

Proposed legal restructure – shareholder Q&A

1. What is a scheme of arrangement?

A scheme of arrangement is a process used to implement corporate restructures. This includes the structural reorganisation of groups of companies and the transfer of operating businesses, assets and liabilities between group entities. A scheme of arrangement is a court supervised process and requires shareholder approval.

2. Do you need shareholder approval?

Yes, the scheme of arrangement will require shareholder approval which the Telstra Board intends to seek at scheme meeting. Given the number of external factors that need to occur ahead of a shareholder vote, some of which are beyond our control, the scheme meeting is now likely to be later in 2022.

3. What does this mean for shareholders?

The intent of the proposed restructure is to enable Telstra to better realise the value of its infrastructure assets and, create additional value for shareholders. We will provide detailed information to our shareholders, including a recommendation from an independent expert, in a scheme booklet which will be released more than a month prior to the scheme meeting.

4. What will it mean for my Telstra shares? Will I also get shares in the new entities?

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

Certain foreign shareholders (expected to be only a small proportion of shareholders) will 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.

5. What is the timing?

All steps in the restructure process are progressing well. Subject to obtaining shareholder and court approval, and receiving ACCC authorisation of our agreements with nbn co, we expect the new holding company to be in place in October 2022.

We will confirm the restructure completion date closer to this time.

6. What are the upcoming key milestones for the restructure?

Telstra is using a Scheme of Arrangement to implement key parts of the restructure as the most practical and efficient way to create the new Telstra Group.

The Scheme of Arrangement needs to be approved by the Court and Telstra shareholders through several steps that need to occur in sequential order. The specific timing of events is dependent on the Court process, with the estimated timeline set out below:

Key steps	Estimated Timing
First court hearing	Expected to occur in late August, after which the scheme booklet will be made available to shareholders
Scheme meeting (and shareholder vote)	Expected to occur before or at the 2022 Telstra AGM
Telstra Group Limited becomes new parent company and listed entity (through exchange of shares)	By end of October 2022, with final timing dependent on when the Scheme Meeting is held

The changes to the Definitive Agreements with nbn co require ACCC authorisation to ensure both parties' conduct under those agreements is authorised for competition law purposes. Authorisation by the ACCC is therefore required prior to the finalisation of the restructure.

As a consequence, the indicative timeline set out above is dependent on the outcome and timing of the ACCC's process.

7. When will shareholders receive more detail?

Detailed information will be made available to shareholders in a scheme booklet which will be released more than a month prior to the scheme meeting.

8. Will this increase Telstra's share price? If not, why are you doing it?

Telstra's share price is influenced by multiple factors.

The intent of the proposed restructure is to align the Telstra Group's legal structure with how management views and operates its separate areas of business and deliver an optimal longer-term portfolio structure. This will enable greater focus on and transparency of the operations and strategy for each of the subsidiaries and create greater flexibility to take advantage of value enhancing transactions in the future. These benefits are expected to deliver value to shareholders over time.

9. What progress have you made so far on the restructure?

Telstra has made significant progress to date in achieving the objectives and implementation of its legal structure, including:

- Establishment of Amplitel as a standalone business and subsequent 49 percent sale, delivering net cash proceeds after transaction costs of \$2.8 billion.
- Steps to establish InfraCo Fixed as a standalone business, including intercompany Agreements developed between InfraCo Fixed and Telstra Limited to support strong and sustainable earnings for both entities.
- Passage of legislation by Parliament to reflect the restructure.
- Agreement with nbn co on:
 - Changes to the Definitive Agreements (originally signed in 2011) to ensure they continue to apply in the intended way once the restructure is implemented; and,
 - Additional certainty on Telstra's ability to realise value from InfraCo Fixed after the restructure is implemented.

The agreements with nbn co will not take effect until the proposed legal restructure completes. Further detail on the agreements will be provided to shareholders in a scheme booklet.

10. If it's just a legal restructure, why do Telstra shareholders need to vote on it?

Given the legal restructuring will result in shareholders owning shares in a new holding company this will require shareholder and court approval.

11. What does "eligible shareholders" mean? Are some shareholders not eligible?

Certain foreign shareholders (expected to be only a small proportion of shareholders) will 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.