by other shareholders and the total number of Tenders that Telstra accepts. There is no guarantee that all or even some of your tendered Shares will be accepted. The final size of the Buy-Back will depend on Tenders lodged by shareholders and market conditions. In particular, Telstra may Buy-Back significantly less than the announced target of approximately \$1 billion, or no Shares at all.

In addition, a scale back may apply if the total number of Shares tendered by Eligible Shareholders at a Tender Discount which is equal to or greater than the Buy-Back Discount, or as Final Price Tenders (after taking into account the Priority Allocations and Small Tender Holdings), is more than the total number of Shares that Telstra determines to buy back (see section 2.18).

### 2.18 How will any scale back work?

If the total number of Shares tendered at or above the Buy-Back Discount and as Final Price Tenders is more than the total number of Shares Telstra determines to buy back, there may be a need for a scale back so that not all the Shares tendered by shareholders will be bought back. As explained in section 2.5, the guaranteed number of Shares to be bought back as the Priority Allocation will not be subject to any scale back.

Any scale back required will be implemented in the manner described below.

**If the Buy-Back Discount is between 6% and 13% inclusive, successful Tenders will be determined as follows:**

- Tenders at a Tender Discount greater than the Buy-Back Discount will be accepted in full;
- Final Price Tenders will be accepted in full;
- the Priority Allocation (see section 2.5) will be bought back from each shareholder who tendered Shares at the Buy-Back Discount. If the shareholder tendered Shares equal to or less than the Priority Allocation at the Buy-Back Discount, then all of those Shares will be bought back;

- Small Holding Tenders (see section 2.6) will be accepted in full;
- Tenders at the Buy-Back Discount (other than Final Price Tenders, Priority Allocations and Small Holding Tenders) will be scaled back on a pro rata basis;
- Tenders at a Tender Discount lower than the Buy-Back Discount will be rejected in full; and
- notwithstanding any of the above, Tenders conditional on a Minimum Price that is higher than the Buy-Back Price will be rejected.

**If the Buy-Back Discount is 14%, successful Tenders will be determined as follows:**

- Tenders at a 14% Tender Discount and Final Price Tenders will be accepted, but will be scaled back on a pro rata basis (other than Priority Allocations and Small Holding Tenders);
- the Priority Allocation will be bought back from each Shareholder who tendered Shares at a 14% Tender Discount and/or as a Final Price Tender. If the shareholder tendered Shares equal to or less than the Priority Allocation at a 14% Tender Discount or as a Final Price Tender, then all of those Shares will be bought back;
- Small Holding Tenders will be accepted in full;
- Shares tendered at a Tender Discount lower than 14% will be rejected in full; and
- notwithstanding any of the above, Tenders conditional on a Minimum Price that is higher than the Buy-Back Price will be rejected.

When the scale back is calculated, all fractions will be rounded down to the nearest Share. If you want to reduce the likelihood of any scale back applying to your Tender, you should consider submitting a Final Price Tender (see section 2.4 for further details). This is because in the event that a scale back applies, Shares tendered as a Final Price Tender will only be scaled back if the Buy-Back Price is based on a 14% Tender Discount (and assuming the Buy-Back Price is not lower than any specified Minimum Price).

### 2.19 How would a scale back affect my Tender?

The details of any scale back will be announced as soon as possible after the Closing Date. Telstra expects to make this announcement on Monday, 6 October 2014. To assist you in understanding how a scale back may affect your Tender, the following scenarios have been provided.<sup>1</sup>

<sup>1</sup> For the purposes of these examples we have assumed that the Priority Allocation is 925 Shares and has not been reduced to a lesser number (which would occur in the circumstances explained in section 2.5).

## SECTION 2. DETAILS OF THE BUY-BACK AND TENDER PROCESS

### SCENARIO 1: BUY-BACK DISCOUNT OF 14% (ASSUMED \$4.56 BUY-BACK PRICE) AND 50% SCALE BACK (ILLUSTRATIVE EXAMPLE ONLY)

In scenario 1, we assume the Market Price is \$5.30 and the Buy-Back Discount is 14% resulting in the Buy-Back Price of \$4.56. It is also assumed in this example that the Priority Allocation is 925 Shares and that there is a 50% scale back which applies after the Priority Allocation of 925 Shares. Please be aware that this is an example only. You should not rely on \$5.30 being the Market Price, nor \$4.56 being the Buy-Back Price.

The outcome of each Tender would be as follows:

|       | Total holding | Shares tendered | Tender Discount (%) | Price represented by Tender Discount (\$) | Outcome                                  |
|-------|---------------|-----------------|---------------------|---|--|
| Anna  | 20,000        | 5,000           | 9%                  | \$4.82                                    | Not successful, no Shares bought back    |
|       |               | 3,000           | 10%                 | \$4.77                                    | Not successful, no Shares bought back    |
| Ben   | 8,000         | 1,000           | 10%                 | \$4.77                                    | Not successful, no Shares bought back    |
|       |               | 7,000           | 14%                 | \$4.56                                    | Successful, 3,962 Shares bought back     |
| Chris | 3,000         | 3,000           | 6%                  | \$4.98                                    | Not successful, no Shares bought back    |
| Diane | 1,000         | 1,000           | –                   | Final Price Tender                        | Successful, all 1,000 Shares bought back |
| Emma  | 2,000         | 2,000           | –                   | Final Price Tender                        | Successful, 1,462 Shares bought back     |

The outcome of each Tender is explained below, including how the scale back was applied.

Anna tendered both parcels of Shares at Tender Discounts lower than the Buy-Back Discount so no Shares would be bought back.

Ben tendered a total of 8,000 Shares at two Tender Discounts: 1,000 Shares at a 10% Tender Discount and 7,000 Shares at a 14% Tender Discount. The Tender submitted at 10% would not be successful as the Tender Discount is lower than the Buy-Back Discount. The Tender submitted at a 14% Tender Discount would be successful but only 3,962 of the 7,000 Shares tendered would be bought back as a result of the 50% scale back (see the Scale Back Table below). This is not a Small Holding Tender, as following the Priority Allocation and scale back, Ben would be left with more than 370 Shares (see the Scale Back Table below).

Chris tendered a total of 3,000 Shares at a 6% Tender Discount. The Tender would not be successful as the Tender Discount is lower than the Buy-Back Discount.

Diane tendered a total of 1,000 Shares as a Final Price Tender. The Tender would be successful and all 1,000 Shares would be bought back as it is a Small Holdings Tender (see the Scale Back Table below).

Emma tendered a total of 2,000 Shares as a Final Price Tender. As a result of the 50% scale back, Emma would have 1,462 Shares bought back. This is not a Small Holding Tender, as following the Priority Allocation and scale back, Emma would be left with more than 370 Shares (see the Scale Back Table below).

### SCENARIO 1: SCALE BACK TABLE (ILLUSTRATIVE EXAMPLE ONLY)

|       | Shares tendered at 14% and Final Price Tenders | Shares subject to scale back <sup>1</sup> | Scale back <sup>2</sup> | Tender post scale back and priority allocation <sup>3</sup> | Shares remaining <sup>4</sup> | Small Holding Tender | Shares that are bought back |
|-------|--|---|-------------------------|---|-------------------------------|----------------------|-----------------------------|
| Anna  | 0  |   |                         |   | Scale back not applicable     |                      |                             |
| Ben   | 7,000  | 6,075                                     | 50%                     | 3,962   | 3,038                         | NO                   | 3,962                       |
| Chris | 0  |   |                         |   | Scale back not applicable     |                      |                             |
| Diane | 1,000  | 75  | 50%                     | 962   | 38                            | YES                  | 1,000                       |
| Emma  | 2,000  | 1,075                                     | 50%                     | 1,462   | 538                           | NO                   | 1,462                       |

1 The Priority Allocation, being 925 Shares will be bought back from each shareholder who tenders Shares at or above the Buy-Back Discount (including as a Final Price Tender under this scenario), before the scale back applies. For example, Ben has 6,075 Shares that are subject to scale back (7,000 – 925 = 6,075).

2 A scale back of 50% means 50% (i.e. 100% – 50%) of the Shares subject to scale back would be bought back (excluding Small Holding Tenders).

3 When the scale back is calculated, all fractions are rounded down to the next Share.

4 Diane and Emma both tendered all of their Shares as a Final Price Tender. As a result of the scale back and Priority Allocation, Diane would be left with less than 370 Shares (i.e. 38 Shares), so her Tender is a Small Holding Tender. Emma would be left with more than 370 Shares (i.e. 538) so her Tender is not a Small Holding Tender.



## SECTION 2. DETAILS OF THE BUY-BACK AND TENDER PROCESS

### SCENARIO 2: BUY-BACK DISCOUNT OF 10% (ASSUMED \$4.77 BUY-BACK PRICE) AND 25% SCALE BACK (ILLUSTRATIVE EXAMPLE ONLY)

In scenario 2, we assume the Market Price is \$5.30 and the Buy-Back Discount is 10% resulting in the Buy-Back Price of \$4.77. It is also assumed in this example that the Priority Allocation is 925 Shares and that there is a 25% scale back which applies after the Priority Allocation of 925 Shares. Please be aware that this is an example only. You should not rely on \$5.30 being the Market Price, nor \$4.77 being the Buy-Back Price.

The outcome of each Tender would be as follows:

|       | Total holding | Shares tendered | Tender Discount (%) | Price represented by Tender Discount (\$) | Outcome                                  |
|-------|---------------|-----------------|---------------------|---|--|
| Anna  | 20,000        | 5,000           | 9%                  | \$4.82                                    | Not successful, no Shares bought back    |
|       |               | 3,000           | 10%                 | \$4.77                                    | Successful, 2,481 Shares bought back     |
| Ben   | 8,000         | 1,000           | 10%                 | \$4.77                                    | Successful, all 1,000 Shares bought back |
|       |               | 7,000           | 14%                 | \$4.56                                    | Successful, all 7,000 Shares bought back |
| Chris | 3,000         | 3,000           | 6%                  | \$4.98                                    | Not successful, no Shares bought back    |
| Diane | 1,000         | 1,000           | –                   | Final Price Tender                        | Successful, all 1,000 Shares bought back |
| Emma  | 2,000         | 2,000           | –                   | Final Price Tender                        | Successful, all 2,000 Shares bought back |

The outcome of each Tender is explained below, including how the scale back was applied.

Anna tendered a total of 8,000 Shares at two Tender Discounts: 5,000 Shares at a 9% Tender Discount and 3,000 Shares at a 10% Tender Discount. The Tender submitted at a 9% Tender Discount would not be successful as the Tender Discount is lower than the Buy-Back Discount. The Tender submitted at a 10% Tender Discount would be successful but only 2,481 of the 3,000 Shares tendered would be bought back as a result of the 25% scale back (see the Scale Back Table on page 13). This is not a Small Holding Tender as Anna did not tender all of her Shares above or at the Buy-Back Discount.

Ben tendered a total of 8,000 Shares at two different Tender Discounts: 1,000 Shares at a 10% Tender Discount and 7,000 Shares at a 14% Tender Discount. The Tender submitted at 1,000 would be successful and all 1,000 Shares would be bought back as it is a Small Holding Tender (see the Scale Back Table on page 13). This is a Small Holding Tender as following the Priority Allocation and scale back, Ben would be left with less than 370 Shares (see the Scale Back Table on page 13). The Tender submitted at a 14% Tender Discount would be successful as the Tender Discount is above the Buy-Back Discount and all 7,000 Shares would be bought back at a 10% Tender Discount.

Chris tendered a total of 3,000 Shares at a 6% Tender Discount. The Tender would not be successful as the Tender Discount is lower than the Buy-Back Discount.

Diane tendered a total of 1,000 Shares as a Final Price Tender. The Tender would be successful and all 1,000 Shares would be bought back at a 10% Tender Discount. Final Price Tenders are not subject to scale back where the Buy-Back Discount is less than 14%.

Emma tendered a total of 2,000 Shares as a Final Price Tender. The Tender would be successful and all 2,000 Shares would be bought back at 10% Tender Discount. Final Price Tenders are not subject to scale back where the Buy-Back Discount is less than 14%.



## SECTION 2. DETAILS OF THE BUY-BACK AND TENDER PROCESS

### SCENARIO 2: SCALE BACK TABLE (ILLUSTRATIVE EXAMPLE ONLY)

|       | Shares tendered at 10% <sup>1</sup> | Shares subject to scale back <sup>2</sup> | Scale back <sup>3</sup> | Tender post scale back and Priority Allocation <sup>4</sup> | Shares remaining <sup>5</sup> | Small Holding Tender | Shares that are bought back |
|-------|-------------------------------------|---|-------------------------|---|-------------------------------|----------------------|-----------------------------|
| Anna  | 3,000                               | 2,075                                     | 25%                     | 2,481   | 519                           | NO                   | 2,481                       |
| Ben   | 1,000                               | 75  | 25%                     | 981   | 19                            | YES                  | 1,000                       |
| Chris | 0                                   |   |                         | Scale back not applicable                                   |                               |                      |                             |
| Diane | 0                                   |   |                         | Scale back not applicable                                   |                               |                      |                             |
| Emma  | 0                                   |   |                         | Scale back not applicable                                   |                               |                      |                             |

#### 2.20 How will I know how many of my Shares have been bought back?

No later than Tuesday, 14 October 2014 Telstra will send all Eligible Shareholders who have tendered their Shares into the Buy-Back a statement notifying them of the number of their Shares (if any) that have been bought back and the price paid for them. Shareholders may also enquire online at [www.telstra.com/buyback](http://www.telstra.com/buyback) after Monday, 6 October 2014. To access your account you will need your Holder Identification Number (HIN) or Securityholder Reference Number (SRN). Shareholders may also access this information after Monday, 6 October 2014 by calling the Telstra Share Registry information line on 1300 88 66 77 within Australia, +61 1300 88 66 77 outside of Australia, and 0800 835 787 within New Zealand.

1 Does not include Final Price Tenders, because the Buy-Back Discount is lower than 14%.

2 The Priority Allocation, being 925 Shares will be bought back from each shareholder who tenders Shares at the Buy-Back Discount, before the scale back applies.

3 A scale back of 25% means 75% of the Shares subject to scale back would be bought back (excluding Small Holding Tenders).

4 When the scale back is calculated, all fractions are rounded down to the next Share.

5 Ben was left with less than 370 Shares so his Tender is a Small Holding Tender and all 1,000 Shares are bought back. Anna's Tender is not a Small Holding Tender because not all her Shares were tendered at or below the Buy-Back Price and she was not left with less than 370 Shares.

# SECTION 3. DETAILS FOR PARTICIPATING IN THE BUY-BACK

## 3.1 How do I participate in the Buy-Back?

You can participate in the Buy-Back by either:

| Going Online   | Using a Tender Form  |
|--|--|
| <ul style="list-style-type: none"> <li>You can participate in the Buy-Back by tendering online at <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a>. This is the most effective way of ensuring that your Tender is received by the Closing Date <b>Friday, 3 October 2014</b>.</li> <li>You will be required to provide your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) to lodge online. You can find these numbers in the top right hand corner of your personalised Tender Form (or any shareholder forms previously sent to you).</li> </ul> | <ul style="list-style-type: none"> <li>If you received a hardcopy of this Booklet, you will have also received a personalised Tender Form.</li> <li>If you tender by completing your personalised Tender Form you need to tender in accordance with the instructions in <b>Step 4 Submitting your Tenders</b>.</li> <li>If you would like a Tender Form, please contact the Telstra Share Registry information line on 1300 88 66 77 within Australia, +61 1300 88 66 77 from outside of Australia, or 0800 835 787 within New Zealand.</li> </ul> |

| Step 1 | Decide how many Shares you wish to sell  |
|--------|--|
|        | <p>To participate in the Buy-Back, you first need to decide how many Shares you wish to sell, if any.</p> <p>If you are lodging your Tender online you should log in to <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a> and follow the prompts.</p> <p>If you have chosen to tender by completing the personalised Tender Form, then:</p> <p><b>Box A</b> of your personalised Tender Form enclosed with this Booklet sets out the maximum number of Shares you may tender into the Buy-Back. However, if you hold 925 Shares or less, to participate you must tender all of your Shares and if you hold more than 925 Shares, you must tender a minimum of 925 Shares in aggregate.</p> <p><b>You should not, before the Buy-Back Date, sell or offer to sell to others the Shares you have tendered into the Buy-Back until you first withdraw or amend your Tender (see section 3.2).</b></p>  |
| Step 2 | Decide your Tender Discount(s)   |
|        | <p>If you are lodging your Tender online you should log in to <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a> and follow the prompts.</p> <p>If you have chosen to tender by completing the personalised Tender Form, then:</p> <p>Once you have determined the number of Shares you wish to tender into the Buy-Back, you need to specify in <b>Box B</b> the discount(s) to the Market Price at which you are willing to tender these Shares.</p> <p>You may tender your Shares at discounts of between 6% and 14% inclusive (at 1% intervals) to the Market Price as set out on the Tender Form or as a Final Price Tender.</p> <p><b>If you hold 925 Shares or less</b>, to participate you must tender all of your Shares at the same Tender Discount or as a Final Price Tender (which is an election to receive the Buy-Back Price, whatever Telstra determines it to be).</p> <p><b>If you hold more than 925 Shares</b>, you may tender different parcels of the Shares you wish to sell at different Tender Discounts. For example, you may tender one third of the Shares you wish to sell at a 6% Tender Discount, one third at 14% Discount and one third as a Final Price Tender. However, you may not tender the same Shares at different Tender Discounts (or at both a specified Tender Discount and as a Final Price Tender). Each parcel of Shares tendered at a different Tender Discount or as a Final Price Tender is a separate Tender (but entered on the one form). Calculate the total number of Shares tendered and insert that number in <b>Box C</b>. The total number of Shares that you tender into the Buy-Back (as inserted in <b>Box C</b>) must not exceed the number of Shares you hold as set out on your personalised Tender Form (<b>Box A</b>).</p> |
| Step 3 | Optional – choose your Minimum Price   |
|        | <p>If you are lodging your Tender online you should log in to <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a> and follow the prompts.</p> <p>If you have chosen to tender by completing the personalised Tender Form, then:</p> <p>In addition to choosing to tender your Shares at the specified Tender Discounts and/or as a Final Price Tender, you may also elect to impose a Minimum Price condition on your Tender (see section 2.7). This is optional.</p> <p><b>If you wish to nominate a Minimum Price</b>, place a “✓” next to your chosen Minimum Price in:</p> <ul style="list-style-type: none"> <li><b>Box C</b> if you hold 925 shares or less (and are therefore using the blue form if you have an Issuer Sponsored Holding, or using the grey form if you have a CHESS Holding, or as indicated in the top right corner of your white form if your holding is on the New Zealand register); or</li> <li><b>Box D</b> if you hold more than 925 shares (and are therefore using the yellow form if you have an Issuer Sponsored Holding, or using the orange form if you have a CHESS Holding, or as indicated in the top right corner of your white form if your holding is on the New Zealand register).</li> </ul>  |

## SECTION 3. DETAILS FOR PARTICIPATING IN THE BUY-BACK

| Step 4 | Submit your Tender(s)   |
|--------|---|
|        | To submit your Tender Form correctly, follow the detailed instructions below: |

### All shareholders on the Australian register

|  |
|--|
| How you submit your Tender(s) will depend on the type of holding you have. |
|--|

| Tenders  | Online   | OR | Use the Tender Form  | Return to   |
|--|--|----|--|---|
| <b>Issuer Sponsored Holdings (Blue or Yellow Tender Forms)</b> | <p>If you wish to submit your Tender electronically, please visit the Telstra website at <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a> and follow the instructions.</p> <p>You will require your Securityholder Reference Number (SRN) located in the top right hand corner of your personalised Tender Form (or any shareholder forms previously sent to you). Select the "Tender" option, and submit your Tender. You will receive a confirmation of submission of your Tender.</p> |    | <p>If you wish to submit your Tender by using your personalised Tender Form you should:</p> <p>Complete your Tender Form as per the Instructions in steps 1 to 3 above and sign your personalised Tender Form (see examples on pages 31 and 32 of this Booklet).</p> | <p>Telstra Corporation Limited<br/>C/-Link Market Services Limited<br/>Reply Paid 1509<br/>Sydney South<br/>NSW 1234</p> <p>A reply-paid envelope is enclosed for use within Australia.</p> |

Your completed Tender Form must be received by the Telstra Share Registry by 7.00pm (Australian Eastern Standard Time) on **Friday, 3 October 2014**.

Your Tender Form may not be accepted by Telstra unless it is actually received at the above address by 7.00pm (Australian Eastern Standard Time) on **Friday, 3 October 2014**. You should allow sufficient time for mail collection and delivery when you are sending your Tender Form by mail.

| Tenders   | Online   | OR | Contact your controlling CHESS participant  | Return to  |
|---|--|----|---|--|
| <b>CHESS Holdings (Grey or Orange Tender Forms)</b> | <p>If you wish to submit your Tender electronically, please visit the Telstra website at <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a> and follow the instructions.</p> <p>You will require your Holder Identification Number (HIN) located in the top right hand corner of your personalised Tender Form (or any shareholder forms previously sent to you). Select the "Tender" option and submit your Tender. You will receive a confirmation of submission of your Tender.</p> |    | <p>You need to instruct your controlling CHESS participant (normally your broker) in sufficient time for them to process your Tender no later than 7.00pm (Australian Eastern Standard Time) on <b>Friday, 3 October 2014</b>.</p> <p>The name of the controlling CHESS participant who manages your CHESS Holding as at the Buy-Back Record Date is printed on your Tender Form (see examples on pages 33 and 34 of this Booklet).</p> | <p>Your controlling CHESS participant may request that you complete and send your Tender Form to them.</p> |

### You should not return your Tender Form to the Telstra Share Registry.

If you do return your completed Tender Form to the Telstra Share Registry instead of your controlling CHESS participant, the Telstra Share Registry will endeavour to contact your controlling CHESS participant on your behalf and relay your Tender instructions. It is your controlling CHESS participant's responsibility to acknowledge and accept this Tender instruction so please ensure you allow sufficient time for the Telstra Share Registry to contact your controlling CHESS participant and for your controlling CHESS participant to process your Tender no later than 7.00pm (Australian Eastern Standard Time) on **Friday, 3 October 2014**. Neither Telstra nor the Telstra Share Registry will be responsible should your controlling CHESS participant not acknowledge and accept your Tender.

If you are a sponsored CHESS Holder, you will receive written confirmation from CHESS of the Tenders made on your holding or Tenders withdrawn by your controlling participant. Irrespective of its wording, this confirmation is not an acceptance by Telstra of any Tender.

### All shareholders on the New Zealand register (white Tender Forms)

If you hold shares on the New Zealand register you should:

| Use the white Tender Form   | Return to   |
|---|---|
| Complete your personalised white Tender Form as per the instructions in steps 1 to 3 on page 14 and sign your personalised Tender Form. | <p>Telstra Corporation Limited<br/>C/-Link Market Services Limited<br/>PO Box 91976,<br/>Auckland 1142</p> <p>A reply-paid envelope is enclosed for use within New Zealand.</p> |

Your completed Tender Form must be received by the Telstra Share Registry by 7.00pm (Australian Eastern Standard Time) on **Friday, 3 October 2014**.

Your Tender Form may not be accepted by Telstra unless it is actually received at the above address by 7.00pm (Australian Eastern Standard Time) on **Friday, 3 October 2014**. You should allow sufficient time for mail collection and delivery if you are sending your Tender Form by mail.

## SECTION 3. DETAILS FOR PARTICIPATING IN THE BUY-BACK

### 3.2 Can I withdraw or amend my Tender?

Prior to the Closing Date, you may withdraw or amend your Tender by following the procedures set out below.

#### All shareholders on the Australian register

How you submit your Withdrawal/Amendment Form(s) will depend on the type of holding you have.

| Tenders  | Online   | OR | Request a Withdrawal/Amendment Form  | Return to   |
|--|--|----|--|---|
| <b>Issuer Sponsored Holdings (Blue or Yellow Tender Forms)</b> | <p>If you wish to submit your withdrawal or amendment electronically, please visit the Telstra website at <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a> and follow the instructions. Select the "Withdrawal/Amendment" option, either withdraw or amend your Tender and submit. You will receive a confirmation of submission of your withdrawal/amendment.</p> <p>You may submit a withdrawal or amendment electronically irrespective of how you lodged your original Tender.</p> <p>You will require your Securityholder Reference Number (SRN) located in the top right hand corner of your personalised Tender Form (or any shareholder forms previously sent to you).</p> |    | <p>If you do not wish to submit your withdrawal or amendment electronically you can obtain a Withdrawal/Amendment Form by contacting the Telstra Share Registry information line on 1300 88 66 77 within Australia or +61 1300 88 66 77 if you are calling from outside of Australia to obtain a Withdrawal/Amendment Form.</p> <p>Complete and send the Withdrawal/Amendment Form as per the instructions below:</p> <p><b>Withdrawal of Tenders</b> – To withdraw all of your Tender(s) you must tick the 'Withdrawal' box on the Withdrawal/Amendment Form, sign the form and send it to the Telstra Share Registry.</p> <p><b>Amendment of Tenders</b> – If you wish to change the terms of all or some of your Tenders or you wish to withdraw some (but not all) of your Tenders, you must tick the 'Amendment' box on the Withdrawal/Amendment Form, complete the details of all of your Tenders on that form in accordance with the instructions shown on it, sign the form and send it to Telstra Share Registry.</p> | <p>Telstra Corporation Limited<br/>C/-Link Market Services Limited<br/>Reply Paid 1509<br/>Sydney South<br/>NSW 1234</p> <p>A reply-paid envelope is enclosed for use within Australia.</p> |

To be effective, your Withdrawal/Amendment Form must be received by 7.00pm (Australian Eastern Standard Time) on **Friday, 3 October 2014**. The effect of amending your Tenders by submitting a Withdrawal/Amendment Form will be to withdraw all of your previous Tenders and (where applicable) replace them with the Tenders detailed on the Withdrawal/Amendment Form.

| Tenders  | Online  | OR | Contact your controlling CHES participant  | Return to      |
|--|---|----|--|----------------|
| <b>CHES Holdings (Grey or Orange Tender Forms)</b> | <p>If you wish to submit your withdrawal or amendment electronically, please visit the Telstra website at <a href="http://www.telstra.com/buyback">www.telstra.com/buyback</a> and follow the instructions. Select the "Withdrawal/Amendment" option, either withdraw or amend your Tender and submit. You will receive a confirmation of submission of your Withdrawal/Amendment.</p> <p>You may submit a withdrawal or amendment electronically irrespective of how you lodged your original Tender.</p> <p>You will require your Holder Identification Number (HIN) located in the top right hand corner of your personalised Tender Form (or any shareholder forms previously sent to you).</p> |    | <p>You need to instruct your controlling CHES participant (normally your broker) in sufficient time for them to process your withdrawal or amendment by no later than 7.00pm (Australian Eastern Standard Time) on <b>Friday, 3 October 2014</b>.</p> <p>The name of the controlling CHES participant who manages your CHES Holding as at the Buy-Back Record Date is printed on your Tender Form.</p> | Not applicable |

If you withdraw/amend your Tender online, the Telstra Share Registry will endeavour to contact your controlling CHES participant on your behalf and relay your withdrawal/amendment instructions. It is your controlling CHES participant's responsibility to acknowledge and accept the withdrawal/amendment so please ensure you allow sufficient time for the Telstra Share Registry to contact your controlling CHES participant and for your controlling CHES participant to process your Tender no later than 7.00pm (Australian Eastern Standard Time) on **Friday, 3 October 2014**. Neither Telstra nor the Telstra Share Registry will be responsible should your controlling CHES participant not acknowledge and accept your withdrawal amendment Tender.

The effect of your controlling CHES participant withdrawing or amending one or more of your Tenders will be to withdraw those Tenders, and in the case of an amendment to replace the amended Tenders with new Tenders.

If you are a CHES Holder, you will be sent written confirmation from CHES of the withdrawals/amendments made in relation to your holding by your controlling CHES participant. Irrespective of its wording, this confirmation is not an acceptance by Telstra of your withdrawal or amendment of any Tender.

## SECTION 3. DETAILS FOR PARTICIPATING IN THE BUY-BACK

### All shareholders on the New Zealand register

If you hold shares on the New Zealand register you should:

| To obtain a Withdrawal/Amendment Form   | Return to  |
|---|--|
| <p>Contact the Telstra Share Registry information line on 0800 835 787 within New Zealand.</p> <p>Complete the <b>Withdrawal/Amendment Form</b> as per the instructions below:</p> <p><b>Withdrawal of Tenders</b> – To withdraw all of your Tender(s) you must tick the 'Withdrawal' box on the Withdrawal/Amendment Form, sign the Form and send it to the Telstra Share Registry.</p> <p><b>Amendment of Tenders</b> – If you wish to change the terms of all or some of your Tenders or you wish to withdraw some (but not all) of your Tenders, you must tick the 'Amendment' box on the Withdrawal/Amendment Form, complete the details of all of your Tenders on that form in accordance with the instructions shown on it, sign the form and send it to Telstra Share Registry.</p> | <p>Telstra Corporation Limited<br/>C/-Link Market Services Limited<br/>PO Box 91976, Auckland 1142</p> <p>A reply-paid envelope is enclosed for use within Australia</p> |
| <p>Your completed Withdrawal/Amendment Form must be received by the Telstra Share Registry by 7.00pm (Australian Eastern Standard Time) on <b>Friday, 3 October 2014</b>.</p> <p>Your Withdrawal/Amendment Form may not be accepted by Telstra unless it is actually received at the above address by 7.00pm (Australian Eastern Standard Time) on <b>Friday, 3 October 2014</b>. You should allow sufficient time for mail collection and delivery if you are sending your Tender Form by mail.</p>  |  |

### 3.3 How will I be paid for Shares bought back?

Payment for Shares bought under the Buy-Back will commence from **Tuesday, 14 October 2014**. The payment method will be direct credit based on your dividend payment instructions as at Friday, 3 October 2014. Proceeds paid by direct credit to shareholders with nominated banking instructions for New Zealand financial institutions will be paid in New Zealand dollars converted at a rate determined by Telstra on or around the Buy-Back Date.

Direct credit advices will be sent to you commencing Tuesday, 14 October 2014.

# SECTION 4. AUSTRALIAN TAX IMPLICATIONS FOR SHAREHOLDERS

If you decide to participate in the Buy-Back your actual tax consequences will depend on your own circumstances.

This section of the Booklet is intended only as a general summary of the Australian income tax implications of participating in the Buy-Back. **It is important that you seek professional tax advice to take into account your particular circumstances and the Commissioner's views in TD2004/22, which are discussed below.**

Unless otherwise specified, this discussion is based on income tax legislation and administrative practice as at the date of this Booklet. These laws, the interpretation of them by the courts and administrative practice may change at any time, possibly with retrospective effect.

Telstra has had the benefit of reviewing a draft class ruling from the ATO for certain shareholders who participate in the Buy-Back. That draft class ruling was provided on a preliminary and non-binding basis but it indicates that the ATO has a consistent view with a number of the statements set out in the summary below. Nevertheless, whilst it is not expected to be the case, as the draft class ruling is preliminary and non-binding, it is possible that the class ruling that is issued by the ATO may differ from the summary set out below.

This general summary may not be relevant for all shareholders. In particular, shareholders who:

- carry on a business in dealing with shares and are assessed on their dealings in shares other than under the Capital Gains Tax ("CGT") provisions; or
- have made an election under the taxation of financial arrangements that affects the recognition of gains and losses in respect of their shares.

This general summary does not comment on the New Zealand tax implications of participation in the Buy-Back, which will be relevant to New Zealand tax resident shareholders. It is possible that some or all of the proceeds of the Buy-Back would be treated as a taxable dividend for New Zealand income tax purposes for New Zealand tax resident shareholders who participate in the Buy-Back. New Zealand tax resident shareholders should seek their own professional tax advice in relation to the New Zealand tax implications of participation in the Buy-Back.

## 4.1 Overview

### (a) The anticipated components of the Buy-Back Price

The Buy-Back will constitute an 'off-market' buy-back for tax purposes.

The ATO has indicated to Telstra that the Capital Component of the Buy-Back Price will be \$2.33. Accordingly, the Dividend Component will be the amount by which the Buy-Back Price exceeds the Capital Component.

The Dividend Component will be a frankable distribution. Telstra will fully frank the Dividend Component.

### (b) Deemed adjustment to the Capital Component

Taxation Determination TD2004/22 and Practice Statement PSLA 2007/9 provide the basis to determine the capital proceeds on disposal of shares for CGT purposes under an off-market buy-back by reference to the market value of the shares at the time of the buy-back. To this end, the ATO has indicated its view that the market value should be determined by reference to the:

- VWAP of the shares over the last five trading days before the first announcement of the Buy-Back adjusted for the movement in the S&P/ASX200 Index from the commencement of trading on the first announcement date (Opening S&P/ASX200 Index) to the close of trading on the day the Buy-Back closes (Closing S&P/ASX200 Index) (as set out in TD2004/22); and
- impact of any dividend paid during the Buy-Back period (as expressed in PSLA 2007/9).

Telstra intends to pay its full-year fully franked ordinary dividend during the Buy-Back period.

On this basis, the market value for the purposes of this Buy-Back will be determined in accordance with both TD2004/22 and the Commissioner's view (expressed in PSLA 2007/9) on the impact of a franked ordinary dividend paid during the Buy-Back period ("CGT Value").

## 4.2 Australian resident shareholders – Treatment of franked Dividend Component

### (a) Generally

An Australian resident shareholder participating in the Buy-Back will be deemed to have received a franked distribution equal to the difference between the Capital Component of \$2.33 and the Buy-Back Price.

The shareholder will be required to include in their assessable income the amount of the franked distribution together with the franking credit on the franked distribution.

The shareholder should be entitled to a tax offset equal to the franking credit. This tax offset may reduce the total tax payable by the shareholder on their taxable income. If the tax offset exceeds the total tax payable by the shareholder on their taxable income, the shareholder, other than a corporate shareholder, may be entitled to a refund of that excess. The tax offset may not be available in certain circumstances.

### (b) Limits on availability of franking credits and tax offsets

#### (i) Overview

There are a number of rules which may deny shareholders participating in the Buy-Back from claiming the benefit of tax offsets arising from the franked distribution component of the Buy-Back Price.

These rules are designed to, amongst other things, discourage trading in franking credits. These rules may deny the benefit of tax offsets and franking credits to shareholders generally, or because of their particular circumstances. Where the rules apply, a shareholder may be denied the benefit of tax offsets and franking credits on the franked distribution deemed to have been received under the Buy-Back.

Telstra is seeking confirmation from the ATO in the Class Ruling that the ATO will not make a determination to deny shareholders generally the benefit of tax offsets on the franked distribution under the Buy-Back.

#### (ii) Holding Period – 45 day rule

Generally, resident shareholders should have regard to the operation of the 45 day rule in relation to their participation in the Buy-Back.

Shareholders who are individuals and whose total franking credit entitlement for the income year does not exceed \$5,000 may not be subject to the 45 day rule.

The 45 day rule is complex. However, to put it in simple terms, the 45 day rule requires a resident shareholder in certain circumstances to have held their Shares 'at risk' for a specified period in order to 'qualify' for the franking credit on the franked distribution, including the franked Dividend Component.

The 45 day rule operates on a last-in-first-out basis so that a shareholder will be deemed to have disposed of under the Buy-Back their most recently acquired Shares for the purpose of applying the 45 day rule. Generally, the ATO accepts that Shares acquired on or after the entitlement date will be excluded from the last-in-first-out rule. This means that Shares you acquire on the ASX on or after Wednesday, 20 August 2014 should not be treated as being disposed of under the Buy-Back for the purposes of the 45 day rule.



## SECTION 4. AUSTRALIAN TAX IMPLICATIONS FOR SHAREHOLDERS

In addition, where the shareholder is under an obligation to make related payments in respect of the franked distribution arising on the Buy-Back Price, the shareholder may not qualify for the tax offset or franking credit.

### (c) Dividend Component – impact for corporate shareholders

The summary of the tax consequences for the Dividend Component received by a shareholder applies to a corporate shareholder (other than where indicated). A corporate shareholder:

- where the tax offset exceeds the tax payable by the shareholder, will not be entitled to a refund;
- will have a franking credit (equal to the franking credit on the franked distribution) arise in their franking account; and
- that realises a capital loss from participating in the Buy-Back will have that capital loss reduced if they are taken to receive a franked Dividend Component.

### 4.3 Australian resident shareholders – CGT treatment of Shares bought back

#### (a) Generally

An Australian resident shareholder participating in the Buy-Back will be deemed, for CGT purposes, to have disposed of each Share for capital proceeds of \$2.33 together with the amount (if any) by which the CGT Value exceeds the Buy-Back Price (“**Deemed Capital Proceeds**”).

Generally, the CGT cost base for a Share will be the amount the shareholder paid to acquire the Share together with certain incidental costs of acquisition, for example stamp duty and brokerage, and certain incidental costs of disposal.

A shareholder participating in the Buy-Back should be taken, for CGT purposes, to have disposed of their Shares when Telstra accepts the Tender. This is expected to be no later than Monday, 6 October 2014.

#### (b) Capital gain or capital loss? – Australian resident shareholder other than a corporate resident shareholder

A shareholder will make a capital gain if the Deemed Capital Proceeds exceeds the CGT cost base of the Share. Where such a capital gain arises to an individual, a trust or a complying superannuation fund, they may be entitled to the CGT discount if they have held the Share for at least 12 months before the Buy-Back Date. Where the CGT discount applies, the capital gain will be reduced by 50% for an individual or a trust, or 33.3% for a complying superannuation fund.

A capital loss for a Share disposed of under the Buy-Back will be the excess of the CGT cost base of the Share over the Deemed Capital Proceeds. No allowance for indexation is made in determining the cost base of the Share for this purpose.

A capital loss that arises from the Buy-Back can only be used to offset capital gains made by the resident shareholder. Capital losses not used may be carried forward to be used later.

#### (c) Capital gain or capital loss? – A corporate resident shareholder

A corporate resident shareholder will make a capital gain if the Deemed Capital Proceeds exceeds the CGT cost base of the Share.

A capital loss for a corporate resident shareholder is determined by reducing the amount by which the CGT cost base of the Share exceeds the Deemed Capital Proceeds (with no allowance for indexation) by the lesser of:

- the fully franked Dividend Component; and
- the amount of the excess.

### 4.4 Non-resident shareholders – treatment of franked Dividend Component

A non-resident shareholder will not be liable to Australian withholding tax on any part of the Buy-Back Price.

### 4.5 Non-resident shareholders – CGT treatment of Shares bought back

An Australian CGT liability should not arise for a non-resident participating in the Buy-Back unless the non-resident together with its ‘associates’ holds or at anytime during a 12 month period in the preceding two years held 10% or more of the issued shares of Telstra.

### 4.6 Tax table

The table below provides illustrative examples of the potential tax consequences for Australian resident individuals (see columns marked ‘Individual’), and Australian complying superannuation funds (see column marked ‘Superfund’), from participating in the Buy-Back.

The table also provides a comparison of the potential after-tax proceeds of participating in the Buy-Back and a sale of the Shares on the ASX. In addition to the table set out below, Telstra has provided a tax calculator to assist shareholders consider the potential Australian tax consequences for them – please go to: [www.telstra.com/buyback](http://www.telstra.com/buyback) if you wish to use this.

The determination of the after-tax proceeds from participation in the Buy-Back includes an amount in relation to the value of the capital loss which may arise as a result of participation in the Buy-Back. The value of the capital loss is dependent on the particular circumstances of the shareholder, in particular whether the loss will be able to be used by that shareholder to reduce a realised capital gain.

The table assumes that the shareholder will be able to take advantage of the capital loss in the income year in which it arises.

It is important to understand that the table is an example only and is based on a number of assumptions including:

- a Buy-Back Price which may not be the actual Buy-Back Price. The actual Buy-Back Price and the amount of the franked distribution will not be known until after the Buy-Back closes; and
- Deemed Capital Proceeds, which may change (see section 4.1(b)). The actual Deemed Capital Proceeds will not be known until after the Buy-Back closes.

It is based on assumptions as to the proceeds of the sale of the Shares on the ASX.

In any event, the tax consequences for an individual or superfund participating in the Buy-Back or selling the Shares on the ASX may be different from the example because of their particular circumstances.

The amounts calculated under the table will not necessarily reflect the actual tax consequences for you if you choose to participate in the Buy-Back, or if you sell your shares on the ASX.

Example: Income tax and CGT consequences per Share from participating in the Buy-Back (based on an illustrative Buy-Back Price of \$4.77, an illustrative CGT Value of \$5.30, an illustrative CGT cost base of \$4.00 and the same proceeds of an on-market sale being \$5.30).

## SECTION 4. AUSTRALIAN TAX IMPLICATIONS FOR SHAREHOLDERS

|  |                               | Super fund      | Australian resident individuals <sup>1</sup> |                     |                     |                      |                    |
|--|-------------------------------|-----------------|--|---------------------|---------------------|----------------------|--------------------|
|  |                               |                 | \$0 – \$18,200                               | \$18,201 – \$37,000 | \$37,001 – \$80,000 | \$80,001 – \$180,000 | \$180,001 and over |
| Per Share A\$  | Method-ology                  | 15.00% tax rate | 0.00% tax rate                               | 21.00% tax rate     | 34.50% tax rate     | 39.00% tax rate      | 49.00% tax rate    |
| <b>Australian tax implications of sale of shares in the Buy-Back</b> |                               |                 |  |                     |                     |                      |                    |
| <b>Income tax consequences (deemed dividend)</b>                     |                               |                 |  |                     |                     |                      |                    |
| Illustrative Buy-Back Price <sup>2</sup>                             | A                             | 4.77            | 4.77   | 4.77                | 4.77                | 4.77                 | 4.77               |
| Less: Capital Component  | B                             | 2.33            | 2.33   | 2.33                | 2.33                | 2.33                 | 2.33               |
| Assumed dividend component   | C = A – B                     | 2.44            | 2.44   | 2.44                | 2.44                | 2.44                 | 2.44               |
| Add: Gross-up for franking credits <sup>3</sup>                      | D = C × 30 ÷ 70               | 1.05            | 1.05   | 1.05                | 1.05                | 1.05                 | 1.05               |
| Assessable income  | E = C + D                     | 3.49            | 3.49   | 3.49                | 3.49                | 3.49                 | 3.49               |
| Less: Tax on that assessable income                                  | F = E × tax rate              | 0.52            | 0.00   | 0.73                | 1.20                | 1.36                 | 1.71               |
| Add: Tax offset for franking credits <sup>3</sup>                    | G = D                         | 1.05            | 1.05   | 1.05                | 1.05                | 1.05                 | 1.05               |
| <b>After tax dividend proceeds</b>                                   | <b>H = C – F + G</b>          | <b>2.97</b>     | <b>3.49</b>                                  | <b>2.76</b>         | <b>2.29</b>         | <b>2.13</b>          | <b>1.78</b>        |
| <b>CGT consequences</b>  |                               |                 |  |                     |                     |                      |                    |
| Capital Component  | B                             | 2.33            | 2.33   | 2.33                | 2.33                | 2.33                 | 2.33               |
| Deemed adjustment to Capital Component <sup>4</sup>                  | I                             | 0.53            | 0.53   | 0.53                | 0.53                | 0.53                 | 0.53               |
| Deemed Capital Proceeds  | J = B + I                     | 2.86            | 2.86   | 2.86                | 2.86                | 2.86                 | 2.86               |
| Less: Illustrative cost base   | K                             | 4.00            | 4.00   | 4.00                | 4.00                | 4.00                 | 4.00               |
| Nominal capital (loss)/gain  | L = J – K                     | (1.14)          | (1.14)                                       | (1.14)              | (1.14)              | (1.14)               | (1.14)             |
| Discounted capital (loss)/gain <sup>5</sup>                          | M = L × (1 – discount factor) | (0.76)          | (0.57)                                       | (0.57)              | (0.57)              | (0.57)               | (0.57)             |
| Tax impact of capital loss/(gain) <sup>5</sup>                       | N = –M × tax rate             | 0.11            | 0.00   | 0.12                | 0.20                | 0.22                 | 0.28               |
| Add: Capital Component   | B                             | 2.33            | 2.33   | 2.33                | 2.33                | 2.33                 | 2.33               |
| <b>After tax capital proceeds</b>                                    | <b>O = N + B</b>              | <b>2.44</b>     | <b>2.33</b>                                  | <b>2.45</b>         | <b>2.53</b>         | <b>2.55</b>          | <b>2.61</b>        |
| <b>Total after tax proceeds<sup>8</sup></b>                          | <b>P = H + O</b>              | <b>5.41</b>     | <b>5.82</b>                                  | <b>5.21</b>         | <b>4.82</b>         | <b>4.68</b>          | <b>4.39</b>        |
| <b>Australian tax implications of sale of shares on ASX</b>          |                               |                 |  |                     |                     |                      |                    |
| Sale consideration <sup>6</sup>                                      | Q                             | 5.30            | 5.30   | 5.30                | 5.30                | 5.30                 | 5.30               |
| Less: Illustrative cost base   | K                             | 4.00            | 4.00   | 4.00                | 4.00                | 4.00                 | 4.00               |
| Nominal capital (loss)/gain  | R = Q – K                     | 1.30            | 1.30   | 1.30                | 1.30                | 1.30                 | 1.30               |
| Discount capital (loss)/gain <sup>5</sup>                            | S = R × (1 – discount factor) | 0.87            | 0.65   | 0.65                | 0.65                | 0.65                 | 0.65               |
| Tax on capital loss/(gain) <sup>5</sup>                              | T = –S × tax rate             | (0.13)          | 0.00   | (0.14)              | (0.22)              | (0.25)               | (0.32)             |
| <b>Total after tax proceeds<sup>7</sup></b>                          | <b>U = Q + T</b>              | <b>5.17</b>     | <b>5.30</b>                                  | <b>5.16</b>         | <b>5.08</b>         | <b>5.05</b>          | <b>4.98</b>        |

- The tax rates for Australian resident individuals include the Medicare Levy of 2%. The Medicare Levy depends on the individual's own circumstances. The tax rate for Australian resident individuals with a taxable income over \$180,000 also includes the 2% Temporary Budget Repair Levy.
- This is for illustrative purposes only. You should not rely on this price as being the actual Buy-Back Price. The procedure to determine the Buy-Back Price is explained in section 2.14.
- Assuming that the shareholder receives the full tax offset arising from the franking credits.
- The amount (if any) by which the CGT Value exceeds the Buy-Back Price, as outlined in section 4.3.
- The value is illustrative only. The value of a loss ultimately depends on the taxpayer's own circumstances. This assumes that the loss arising on the sale of the Shares can be utilised to reduce a discounted capital gain arising in the same income year.
- This value is illustrative only. It has assumed that the sale consideration on the ASX is the same as the deemed market value for CGT purposes.
- It is assumed that no brokerage is paid.
- The Total after-tax proceeds assumes that the shareholder is eligible to utilise the whole of the capital loss that arises from participating in the Buy-Back in the same income year. This is a critical assumption, if you are a shareholder and are unable to utilise all of the capital loss, please refer to the tax calculator at [www.telstra.com/buyback](http://www.telstra.com/buyback).

# SECTION 5. EFFECT OF THE BUY-BACK ON TELSTRA

## 5.1 Summary of full year results and outlook

On Thursday, 14 August 2014, Telstra announced its full year results for the period ended 30 June 2014. Those announced results included:

- total income (excluding finance income) increased 6.1 per cent or \$1,520 million to \$26.3 billion;
- EBITDA increased 9.5 per cent or \$967 million to \$11.1 billion;
- net profit after tax increased 14.6 per cent or \$554 million to \$4.3 billion;
- earnings per share increased 14.3 per cent to 34.4 cents;
- capital expenditure decreased 0.8 per cent to \$3.7 billion;
- free cashflow increased 48.9 per cent or \$2,459 million to \$7.5 billion. On a guidance basis adjusted for the sale proceeds of CSL and 70 per cent of the Sensis directories business and other M&A, free cashflow was \$5.1 billion;
- 937,000 new domestic retail mobile customer services added in FY14 to now total 16 million;
- mobile revenue grew 5.1 per cent to \$9.7 billion;
- final dividend increased 7.1 per cent to 15 cents per share (taking total dividend for FY14 to 29.5 cents).

In the year ended 30 June 2014, Telstra has made progress against its growth ambitions, through investments in the areas of eHealth, Global Enterprise and Services, and Global Applications and Platforms (including the purchase of leading global video streaming company, Ooyala, announced on Tuesday, 12 August 2014).

Telstra has a clear strategy that it is focused on implementing, has delivered strong financial performance, continues to take a disciplined approach to portfolio and capital management and is investing to provide sustainable long term growth.

In 2015, Telstra expects continued low single-digit income and EBITDA growth to offset the absence of CSL 2014 operating revenue and EBITDA. As a result, and after excluding the \$561 million profit on sale of CSL in 2014, Telstra's income and EBITDA guidance for 2015 is broadly flat.

Telstra expects 2015 free cashflow of between \$4.6 billion and \$5.1 billion and capital expenditure to be around 14 per cent of sales.

This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, the cost of acquisitions and spectrum purchases.

Electronic copies of Telstra's Annual Report and its full year results presentation are available on the Telstra website at [www.telstra.com/investor](http://www.telstra.com/investor). Telstra's 2014 Annual Report includes its financial report (set out on pages 65 to 195 of the Telstra 2014 Annual Report) and specific disclosure regarding Telstra's negotiations with NBN Co and the Commonwealth on potential changes to the current agreements that may result from the Government's intent to move to a multi-technology NBN rollout (set out on page 6 of the Telstra 2014 Annual Report). This information, and other announcements made by Telstra on or after the date of this Booklet, may be of interest to shareholders. The Annual Report and any such announcements can be found on Telstra's website at [www.telstra.com/investor](http://www.telstra.com/investor).

## 5.2 Corporate activity

Shareholders should be aware that Telstra may be involved in exploratory discussions with third parties from time to time regarding potential corporate transactions and other strategic initiatives. In the event that a significant corporate transaction develops as a result of these discussions, and it is not appropriate to immediately disclose the transaction, it may become necessary for Telstra to terminate or extend the Buy-Back to ensure that the Buy-Back only proceeds in circumstances where shareholders are fully informed of all material information. Any decision to terminate or extend the Buy-Back will only be made after due consideration of the best interests of Telstra's shareholders.

## 5.3 How will the Buy-Back be funded?

The Buy-Back is expected to be funded from Telstra's cash reserves. Telstra has accumulated surplus cash from its strong operating performance and from the recent divestitures of its interest in the Hong Kong mobiles business, CSL New World Limited and 70% of its Sensis directories business. Given the strength of Telstra's financial position, it will remain strongly capitalised after completion of the Buy-Back and maintain balance sheet settings consistent with a single 'A' credit rating. The Buy-Back is not expected to compromise Telstra's ability to invest in growth.

## 5.4 Impact of the Buy-Back on key financial indicators

The precise impact of the Buy-Back cannot be determined until the Buy-Back Price and the size of the Buy-Back are finalised. However, the Buy-Back is expected to improve Telstra's earnings per share, cash flow per share and return on equity. The more Shares that are purchased the greater the expected enhancement of these metrics. As the Buy-Back is expected to be funded from Telstra's cash reserves, the net gearing, and therefore interest expense, of Telstra is expected to marginally increase, but this is not expected to compromise its balance sheet settings being consistent with a single 'A' credit rating.

## 5.5 Impact of the Buy-Back on Telstra's franking account

The amount of franking credits that will be utilised under the Buy-Back will not be known until the Buy-Back Price and the total size of the Buy-Back are determined. By way of illustration, if it is assumed that \$1 billion worth of Shares are bought back under the Buy-Back at a 10% discount to a Market Price of \$5.30, approximately \$243 million of franking credits would be utilised (please be aware that this is an example only). However, Telstra has estimated the potential impacts of the Buy-Back on its franking credit balance, and on the basis of those estimates, those impacts are not expected to be a factor in Telstra's ability to continue to fully frank future ordinary dividends in accordance with Telstra's Capital Management Framework.

## SECTION 5. EFFECT OF THE BUY-BACK ON TELSTRA

### 5.6 Impact of the Buy-Back on Telstra's balance sheet

The table below sets out Telstra's summarised balance sheet and a pro-forma summarised balance sheet as at 30 June 2014 assuming \$1 billion of Shares are bought back under the Buy-Back at a Buy-Back Price of \$5.30 and a 10% discount (please be aware that this is an example only). The value of Shares actually bought back will be determined by Telstra.

|   | Reported<br>as at 30 June 2014<br>\$m | Adjustment for<br>Buy-Back<br>\$m | Pro-forma Balances<br>as at 30 June 2014<br>\$m |
|---|---------------------------------------|-----------------------------------|---|
| <b>Current assets</b>                               |                                       |                                   |   |
| Cash and cash equivalents                           | 5,527                                 | (1,000)                           | 4,527   |
| Trade and other receivables                         | 4,172                                 |                                   | 4,172   |
| Inventories   | 362                                   |                                   | 362   |
| Derivative financial assets                         | 23                                    |                                   | 23  |
| Current tax receivables                             | 2                                     |                                   | 2   |
| Prepayments   | 329                                   |                                   | 329   |
| Assets classified as held for sale                  | 23                                    |                                   | 23  |
| <b>Total current assets</b>                         | <b>10,438</b>                         | <b>(1,000)</b>                    | <b>9,438</b>                                    |
| <b>Non current assets</b>                           |                                       |                                   |   |
| Trade and other receivables                         | 973                                   |                                   | 973   |
| Inventories   | 29                                    |                                   | 29  |
| Investments – accounted for using the equity method | 196                                   |                                   | 196   |
| Investments – other                                 | 127                                   |                                   | 127   |
| Property, plant and equipment                       | 19,842                                |                                   | 19,842  |
| Intangible assets                                   | 6,382                                 |                                   | 6,382   |
| Derivative financial assets                         | 1,322                                 |                                   | 1,322   |
| Deferred tax assets                                 | 7                                     |                                   | 7   |
| Defined benefit asset                               | 44                                    |                                   | 44  |
| <b>Total non current assets</b>                     | <b>28,922</b>                         | <b>–</b>                          | <b>28,922</b>                                   |
| <b>Total assets</b>                                 | <b>39,360</b>                         | <b>(1,000)</b>                    | <b>38,360</b>                                   |
| <b>Current liabilities</b>                          |                                       |                                   |   |
| Trade and other payables                            | 3,834                                 |                                   | 3,834   |
| Provisions  | 932                                   |                                   | 932   |
| Borrowings  | 2,277                                 |                                   | 2,277   |
| Derivative financial liabilities                    | 400                                   |                                   | 400   |
| Current tax payables                                | 296                                   |                                   | 296   |
| Revenue received in advance                         | 926                                   |                                   | 926   |
| Liabilities classified as held for sale             | 19                                    |                                   | 19  |
| <b>Total current liabilities</b>                    | <b>8,684</b>                          | <b>–</b>                          | <b>8,684</b>                                    |
| <b>Non current liabilities</b>                      |                                       |                                   |   |
| Other payables                                      | 66                                    |                                   | 66  |
| Provisions  | 261                                   |                                   | 261   |
| Borrowings  | 13,547                                |                                   | 13,547  |
| Derivative financial liabilities                    | 1,169                                 |                                   | 1,169   |
| Deferred tax liabilities                            | 1,286                                 |                                   | 1,286   |
| Revenue received in advance                         | 387                                   |                                   | 387   |
| <b>Total non current liabilities</b>                | <b>16,716</b>                         | <b>–</b>                          | <b>16,716</b>                                   |
| <b>Total liabilities</b>                            | <b>25,400</b>                         | <b>–</b>                          | <b>25,400</b>                                   |
| <b>Net assets</b>                                   | <b>13,960</b>                         | <b>(1,000)</b>                    | <b>12,960</b>                                   |
| <b>Equity</b>                                       |                                       |                                   |   |
| Share capital                                       | 5,719                                 | (489)                             | 5,230   |
| Reserves  | (228)                                 |                                   | (228)   |
| Retained profits                                    | 8,331                                 | (511)                             | 7,820   |
| Equity available to Telstra Entity shareholders     | 13,822                                | (1,000)                           | 12,822  |
| Non-controlling interests                           | 138                                   | –                                 | 138   |
| <b>Total equity</b>                                 | <b>13,960</b>                         | <b>(1,000)</b>                    | <b>12,960</b>                                   |

## SECTION 5. EFFECT OF THE BUY-BACK ON TELSTRA

### 5.7 Impact of the Buy-Back on Telstra's issued shares

As at Wednesday, 13 August 2014, Telstra had on issue around 12,443 million ordinary Shares. The table below sets out the number of Shares and the percentage of total issued Shares which would be bought back at different Buy-Back Prices assuming a total of \$1 billion worth of Shares are bought back. All Shares that Telstra buys back will be cancelled.

| Tender Discount | Buy-Back Price assuming a Market Price of \$5.30 | Number of Shares bought back | Percentage of total issued shares |
|-----------------|--|------------------------------|-----------------------------------|
| 14%             | \$4.56   | 219.3m                       | 1.76%                             |
| 13%             | \$4.61   | 216.9m                       | 1.74%                             |
| 12%             | \$4.66   | 214.6m                       | 1.72%                             |
| 11%             | \$4.72   | 211.9m                       | 1.70%                             |
| 10%             | \$4.77   | 209.6m                       | 1.68%                             |
| 9%              | \$4.82   | 207.5m                       | 1.67%                             |
| 8%              | \$4.88   | 204.9m                       | 1.65%                             |
| 7%              | \$4.93   | 202.8m                       | 1.63%                             |
| 6%              | \$4.98   | 200.8m                       | 1.61%                             |

### 5.8 What effect will the Buy-Back have on the control of Telstra?

Given the percentage of issued Shares Telstra expects to buy back under the Buy-Back and the diversity of the Telstra share register, the Buy-Back will not create any change of control implications for Telstra.

### 5.9 Forward looking statements

Certain statements contained in this Booklet, including statements in sections 5.1 and 5.6 above, and statements regarding the implementation of the Buy-Back and its effect on Telstra's business and securities, may constitute "forward-looking statements". Forward-looking statements also include those containing such words as "anticipate", "estimates", "should", "will", "expects", "plans" or similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual outcomes to be different from the forward-looking statements (such as those previously released to the market or set out in this document). Telstra undertakes no obligation to revise the forward-looking statements included in this Booklet to reflect any future events or circumstances.

Telstra's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences include the number of Shares bought back pursuant to the Buy-Back Invitation, the Buy-Back Price and general trading and economic conditions affecting Telstra.

Further information about Telstra, its business and factors affecting its operations is contained in Telstra's 2014 Annual Report and other reports, which can be accessed at [www.telstra.com/investor](http://www.telstra.com/investor).

# SECTION 6. ADDITIONAL INFORMATION ON THE BUY-BACK

This section sets out further details of the Buy-Back including important information for joint shareholders, trustees and nominees.

## 6.1 Size of the Buy-Back

ASIC has granted Telstra an exemption under subsection 257D(4) of the Corporations Act to permit Telstra to conduct the Buy-Back as an equal access scheme. Further details of the exemption granted by ASIC are set out in section 6.15.

Under the Corporations Act, Telstra may, without shareholder approval, buy back any number of Shares under an equal access scheme, provided that the number of voting shares bought back in the Buy-Back and in any other buy-back conducted in the last 12 months, does not exceed 10 per cent of the smallest number, at any time during the 12 months preceding the Buy-Back, of votes attaching to Telstra's voting shares. Telstra does not intend to buy back more than approximately \$1 billion worth of Shares under this Buy-Back, and retains the discretion to buy back any lesser number of Shares or no Shares at all. Telstra also retains the discretion to increase the size of the Buy-Back, however, any increase in the size of the Buy-Back will not result in Telstra exceeding the 10 per cent in 12 months limit.

If, at the end of the Tender Period, Telstra has determined the number of Shares to be bought back (if any), but has received Tenders to sell at or below the Buy-Back Price (including Final Price Tenders) that in aggregate amount to, or to less than, that number so determined, then all Shares tendered at a Tender Discount lower than the Buy-Back Discount will be rejected and all Shares tendered at the Buy-Back Discount, at a Tender Discount greater than the Buy-Back Discount and as Final Price Tenders will be bought back in full.

## 6.2 Ineligible Foreign Shareholders and ADRs

This Buy-Back Invitation is not being made to any Ineligible Foreign Shareholders. In addition, holders of ADRs are not eligible to participate in the Buy-Back in their capacity as a holder of an ADR.

Specifically, any person who is (or who is acting on behalf of or for the account of a person who is) in the United States or who is a US Person is not entitled to participate, directly or indirectly, in the Buy-Back. The Buy-Back Invitation will also not be sent to any shareholder who has a registered address in Canada. Copies of the Buy-Back Documents are not being mailed to or otherwise distributed or sent into the United States or Canada.

Any person receiving any of the Buy-Back Documents must not, directly or indirectly, distribute or send them into the United States or make them available to any US Person (including to any legal or beneficial owner of Telstra shares that is a US Person) or any person who is located in the United States.

Telstra will not accept Tender Forms:

- from any person who does not represent that they are not (and they are not acting on behalf of or for the account of a person who is) located or resident in the United States or a US Person or otherwise an Ineligible Foreign Shareholder; or
- that have been postmarked in the United States or that otherwise appear to Telstra or its agents to have been sent from the United States.

By submitting a Tender Form, you warrant that you are not an Ineligible Foreign Shareholder.

## 6.3 Telstra employee share schemes

If you hold Shares as part of a Telstra employee share scheme, the terms of that scheme may restrict your ability to participate in the Buy-Back. Set out below is a brief description of the potential restrictions arising from the terms of the relevant schemes. You should read these carefully and if you have any further questions, contact the Telstra Share Registry information line on 1300 88 66 77 from within Australia and +61 1300 88 66 77 from outside Australia.

### Telstra Employee Share Ownership Plan II (TESOP 99)

Under TESOP 99, employees were able to fund the acquisition of certain Shares with an interest free non-recourse loan from Telstra. Under the terms of the plan, the relevant Shares are held by the TESOP Trustee on behalf of the participating employee and cannot be dealt with unless the value of the loan has been repaid.

Current Telstra employee participants in TESOP 99 can at any time elect to:

- repay the TESOP 99 Loan and have the relevant Shares transferred to them; or
- arrange through the TESOP Trustee the sale of the relevant Shares where the proceeds of sale (less costs of sale) are sufficient to repay the TESOP 99 Loan.

If you hold Shares under TESOP 99, you may participate in the Buy-Back in respect of the Shares held by the TESOP Trustee by:

- repaying your outstanding TESOP 99 Loan in respect of the relevant Shares by Friday, 26 September 2014 and becoming the registered owner and submit a Tender Form prior to the close of the Tender Period on Friday, 3 October 2014; or
- arranging for the TESOP Trustee to tender the relevant Shares into the Buy-Back on your behalf.

As a result of the taxation treatment of the amount received for Shares bought back from the TESOP Trustee by Telstra under the Buy-Back, arranging for the TESOP Trustee to tender the relevant Shares may not be the preferable means of participation for you. You should also note that you currently have the benefit of the interest free TESOP 99 Loan, which will need to be repaid if you participate in the Buy-Back.

Employees participating in TESOP 99 should refer to the separate email sent to you by the TESOP Trustee for further information on participation in the Buy-Back. If you have not yet received the email and you are interested in participating in the Buy-Back, or if you have any other queries about tendering your TESOP Shares, please contact the enquiry line on 1300 303 199.



## SECTION 6. ADDITIONAL INFORMATION ON THE BUY-BACK

### Other employee share schemes

Telstra operates (or previously operated) the following share ownership plans for executives and employees.

#### (i) Short term incentive restricted shares for executives and restricted shares for GE Telstra Wholesale

Shares are held in trust for the executives until the end of a specified restriction period (or until the first day after that date that they or “designated persons” under Telstra’s Securities Trading Policy are able to deal in the Shares under Telstra’s Securities Trading Policy). This restriction period may be shortened in certain limited circumstances. During this restriction period, executives have agreed that they cannot deal in the Shares.

Under this scheme, where the restriction period has not expired before the Buy-Back Record Date, the relevant executive will not be able to participate in the Buy-Back (and even though the registered holder of the relevant Shares (i.e. the Growthshare Trustee) will receive an invitation to participate).

If the relevant restriction period has expired, the executive may participate in the Buy-Back in respect of the relevant Shares.

#### (ii) Long term incentive performance rights for executives

Performance rights entitle an executive to Shares at the end of a performance period, subject to the satisfaction of specified performance measures. If, at the completion of the performance period the performance measures have in whole or in part been met, the performance rights may vest as Shares. However, these Shares are held in trust for the executives until the end of a specified restriction period (or until the first day after that date that they are able to deal in the shares under Telstra’s Securities Trading Policy). During this restriction period, executives have agreed that they cannot deal in the Shares. Under this scheme, where:

- the performance rights have not yet vested; or
- the performance rights have vested but the restriction period in respect of the relevant Shares has not expired before the Buy-Back Record Date,

the relevant employee will not be able to participate in the Buy-Back in respect of the performance rights or in respect of the vested Shares (and even though the registered holder of the relevant Shares (i.e. the Growthshare Trustee) will receive an invitation to participate in respect of any vested Shares).

If the performance rights have vested into Shares, and the relevant restriction period has expired, the employee may participate in the Buy-Back in respect of the relevant Shares.

#### (iii) General employee share plan for employees not in the Telstra Executive Team

Shares are held in trust for employees until the end of a 3 year restriction period (which may be shortened in certain limited circumstances). During this restriction period, participating employees have agreed that they cannot deal in the Shares.

Under this scheme, where the restriction period has not expired before the Buy-Back Record Date, the relevant employee will not be able to participate in the Buy-Back (and even though the registered holder of the relevant Shares (i.e. the Growthshare Trustee) will receive an invitation to participate).

If the relevant restriction period has expired, the employee may participate in the Buy-Back in respect of the relevant Shares.

#### (iv) Ownshare (salary sacrifice) plan

The Ownshare plan has not been offered since October 2013 but existing grants under the plan remain on foot. Under the plan eligible employees could be provided part of their remuneration in Shares. The Shares are held in trust for employees until the end of a 3 year restriction period (which may be shortened in certain limited circumstances). During this restriction period, employees have agreed that they cannot deal in the Shares.

Under this scheme, where the restriction period has not expired before the Buy-Back Record Date, the relevant employee will not be able to participate in the Buy-Back (and even though the registered holder of the relevant Shares (i.e. the Growthshare Trustee) will receive an invitation to participate).

If the relevant restriction period has expired, the employee may participate in the Buy-Back in respect of the relevant Shares.

### 6.4 Restrictions on Tender acceptances

Telstra will not accept any Tender it may not lawfully accept or which, if accepted, would give rise to an illegal or unenforceable Buy-Back Contract or a Buy-Back Contract which Telstra cannot otherwise lawfully perform.

Section 8BH of the Telstra Corporation Act prohibits an ‘unacceptable foreign ownership’ situation in relation to Telstra. In general, such a situation would arise if a foreign person held more than 35% of Telstra’s Shares or any one foreign person held more than 5% of Telstra’s Shares (see section 8BG of the Telstra Corporation Act). To the extent necessary, Telstra will not accept any Tender or apply the scale back mechanism if acceptances of the application of the scale back mechanism would cause a contravention of the Telstra Corporation Act.

Without limiting the rights that Telstra otherwise has in relation to Tenders, a Tender submitted by an Ineligible Foreign Shareholder or an ADR holder will not be accepted by Telstra.

This Buy-Back Invitation is not made to persons to whom the Buy-Back Invitation may not lawfully be made, or to persons whose participation in the Buy-Back is not permitted under the laws of the jurisdiction in which they are resident. Without limiting the rights that Telstra otherwise has in relation to holders of ADRs to Tenders, a Tender submitted by such a person will not be accepted by Telstra.

## SECTION 6. ADDITIONAL INFORMATION ON THE BUY-BACK

### 6.5 Shares held by trustees and nominees

Trustees and nominees who hold Shares should inform the beneficial owners of the Shares about the Buy-Back, subject to any legal restrictions in the countries where such beneficial owners are resident and provided such persons are not Ineligible Foreign Shareholders, and then aggregate all Tenders received from beneficial owners. It is the responsibility of the trustee or nominee to complete one aggregate Tender Form on behalf of all beneficial owners.

Trustees or nominees who hold Shares on behalf, or for the account, of each of the following persons or entities must not inform any such person or entity of the Buy-Back: (i) a person located or resident in the United States; (ii) a US Person; (iii) an agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States; or (iv) a resident of Canada. It is the responsibility of the trustee or nominee to ensure that, when completing an aggregated Tender Form, it does not include any Tender on behalf of such persons.

Further, any scale back that applies to Shares tendered by trustees or nominees will be performed on a registered shareholder basis.

### 6.6 Joint shareholders

If you hold your Shares jointly with another person (for example, your spouse) you must complete and return the Tender Form in accordance with the instructions for joint holdings on the Tender Form.

Please note that you will receive a personalised Tender Form for each separate registered holding of Shares (for example, if you hold some Shares in your name and some Shares jointly with another person, you will receive two Tender Forms). You may tender Shares in the Buy-Back from any or all of your separate registered holdings provided that you complete the Tender Form(s) and follow the instructions on each Tender Form for each holding you wish to tender. Any scale back that applies to Shares tendered from more than one of your registered holdings of Shares will be applied to each of those registered holdings as if they were held by different persons.

### 6.7 Margin lending and other arrangements

If you hold your Shares under margin lending arrangements or if they are held as security for a loan or as ASX Clear Pty Limited collateral, you should ensure that your participation in the Buy-Back is permitted by those margin lending arrangements or the relevant loan and security documentation or by ASX Clear Pty Limited.

### 6.8 Restriction on the payment of Buy-Back proceeds

Telstra will pay Telstra shareholders the Buy-Back Price for each of their Shares that are bought back, unless it is prohibited by law or the terms of the Buy-Back as set out in this booklet.

### 6.9 Rights under this Buy-Back Invitation cannot be transferred

This Buy-Back Invitation is personal to you. You cannot transfer your rights under this Buy-Back Invitation.

### 6.10 The effect of submitting a Tender

A Tender constitutes an offer to sell the tendered Shares to Telstra on the terms and conditions set out in the Buy-Back Documents. A Tender does not, of itself, constitute a binding contract for the sale of the tendered Shares and cannot be enforced against Telstra. Telstra retains the discretion to accept or reject any Tender, and may choose to reject all Tenders. If Telstra accepts your Tender, a binding Buy-Back Contract is formed between you and Telstra, and you must sell the tendered Shares back to Telstra on the terms and conditions set out in the Buy-Back Documents including the terms and conditions set out below.

By submitting a Tender, you:

- agree to the terms and conditions set out in the Buy-Back Documents;
- offer to sell to Telstra on the Buy-Back Date the number of Shares nominated for sale in your Tender or on your Tender Form (adjusted in accordance with the terms and conditions set out in the Buy-Back Documents) at your nominated Tender Discount(s) and/or Final Price Tender (subject to any Minimum Price you have chosen);
- agree to any scale back announced by Telstra;
- agree that Telstra's announcement to the ASX on the Buy-Back Date in relation to the Buy-Back Price and other details is:
  - effective notice or communication of Telstra's acceptance of your Tenders that are submitted either:
    - at a Tender Discount equal to or greater than the Buy-Back Discount; or
    - as a Final Price Tender (adjusted in accordance with the terms and conditions set out in the Buy-Back Documents), and which are:
      - submitted in accordance with the Buy-Back Documents; and
      - submitted at a price which is no less than your Minimum Price (if you have chosen one) and which is not rejected by Telstra; and
  - effective notice of Telstra's rejection of any of your Tenders submitted at a Tender Discount less than the Buy-Back Discount or where your Minimum Price (if you have chosen one) is greater than the Buy-Back Price;
- agree that a Buy-Back Contract is formed for the purchase of the relevant Shares upon Telstra accepting your Tender in accordance with the terms and conditions of this Buy-Back and posting an announcement on its website, and that the purchase of the relevant Shares is taken to occur at that time;
- waive any requirement to receive further notice or communication from Telstra of its acceptance or rejection of any Tender submitted by you;
- warrant to Telstra that:
  - at all times after you tender your Shares for sale into the Buy-Back, and on the Buy-Back Date, you are the registered holder of the Shares that you have tendered and that they are fully paid, free from any mortgage, charge, lien, or other encumbrances (whether legal or equitable) and from any third party rights and otherwise able to be sold freely by you;

## SECTION 6. ADDITIONAL INFORMATION ON THE BUY-BACK

- you are a person to whom the Buy-Back Invitation may lawfully be made, can receive the proceeds of the sale of your Shares, and whose participation in the Buy-Back is permitted under the laws of the jurisdiction in which you are a resident, and that you are not an Ineligible Foreign Shareholder;
- you are not (nor are you acting on behalf of or for the account of) a US Person, a resident of Canada, a person located or resident in the United States or a person who is otherwise an Ineligible Foreign Shareholder;
- you have not distributed or sent any Buy-Back Documents or other document referring to the Buy-Back in or into the United States or Canada or to any US Person, ADR holder, resident of Canada or Ineligible Foreign Shareholder;
- you have not utilised in connection with the Buy-Back, directly or indirectly, mail or any means or instrumentality (including without limitation, facsimile transmission, telephone and internet) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States; and
- you are not tendering Shares represented by American depository shares that are evidenced by ADRs;
- authorise Telstra (and its officers, agents or contractors) to correct any error in or omission from your Tender Form and/or Withdrawal/Amendment Form, and to insert any missing details;
- undertake not to sell or offer to sell Shares to any other person if, as a result, you will at any time after you submit your Tender until the Buy-Back Date hold fewer Shares than the number of Shares you have tendered;
- acknowledge that neither Telstra nor any other party involved in the Buy-Back has provided you with financial product advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning your decision to participate in the Buy-Back or the manner of any such participation;
- authorise Telstra to make payment by direct credit to your nominated bank account where your dividend payments are currently made and recorded on the Telstra share register at 7.00pm (Australian Eastern Standard Time) on the Closing Date and acknowledge that payments to this account will satisfy Telstra's obligations to pay you for any Shares bought back;
- undertake that if you breach any of these covenants, undertakings, agreements or warranties you will indemnify Telstra for all of its costs arising from the breach; and
- agree that damages is not an adequate remedy for breach of these covenants, undertakings, agreements, representations or warranties.

You will be taken to have submitted a Tender when the Telstra Share Registry receives a validly lodged Tender either electronically or via a Tender Form or, if you have a CHES Holding, your Tender from your controlling CHES participant through CHES.

### 6.11 Telstra's right to accept or reject Tenders and Tender Forms

At any time, Telstra may (at its sole discretion):

- accept or reject any Tender or Tender Form; and
- accept or reject a Tender not made on the terms and conditions set out in the Buy-Back Documents, or a Tender Form not submitted in accordance with the procedures set out in the Buy-Back Documents.

Telstra will not accept any Tender or Tender Form that has been postmarked in the United States or otherwise appears to Telstra or its agents to have been sent from the United States or by an Ineligible Foreign Shareholder.

Telstra may do each of these things in relation to all or some of the Tenders or the Tender Forms it receives, in its absolute discretion.

### 6.12 Telstra's right to vary dates and times

While Telstra does not anticipate changing any of the dates and times set out in the Buy-Back Documents (including, without limitation, the Closing Date and the Buy-Back Date), it reserves the right to do so by announcement to the ASX and without any other notice. Such an announcement will be taken to amend this Booklet (and the other Buy-Back Documents) accordingly.

Without limitation, Telstra reserves the right to terminate this Buy-Back at any time prior to the date on which Telstra enters into Buy-Back Contracts by making an announcement to the ASX to that effect.

### 6.13 Telstra's right to adjust Tenders

If you are an Eligible Shareholder, you are entitled to sell in the Buy-Back the lesser of:

- the number of Shares registered in your name on **Friday, 22 August 2014** (and, in accordance with the ASX Settlement Rules conferring an entitlement to participate in the Buy-Back); and
- the number of Shares you hold as of the Closing Date, (your 'Entitled Shares').

If you submit one Tender for more than your Entitled Shares and Telstra accepts your Tender, Telstra will buy back only the number of your Entitled Shares.

If you submit more than one Tender and, in aggregate, you have tendered more than your Entitled Shares, Telstra will buy back only the number of your Entitled Shares, in the following order of priority:

- Telstra will first buy back that number of Entitled Shares from the Tender you submitted with the highest Tender Discount which is equal to or greater than the Buy-Back Discount or submitted as a Final Price Tender (and, if you have chosen one, where your Minimum Price condition is satisfied); and
- if, after the application of the above, you have Entitled Shares remaining, Telstra will next buy back your Entitled Shares from the Tender you submitted with the second highest Tender Discount which is equal to or greater than the Buy-Back Discount (and, if you have chosen one, where your Minimum Price condition is satisfied) and will repeat this process until all of your Entitled Shares successfully tendered are bought back.

If you select more than one Minimum Price, your Tender will be deemed conditional on the highest Minimum Price you have specified.

## SECTION 6. ADDITIONAL INFORMATION ON THE BUY-BACK

### 6.14 Directors' entitlements

Directors are entitled to participate in the Buy-Back, but the Telstra Board has determined that all Directors and certain senior executives and other management involved in the implementation of the Buy-Back will not participate in the Buy-Back in respect of Shares held beneficially by them or parties related to them.

### 6.15 ASIC and ASX Relief

#### ASIC relief

ASIC has granted Telstra an exemption under subsection 257D(4) of the Corporations Act. This exemption permits Telstra:

- to conduct the Buy-Back in substantially the same manner as an equal access Buy-Back, in accordance with Division 2 of Part 2J.1 of the Corporations Act;
- to use the scale back mechanism described in section 2.18;
- to invite all Telstra shareholders (other than Ineligible Foreign Shareholders and ADR holders) to offer for sale Shares in accordance with the terms and conditions of the Buy-Back Invitation;
- to invite Exiting TESOP Participants to submit a Tender capable of acceptance by Telstra, notwithstanding that they are not Shareholders as at the Record Date;
- to invite Telstra shareholders with 925 Shares or less to offer to sell Shares only if they submit one Tender for all their Shares at the same Tender Discount or as a Final Price Tender; and
- not to accept any Tender received from an Ineligible Foreign Shareholder or ADR holder,

provided certain conditions are met, including that the Buy-Back Price is calculated by applying the Tender Discount selected by Telstra following the end of the Tender Period to the Market Price and that Eligible Shareholders are permitted to lodge a Tender conditional on a Minimum Price.

#### ASX relief

The ASX has granted Telstra the following:

- a waiver from Listing Rule 7.40 to permit Telstra to dispatch the Buy-Back Documents to Telstra shareholders within ten business days after the Buy-Back Record Date;
- a waiver from ASX Limited Rule 7.40 to allow Exiting TESOP Participants to participate in the Buy-Back; and
- a waiver from Listing Rule 3.8A to permit Telstra to lodge an Appendix 3F on the second business day after the Closing Date.

The ASX has also confirmed that it will treat the Buy-Back as an equal access buy-back and will not require daily buy-back notifications (under Appendix 3E) to ASX during the Tender Period.

### 6.16 Privacy

Telstra is carrying out the Buy-Back in accordance with the Corporations Act. This involves the collection of personal information contained in Tenders and Tender Forms to enable Telstra to process your Tender. If you do not provide this information, Telstra may be hindered in, or prevented from, processing your Tender.

The personal information collected by Telstra will only be disclosed to Link Market Services Limited in its capacity as share registrar of Telstra, to a print and mail service provider, to Telstra's advisers in relation to the Buy-Back and to financial institutions in respect of payments to you in connection with the Buy-Back or as required or authorised by law.

If you wish to access the personal information collected by Telstra in relation to your shareholding, please write to Telstra, care of Link Market Services Limited at the mailing address set out in the Tender Form.

### 6.17 Applicable law

The Buy-Back Invitation, your Tender and any Buy-Back Contract generally are governed by the laws of Victoria, Australia.

# SECTION 7. DEFINITIONS AND INTERPRETATION

## 7.1 Definitions

**ADR** means an American Depositary Receipt evidencing an American Depositary Share, which currently represents five ordinary shares of Telstra.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691).

**ASX Settlement** means ASX Settlement Pty Ltd (ABN 49 008 504 532).

**ASX Settlement Rules** means the operating rules of ASX Settlement.

**ATO** means the Australian Taxation Office.

**Board or Telstra Board** means the Board of Directors of Telstra.

**Booklet** means this buy-back booklet dated 14 August 2014.

**Buy-Back** means the buy back of Shares by way of a tender process as set out in the Buy-Back Documents.

**Buy-Back Contract** means the contract formed on the Buy-Back Date between you and Telstra if Telstra accepts your Tender.

**Buy-Back Date** means the date and time Telstra announces to the ASX the Buy-Back Price, the total number of Shares to be bought back and the details of any scale back.

**Buy-Back Discount** means the discount to be selected by Telstra, being the largest discount within the range of 6% to 14% inclusive (at 1% intervals), which enables Telstra to buy back the number of Shares that it determines to buy back.

**Buy-Back Documents** means this Booklet, the Tender Form and the Withdrawal/Acceptance Form.

**Buy-Back Ex-entitlement Date** means Wednesday, 20 August 2014, being the date that Shares commence trading on the ASX on an ex-Buy-Back basis. Shares acquired on or after this date will not confer an entitlement to participate in the Buy-Back.

**Buy-Back Invitation** means the invitation by Telstra to Eligible Shareholders to offer to sell Shares to Telstra as set out in the Buy-Back Documents.

**Buy-Back Price** means the price at which Telstra will buy back Shares from Tenders it accepts in the Buy-Back, rounded to the nearest cent. This price is determined by applying the Buy-Back Discount selected by Telstra to the Market Price.

**Buy-Back Record Date** means Friday, 22 August 2014 being the date of determination of Telstra shareholders entitled to participate in, and the number of Telstra ordinary shares entitled to be tendered into, the Buy-Back.

**Capital Component** means the capital component of the Buy-Back Price (the amount per Share bought back which will be debited to Telstra's share capital account).

**Capital Management Framework** means the framework outlining how Telstra manages its capital announced by Telstra and available at [http://www.telstra.com.au/uberprod/groups/webcontent/@corporate/@about/documents/document/uberstaging\\_256532.pdf](http://www.telstra.com.au/uberprod/groups/webcontent/@corporate/@about/documents/document/uberstaging_256532.pdf).

**CGT** means capital gains tax.

**CGT Value** means the market value of the Shares for CGT purposes as determined in accordance with the Commissioner of Taxation's views set out and expressed in TD2004/22 and PSLA 2007/9.

**CHESS** means the Clearing House Electronic Subregister System.

**CHESS Holder** means a holder of Shares in the CHESS subregister of Telstra.

**CHESS Holding** means a holding of Shares on the CHESS subregister of Telstra.

**Class Ruling** means the class ruling to be issued by, and which will be binding upon, the ATO that Telstra has applied for on behalf of shareholders who participate in the Buy-Back.

**Closing Date** means Friday, 3 October 2014, unless Telstra announces a later date (in which case it is that later date).

**Corporations Act** means the Corporations Act 2001 (Cth) as modified by the relief described in section 6.15.

**Deemed Capital Proceeds** means the Capital Component together with the amount (if any) by which the CGT Value exceeds the Buy-Back Price.

**Dividend Component** means the dividend component of the Buy-Back Price (being the Buy-Back Price less the Capital Component).

**Dividend Ex-entitlement Date** means Wednesday, 27 August 2014, being the date that Shares commence trading on the ASX on an ex-dividend entitlement basis. Shares acquired on or after this date will not confer an entitlement to receive the 2014 final dividend.

**Eligible Shareholder** means a member of Telstra recorded in the register of members of Telstra at the Buy-Back Record Date, other than an Ineligible Foreign Shareholder.

**Entitled Shares** means the lessor of:

- the number of Shares registered in your name on Friday, 22 August 2014 (and, in accordance with the ASX Settlement Rules conferring an entitlement to participate in the Buy-Back); and
- the number of Shares you hold as of the Closing Date.

**Exiting TESOP Participant** means any person submitting a Tender who:

- acquired Shares pursuant to a TESOP 99 Loan;
- is registered as holding TESOP 99 Loan Shares on the Record Date; and
- sends Telstra payment for the amount outstanding on a TESOP 99 Loan on or before the TESOP Loan Pay-Out Date.

**Final Price Tender** means a Tender in which the shareholder elects to receive the Buy-Back Price, whatever Telstra determines it to be.

**IFRS** means the International Financial Reporting Standards.

**Ineligible Foreign Shareholder** means any person holding Shares:

- to whom Telstra would be prohibited from paying money pursuant to the:
  - Banking (Foreign Exchange) Regulations 1959 (Cth);
  - regulations made under the Charter of the United Nations Act 1945 (Cth) imposing financial sanctions including the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth); or
  - any other law, act, rule or regulation prohibiting Telstra from making payments to foreign persons;
- who resides in a jurisdiction where it would be illegal under the laws of Australia or that jurisdiction to make any invitation to the holder to participate in the Buy-Back;
- whose participation in the Buy-Back is not permitted under the laws of Australia or the jurisdiction in which they are resident; or
- who resides in a jurisdiction outside Australia and New Zealand and it would be unreasonable to make an invitation to the holder having regard to each of the following:
  - the number of holders in that jurisdiction;
  - the number and value of the Shares held by holders in that jurisdiction; and



## SECTION 7. DEFINITIONS AND INTERPRETATION

- the cost of complying with legal requirements and the requirements of any relevant regulatory authority application to making the invitation in that jurisdiction.

For the avoidance of doubt, Ineligible Foreign Shareholder includes: (i) any person who is located or resident in the United States; (ii) any US Person; (iii) any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from which the United States; (iv) any person who has a registered address in Canada; or (v) any person who holds an interest in Shares in their capacity as the holder of an ADR.

Further, having regard to the factors set out above, Telstra has determined that it would be unreasonable to make invitations to holders in jurisdictions other than Australia and New Zealand.

**Issuer Sponsored Holder** means a holder of Shares on the issuer sponsored subregister of Telstra.

**Issuer Sponsored Holding** means a holding of Shares on the issuer sponsored subregister of Telstra.

**Listing Rules** means the official Listing Rules of the ASX, as amended and waived by relief described in section 6.15.

**Market Price** means the VWAP (as defined herein) of Telstra ordinary shares on the ASX over the five trading days up to and including the Closing Date, calculated to four decimal places as determined by Telstra on the Closing Date.

**Minimum Price** means one of the specified minimum prices on the Tender Form, which a shareholder may select in order for their Tender to be conditional upon the Buy-Back Price being equal to or greater than that amount.

**Priority Allocation** means 925 Shares or such lesser number of Shares as is required to ensure that Telstra is able to buy back only the number of Shares it determines to buy back.

**Share** means a fully paid ordinary share in the capital of Telstra on issue as at the Buy-Back Record Date.

**Small Holding Tender** means a Tender submitted by a Telstra shareholder who tenders all of their Shares at one or more Tender Discounts equal to or greater than the Buy-Back Discount and/or as a Final Price Tender and who would have had a holding of 370 Shares or less after Telstra's acquisition of the Priority Allocation and any scale back.

**Telstra** means Telstra Corporation Limited (ABN 33 051 775 556).

**Telstra Corporation Act** means Telstra Corporation Act 1991 (Cth).

**Telstra Share Registry** means the share registry of Telstra maintained by Link Market Services Limited (ABN 54 083 214 537).

**Tender** means a shareholder's offer to sell nominated Shares back to Telstra at a Tender Discount and on the terms and conditions set out in the Buy-Back Documents as amended in accordance with the procedures set out in this Booklet.

**Tender Discount** means one of the specified discounts to the Market Price (from 6% to 14% inclusive, at 1% intervals) as set out on the Tender Form.

**Tender Discount Range** means the range of Tender Discounts at which shareholders can submit Tenders, being 6% to 14% inclusive, at 1% intervals.

**Tender Form** means the form of offer by a shareholder to sell nominated Shares to Telstra which is enclosed with this Booklet and includes a Tender Form amended in accordance with the procedures set out in the Buy-Back Documents.

**Tender Period** means the period within which shareholders may lodge, withdraw or amend a Tender in accordance with the Buy-Back Documents.

**TESOP 99** means the Telstra Employee Share Ownership Plan 1999.

**TESOP 99 Loan** means a loan made or facilitated by Telstra under TESOP 99.

**TESOP Loan Pay-Out Date** means 26 September 2014 or such other date nominated by Telstra, not being less than 5 business days or more than 10 business days before the Tender Period closes.

**TESOP Trustee** means Telstra ESOP Trustee Pty Limited (ACN 080 180 285).

**United States** means the United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia.

**US Person** has the same meaning given by Regulation S under the United States Securities Act of 1933, as amended.

**VWAP** for a share over a period means the volume weighted average price including all trades on ASX's trading platform including the closing single price auction, but excluding all off-market trades including but not limited to transactions defined in the operating rules of ASX as special crossings, crossings prior to the commencement of the open session state, crossings during overnight trading, overseas trades, trades pursuant to the exercise of options over Shares, and any other trades that the Directors determine to exclude on the basis that the trades are not fairly reflective of supply and demand.

**Withdrawal/Amendment Form** means the form entitled 'Tender Withdrawal/Amendment Form', available on request from the Telstra Share Registry that is used to withdraw or amend a Tender.

**you or shareholder** means a holder of Shares in Telstra.

### 7.2 Interpretation

In the Buy-Back Documents, unless the context otherwise requires:

- words and phrases have the same meaning (if any) given to them in the Corporations Act;
- words importing the singular include the plural and vice versa;
- an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a section, attachment and schedule is a reference to a section of and an attachment and schedule to this Booklet as relevant;
- a reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, ordinances, or laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- headings and bold type are for convenience only and do not affect the interpretation of this Booklet;
- a reference to time is a reference to Australian Eastern Standard Time (AEST);
- a reference to writing includes facsimile transmissions; and
- a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.



# SECTION 8. EXAMPLES OF COMPLETED TENDER FORMS

## Issuer Sponsored Holder tendering only as a Final Price Tender (example only).

The example below assumes you are an Issuer Sponsored Holder, who holds 925 Shares or less, and have elected to tender your Shares as a Final Price Tender. The steps taken in completing the Tender Form were as follows:

### EXAMPLE ONLY

#### Step 1: Box A

This is the number of Shares you can tender.

#### Step 2: Box B

As the number of Shares you own is less than 925, all your Shares must be tendered:

- as a Final Price Tender; or
- at one Tender Discount selected by you.

In this example, a Final Price Tender has been selected.


#### Step 3: Box C

Selecting a Minimum Price is optional. In this example no Minimum Price has been selected.

#### Step 4: Box D

Sign your Tender Form here and include your contact details.

The completed and signed Tender Form should then be mailed/delivered to the Telstra Share Registry.



**IT'S HOW WE CONNECT**

**Telstra Corporation Limited**  
ABN 33 051 775 556

**TENDER FORM**  
**– Issuer Sponsored Holders**  
*(925 Shares or less)*

**THIS DOCUMENT IS IMPORTANT. IF YOU DO NOT UNDERSTAND IT YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.**

Please refer to the instructions on the back of this form.

**Securityholder Reference Number (SRN):**

Shares you can tender as at 22 August 2014:

As you hold 925 Shares or less, you must tender **all** your Shares if you wish to participate in the Buy-Back.

A

750

I/We offer to sell **ALL** my/our Shares to Telstra Corporation Limited at the Tender Discount specified or as a Final Price Tender and on the terms and conditions set out in the Buy-Back Documents:

**B**

☒ All my/our Shares as a **FINAL PRICE TENDER**

**OR**

☐ All my/our Shares at a **TENDER DISCOUNT**

If you wish to tender **all** your Shares as a Final Price Tender, please indicate with a tick.

If you wish to tender **all** your Shares at one of the specified Tender Discounts, please tick only **one** of the Tender Discounts.

|   |   |
|---|---|
| <input type="checkbox"/> at a 6% Tender Discount  | <input type="checkbox"/> at a 11% Tender Discount |
| <input type="checkbox"/> at a 7% Tender Discount  | <input type="checkbox"/> at a 12% Tender Discount |
| <input type="checkbox"/> at a 8% Tender Discount  | <input type="checkbox"/> at a 13% Tender Discount |
| <input type="checkbox"/> at a 9% Tender Discount  | <input type="checkbox"/> at a 14% Tender Discount |
| <input type="checkbox"/> at a 10% Tender Discount |   |

**C**

THIS PART C IS OPTIONAL – EITHER LEAVE IT BLANK OR TICK ONE (AND ONLY ONE) MINIMUM PRICE – IF YOU COMPLETE PART C YOU MUST ALSO COMPLETE PART B: You should only select a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than one of the following prices you select. You will not receive less than the Minimum Price you select for your Shares. However, your Shares will not be bought back if the Minimum Price you select is higher than the Buy-Back Price.

☐ \$4.15

☐ \$4.35

☐ \$4.55

☐ \$4.75

**D**

IMPORTANT INFORMATION: YOU MUST READ THE REVERSE OF THIS FORM BEFORE YOU SIGN AND RETURN THE FORM

Please sign within the boxes below in accordance with instructions.

John Smith

Individual OR Sole Director and Sole Company Secretary

( 03 ) 9999 9999

Telephone Number – Business Hours

Joint Shareholder 2 OR Director/Company Secretary

( 03 ) 3333 3333

Telephone Number – After Hours

Joint Shareholder 3 OR Director

JOHN SMITH

Contact Name (PRINT)

TENDER FORMS MUST BE RECEIVED BY THE REGISTRY BY NO LATER THAN 7:00PM (AUSTRALIAN EASTERN STANDARD TIME) ON FRIDAY, 3 OCTOBER 2014

TLS BBT001

This is an example only. Please note the Issuer Sponsored Holders Tender Form (925 Shares or less) is blue in colour.

www.telstra.com/buyback

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## SECTION 8. EXAMPLES OF COMPLETED TENDER FORMS

### Issuer Sponsored Holder tendering at specified Tender Discounts and as a Final Price Tender (example only).

The example below assumes you are an Issuer Sponsored Holder, who holds more than 925 Shares, and have elected to tender some of your Shares as a combination of specified Tender Discounts and as a Final Price Tender. It also assumes you select a Minimum Price of \$4.35. The steps taken in completing the Tender Form were as follows:

### EXAMPLE ONLY

#### Step 1: Box A

This is the number of Shares you can tender.

Shares you can tender as at 22 August 2014:

**A** 8000

#### Step 2: Box B

As the number of Shares you own is more than 925, you may tender some, or all, of your Shares:

- as a Final Price Tender; and/or
- at one, or more, Tender Discounts selected by you.

In this example, 2,000 Shares were tendered as a Final Price Tender, 1,000 Shares were tendered at a 7% Tender Discount and 1,500 Shares were tendered at a 12% Tender Discount.

**B** Insert the number of Shares (if any) you wish to tender as a Final Price Tender.

2 0 0 0 as a FINAL PRICE TENDER

AND/OR

Insert the number of Shares (if any) you wish to tender next to the Tender Discount(s) at which you wish to tender those Shares. You should refer to the special instructions overleaf before completing this Tender Form.

|         |                          |         |                          |
|---------|--------------------------|---------|--------------------------|
| 1 0 0 0 | at a 6% Tender Discount  |         | at a 11% Tender Discount |
|         | at a 7% Tender Discount  | 1 5 0 0 | at a 12% Tender Discount |
|         | at a 8% Tender Discount  |         | at a 13% Tender Discount |
|         | at a 9% Tender Discount  |         | at a 14% Tender Discount |
|         | at a 10% Tender Discount |         |                          |

#### Step 3: Box C

The total number of Shares tendered must be at least 925. In this example 4,500 Shares were tendered (2,000+1,000+1,500).

**C** TOTAL NUMBER OF SHARES TENDERED (Add up rows in Part B)

4 5 0 0

The number of Shares in Part C must not be more than the number in Part A, but must be greater than or equal to 925 Shares.

#### Step 4: Box D

Selecting a Minimum Price is optional. In this example a Minimum Price of \$4.35 has been selected.

**D** THIS PART D IS OPTIONAL – EITHER LEAVE IT BLANK OR TICK ONE (AND ONLY ONE) MINIMUM PRICE – IF YOU COMPLETE PART D YOU MUST ALSO COMPLETE PARTS B AND C: You should only select a Minimum Price if you wish to make your Tender(s) conditional on the Buy-Back Price being no less than one of the following Minimum Prices you select. You will not receive less than the Minimum Price you select for your Shares. However, your Shares will not be bought back if the Minimum Price you select is higher than the Buy-Back Price.

☐ \$4.15 ☒ \$4.35 ☐ \$4.55 ☐ \$4.75

#### Step 5: Box E

Sign your Tender Form here and include your contact details.

The completed and signed Tender Form should then be mailed/delivered to the Telstra Share Registry.

**E** IMPORTANT INFORMATION: YOU MUST READ THE REVERSE OF THIS FORM BEFORE YOU SIGN AND RETURN THE FORM. Please sign within the boxes below in accordance with instructions.

Joana Brown

Individual OR Sole Director and Sole Company Secretary

Joint Shareholder 2 OR Director/Company Secretary

Joint Shareholder 3 OR Director

Telephone Number – Business Hours

Telephone Number – After Hours

Contact Name (PRINT)

( 02 ) 8888 8888 ( 02 ) 2222 2222 JOANA BROWN

TENDER FORMS MUST BE RECEIVED BY THE REGISTRY BY NO LATER THAN 7:00PM (AUSTRALIAN EASTERN STANDARD TIME) ON FRIDAY, 3 OCTOBER 2014

TLS BBT002

This is an example only. Please note the Issuer Sponsored Holders Tender Form (more than 925 Shares) is yellow in colour.

## SECTION 8. EXAMPLES OF COMPLETED TENDER FORMS

### CHESS Holder tendering at one Tender Discount only (example only).

The example below assumes you are a CHESS Holder, who holds 925 Shares or less, and have elected to tender your Shares as a Final Price Tender. It also assumes you select a Minimum Price of \$4.55. The steps taken in completing the Tender Form were as follows:

### EXAMPLE ONLY

#### Step 1: Box A

This is the number of Shares you can tender.

#### Step 2: Box B

As the number of Shares you own is less than 925, all your Shares must be tendered:

- as a Final Price Tender; or
- at one Tender Discount selected by you.

In this example, all of the Shares were tendered at a 11% Tender Discount.

#### Step 3: Box C


Selecting a Minimum Price is optional. In this example, a Minimum Price of \$4.55 has been selected.

#### Step 4: Box D

Sign your Tender Form here and include your contact details.

Communicate your instructions to your controlling participant (normally your broker).

**DO NOT SEND YOUR COMPLETED TENDER FORM TO THE TELSTRA SHARE REGISTRY**



**IT'S HOW WE CONNECT**

**Telstra Corporation Limited**  
ABN 33 051 775 556

**TENDER FORM**  
**– CHESS Sponsored Holders**  
*(925 Shares or less)*

**THIS DOCUMENT IS IMPORTANT. IF YOU DO NOT UNDERSTAND IT YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.**  
**Do NOT send your Tender Form to Telstra Share Registry. Send this form to your controlling CHESS participant (usually your stock broker).**  
**Please refer to the instructions on the back of this form.**  
 Controlling CHESS Participant as at 22 August 2014:

**Holder Identification Number (HIN):**

874

Shares you can tender as at 22 August 2014:

874

As you hold 925 Shares or less, you must tender **all** your Shares if you wish to participate in the Buy-Back.

A

I/We offer to sell **ALL** my/our Shares to Telstra Corporation Limited at the Tender Discount specified or as a Final Price Tender and on the terms and conditions set out in the Buy-Back Documents:

**B** All my/our Shares as a **FINAL PRICE TENDER**

☐ If you wish to tender **all** your Shares as a Final Price Tender, please indicate with a tick.

**OR**

All my/our Shares at a **TENDER DISCOUNT**

If you wish to tender **all** your Shares at one of the specified Tender Discounts, please tick only **one** of the Tender Discounts.

|   |   |
|---|---|
| <input type="checkbox"/> at a 6% Tender Discount<br><input type="checkbox"/> at a 7% Tender Discount<br><input type="checkbox"/> at a 8% Tender Discount<br><input type="checkbox"/> at a 9% Tender Discount<br><input type="checkbox"/> at a 10% Tender Discount | <input checked="" type="checkbox"/> at a 11% Tender Discount<br><input type="checkbox"/> at a 12% Tender Discount<br><input type="checkbox"/> at a 13% Tender Discount<br><input type="checkbox"/> at a 14% Tender Discount |
|---|---|

**C** **THIS PART C IS OPTIONAL – EITHER LEAVE IT BLANK OR TICK ONE (AND ONLY ONE) MINIMUM PRICE – IF YOU COMPLETE PART C YOU MUST ALSO COMPLETE PART B:** You should only select a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than one of the following prices you select. You will not receive less than the Minimum Price you select for your Shares. However, your Shares will not be bought back if the Minimum Price you select is higher than the Buy-Back Price.

|                                 |                                 |  |                                 |
|---------------------------------|---------------------------------|--|---------------------------------|
| <input type="checkbox"/> \$4.15 | <input type="checkbox"/> \$4.35 | <input checked="" type="checkbox"/> \$4.55 | <input type="checkbox"/> \$4.75 |
|---------------------------------|---------------------------------|--|---------------------------------|

**D** **IMPORTANT INFORMATION: YOU MUST READ THE REVERSE OF THIS FORM BEFORE YOU SIGN AND RETURN THE FORM**  
Please sign within the boxes below in accordance with instructions.

|  |  |  |
|--|--|--|
| <div style="border: 1px solid black; padding: 5px; text-align: center;">John Citizen</div> <p>Individual OR Sole Director and Sole Company Secretary</p> <p>Telephone Number – Business Hours</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">( 02 ) 7777 7777</div> | <div style="border: 1px solid black; height: 30px; margin-bottom: 5px;"></div> <p>Joint Shareholder 2 OR Director/Company Secretary</p> <p>Telephone Number – After Hours</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">( 02 ) 4444 4444</div> | <div style="border: 1px solid black; height: 30px; margin-bottom: 5px;"></div> <p>Joint Shareholder 3 OR Director</p> <p>Contact Name (PRINT)</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">JOHN CITIZEN</div> |
|--|--|--|

**TENDER FORMS MUST BE RECEIVED BY YOUR CONTROLLING CHESS PARTICIPANT SO THAT YOUR CONTROLLING CHESS PARTICIPANT CAN PROCESS YOUR TENDER BY NO LATER THAN 7:00PM (AUSTRALIAN EASTERN STANDARD TIME) ON FRIDAY, 3 OCTOBER 2014**  
(see top right of this form for your Controlling CHESS Participant).

**TLS BBT003**

This is an example only. Please note the CHESS Sponsored Holders Tender Form (925 Shares or less) is grey in colour.

## SECTION 8. EXAMPLES OF COMPLETED TENDER FORMS

### CHESS Holder tendering at specified Tender Discounts (example only).

The example below assumes you are a CHESS Holder, who holds more than 925 Shares, and have elected to tender your Shares at specified Tender Discounts. The steps taken in completing the Tender Form were as follows:

### EXAMPLE ONLY

#### Step 1: Box A

This is the number of Shares you can tender.

Shares you can tender as at 22 August 2014:

|          |      |
|----------|------|
| <b>A</b> | 4000 |
|----------|------|

#### Step 2: Box B

As the number of Shares you own is more than 925, you may tender some, or all, of your Shares:

- as a Final Price Tender; and/or
- at one, or more, Tender Discounts selected by you.

In this example, 2,000 Shares were tendered at a 10% Tender Discount and 2,000 Shares were tendered at a 14% Tender Discount.

I/We offer to sell the following Shares to Telstra Corporation Limited at the Tender Discount(s) specified and/or as a Final Price Tender and on the terms and conditions set out in the Buy-Back Documents:

|          |  |                          |
|----------|--|--------------------------|
| <b>B</b> | Insert the number of Shares (if any) you wish to tender as a Final Price Tender.   |                          |
|          | <input type="text" value="2000"/>  | as a FINAL PRICE TENDER  |
|          | AND/OR   |                          |
|          | Insert the number of Shares (if any) you wish to tender next to the Tender Discount(s) at which you wish to tender those Shares. You should refer to the special instructions overleaf before completing this Tender Form. |                          |
|          | <input type="text" value="2000"/>  | at a 10% Tender Discount |
|          | <input type="text" value="2000"/>  | at a 14% Tender Discount |

#### Step 3: Box C

The total number of Shares tendered must be at least 925. In this example 4,000 Shares were tendered (2,000+2,000).

|          |   |      |   |
|----------|---|------|---|
| <b>C</b> | TOTAL NUMBER OF SHARES TENDERED (Add up rows in Part B) | 4000 | The number of Shares in Part C must not be more than the number in Part A, but must be greater than or equal to 925 Shares. |
|----------|---|------|---|

#### Step 4: Box D

Selecting a Minimum Price is optional. In this example no Minimum Price has been selected.

|          |   |                                 |                                 |                                 |
|----------|---|---------------------------------|---------------------------------|---------------------------------|
| <b>D</b> | THIS PART D IS OPTIONAL – EITHER LEAVE IT BLANK OR TICK ONE (AND ONLY ONE) MINIMUM PRICE – IF YOU COMPLETE PART D YOU MUST ALSO COMPLETE PARTS B AND C: You should only select a Minimum Price if you wish to make your Tender(s) conditional on the Buy-Back Price being no less than one of the following Minimum Prices you select. You will not receive less than the Minimum Price you select for your Shares. However, your Shares will not be bought back if the Minimum Price you select is higher than the Buy-Back Price. |                                 |                                 |                                 |
|          | <input type="checkbox"/> \$4.15   | <input type="checkbox"/> \$4.35 | <input type="checkbox"/> \$4.55 | <input type="checkbox"/> \$4.75 |

#### Step 5: Box E

Sign your Tender Form here and include your contact details. Communicate your instructions to your controlling participant (normally your broker).

|          |  |   |                                 |
|----------|--|---|---------------------------------|
| <b>E</b> | IMPORTANT INFORMATION: YOU MUST READ THE REVERSE OF THIS FORM BEFORE YOU SIGN AND RETURN THE FORM. Please sign within the boxes below in accordance with instructions. |   |                                 |
|          | <input type="text" value="Mary Jones"/>  | <input type="text" value=""/>                     | <input type="text" value=""/>   |
|          | Individual OR Sole Director and Sole Company Secretary   | Joint Shareholder 2 OR Director/Company Secretary | Joint Shareholder 3 OR Director |
|          | Telephone Number – Business Hours  | Telephone Number – After Hours                    | Contact Name (PRINT)            |
|          | ( 02 ) 6666 6666   | ( 02 ) 5555 5555                                  | MARY JONES                      |

DO NOT SEND YOUR COMPLETED TENDER FORM TO THE TELSTRA SHARE REGISTRY

TENDER FORMS MUST BE RECEIVED BY YOUR CONTROLLING CHESS PARTICIPANT SO THAT YOUR CONTROLLING CHESS PARTICIPANT CAN PROCESS YOUR TENDER BY NO LATER THAN 7:00PM (AUSTRALIAN EASTERN STANDARD TIME) ON FRIDAY, 3 OCTOBER 2014 (see top right of this form for your Controlling CHESS Participant).

TLS BBT004

This is an example only. Please note the CHESS Sponsored Holders Tender Form (more than 925 Shares) is orange in colour.

## NOTES

## NOTES



# CONTACTS

If you have any questions in relation to the Buy-Back, please call the Telstra Share Registry information line:

- within Australia: 1300 88 66 77
- outside Australia: +61 1300 88 66 77
- New Zealand: 0800 835 787

## Financial Advisor

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### **Deutsche Bank AG, Sydney Branch**

Level 16, Deutsche Bank Place  
Corner Hunter & Phillip Streets  
Sydney NSW 2000

## Legal Advisor

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### **Gilbert + Tobin**

Level 22  
101 Collins Street  
Melbourne VIC 3000

## Taxation Advisor

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### **King & Wood Mallesons**

Level 61, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000



