



22 March 2021

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Update on Telstra's proposed legal corporate restructure

In accordance with the Listing Rules, I attach a market release, for release to the market.

Authorised for lodgement by:

Sue Laver
Company Secretary

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Update on Telstra's proposed legal corporate restructure

Monday 22 March 2021 – Telstra today announced the next steps in its proposed legal restructure to enable it to better realise the value of its infrastructure assets, take advantage of potential monetisation opportunities and create additional value for shareholders.

The proposed legal structure within the Telstra Group, expected to be completed by December 2021, includes the following:

- InfraCo Fixed, which would own and operate Telstra's passive or physical infrastructure assets: the ducts, fibre, data centres, and exchanges that underpin Telstra's fixed telecommunications network. This will provide important optionality to create additional value from these assets in the future.
- InfraCo Towers, which would own and operate Telstra's passive or physical mobile tower assets, which Telstra is looking to monetise given the strong demand and compelling valuations for this type of high-quality infrastructure.
- ServeCo, which would continue to focus on creating innovative products and services, supporting customers and delivering the best possible customer experience. ServeCo would own the active parts of the network, including the radio access network and spectrum assets to ensure Telstra continues to maintain its industry leading mobile coverage and network superiority.

Telstra also intends to establish its international business under a separate subsidiary within the Telstra Group to keep that part of the business, including subsea cables, together as one entity. The international assets will be transferred to the new subsidiary over time, subject to relevant approvals and engagement with appropriate stakeholders.

Today's announcement sets out the process to enable the legal restructure, including:

- The establishment of a new holding company for the Telstra Group.
- The creation of separate subsidiaries including InfraCo Fixed (which will be the existing Telstra Corporation), InfraCo Towers, ServeCo and Telstra International, and transferring the relevant assets into InfraCo Towers and ServeCo.
- It is proposed that the establishment of the new holding company and the transfer of the relevant assets into ServeCo be undertaken by way of schemes of arrangement, and Telstra intends to seek shareholder approval of these schemes at this year's AGM in October.

Following the restructure, Telstra shareholders¹ will own shares in the new holding company on a like for like basis with no change to their ownership levels.

Telstra Chairman John Mullen said realising more value from Telstra's infrastructure assets was one of the fundamental pillars of Telstra's T22 strategy.

"Even before the COVID pandemic reminded us of the enormous importance of telecommunications infrastructure globally, we could see the opportunity to provide transparency of our assets and opportunities to deliver additional value for shareholders," Mr Mullen said.

"The legal restructure is a step toward that outcome. It also reflects the new post-COVID world we are living in and the fact that our assets are a critical part of the infrastructure that is enabling the nation's rapidly growing digital economy.

"In addition to shareholder and court approval there a number of other steps to work through, including taxation, stamp duty rulings and discussions with Government, Regulators and other key stakeholders.

¹ Certain foreign shareholders (expected to be only a small proportion of shareholders) may not be eligible to receive shares in the new holding company. Instead they will have their investment in Telstra Corporation Limited sold by a nominee and they will receive the proceeds of that sale in cash.

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MARKET RELEASE



“We will provide detailed information on these steps to our shareholders, and a recommendation from an independent expert, in a scheme booklet expected to be released in early September 2021.

Telstra CEO Andrew Penn said the new legal structure would be an important milestone in Telstra’s T22 strategy and came at a significant inflection point in the company’s history.

“We started setting up InfraCo almost three years ago and what has happened since has only reinforced the importance of the strategic decisions we made at the time,” Mr Penn said.

“The end of the impact of the nbn rollout on our financials is within sight, and the COVID-19 pandemic has demonstrated the critical importance and value of telecommunications infrastructure to the world.

“The new structure has been chosen as it delivers a modern, optimal long-term portfolio structure for the Telstra group of businesses, which will maximise flexibility and value realisation of our assets, and deliver optimal outcomes for the Telstra Group as a whole.”

Mr Penn said Telstra continued to engage and consult with stakeholders to ensure it understood the implications of the restructure for them.

“This includes discussions with the Government and Regulators to ensure Telstra’s existing regulatory obligations will continue to operate as they do today. Given our significant relationship with nbn co we are also working with them to ensure our commercial arrangements will continue to operate in the way they do today,” Mr Penn said.

“As we prepare for the restructure we will also undertake discussions with key customers, suppliers and with Telstra’s existing debt providers to ensure their interests are appropriately considered.”

Mr Penn said the proposed monetisation of InfraCo Towers remains on track.

“As previously communicated, we plan to commence the process for external strategic investment into InfraCo Towers early in FY22, with binding offers to be submitted in the second quarter of FY22,” Mr Penn said.

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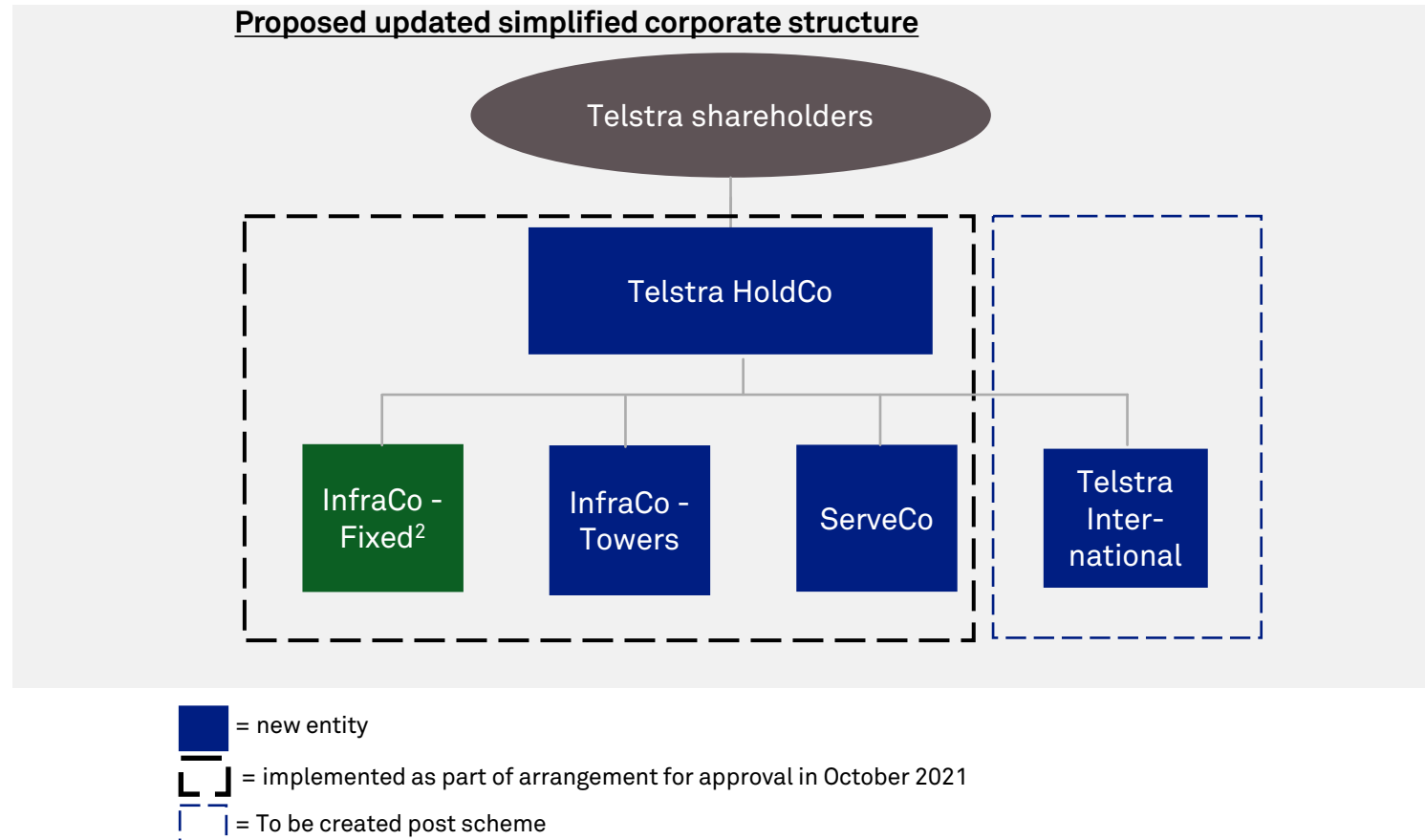
Reference number: 019/2021

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Updated proposed corporate legal structure¹



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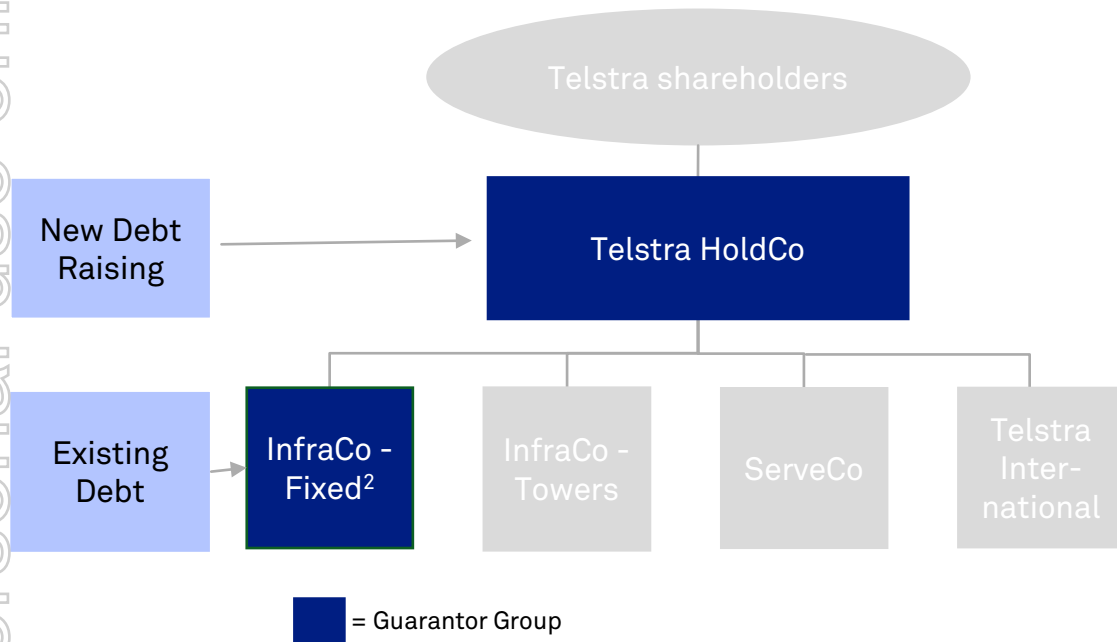


1. Any restructure will involve certain regulatory and other requirements. There may be delays in implementing parts of the program, or they may not be implemented at all if approvals not obtained.
2. It is intended that InfraCo Fixed will be the current Telstra Corporation Limited entity. The assets of InfraCo Towers and ServeCo, and in due course, of International, will be transferred out of the current Telstra Corporation Limited entity into their new respective legal entities.

Proposed debt structure¹



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- We remain committed to our Capital Management Framework
- Existing external debt will remain in Telstra Corp Ltd (to become InfraCo Fixed) with refinancing expected at Telstra HoldCo
- No change to group debt levels is anticipated as a result of the restructure
- We are currently considering a cross guarantee between Telstra HoldCo and InfraCo Fixed (where each entity would guarantee the other's relevant debt)
- This guarantee is envisaged to have features allowing it to be released upon a substantive sale of InfraCo Fixed
- Telstra looks forward to consulting with debt holders on the proposed structure

1. No final decisions made. No change to current structure until completion of the restructure / scheme implementation. Any restructure will involve certain regulatory and other requirements. There may be delays in implementing parts of the program, or they may not be implemented at all if approvals not obtained.

2. It is intended that InfraCo Fixed will be the current Telstra Corporation Limited entity. The assets of InfraCo Towers and ServeCo, and in due course, of International, will be transferred out of the current Telstra Corporation Limited entity into their new respective legal entities.