



Where you can find more information

Some of the information in this document is dealt with in more detail in a separate volume of appendices (Appendices).

Certain parts of this document are a summary and/or an indication of the material in the Appendices.

The material in the Appendices which this document merely indicates is contained in the Appendices, and does not appear in this document in full or in summary form, is material of a type that the Commonwealth and Telstra believe on reasonable grounds to be primarily of interest to professional advisers and to investors with similar specialist information needs. However, neither the Commonwealth nor Telstra has determined that you do not require the information in the Appendices in order to make an investment decision. If you are in any doubt as to whether the information in the Appendices might assist you in making your investment decision, you should obtain a copy of the Appendices or consult a stockbroker or financial adviser.

You may obtain a free copy of the Appendices by calling the Telstra Share Information Centre on 1800 18 18 18. You should do this as soon as possible. This document and the Appendices are also available on the Telstra Share Offer internet site at <http://shareoffer.telstra.com.au> or from your stockbroker.

About Telstra

Telstra is Australia's principal telecommunications company, one of Australia's largest corporations and one of the best-known brands in the country. Telstra's fixed telephone network extends across the nation, serving virtually all homes and a substantial majority of Australian businesses. Its mobile networks cover the area in which 91% of Australia's population lives.

- *Revenue in the year to 30 June 1997 was almost \$16 billion*
- *Assets at 30 June 1997 were almost \$25.9 billion*
- *Shareholder's equity at 30 June 1997 was \$9.9 billion*



About this Public Offer Document

This Public Offer Document contains information about the sale by the Commonwealth of Australia of up to one-third of the shares in Telstra (the Telstra Share Offer).

The sale of Telstra shares will be in two instalments, with the first instalment payable on application and the final instalment payable on 17 November 1998. Until the final instalment is paid, your interest in Telstra shares will be in the form of instalment receipts. If you retain your instalment receipts you will be required to pay the final instalment on the due date.

You should read this document carefully before you decide to invest. If you then wish to apply for shares, you must complete, sign and lodge an application form which is attached to or accompanies this document. Detailed instructions on how to complete the application form are set out in the form. If you have received a yellow personalised application form with this document, you should use that form. Otherwise you should use the orange application form. If you are a Telstra employee, you should read the Employee Offer Document to determine which form you should use.

During the course of the Telstra Share Offer the Commonwealth and Telstra may provide information about any significant new

Important dates

Public, broker firm and employee offers open	15 October 1997
Institutional Offer opens	27 October 1997
Broker firm and employee offers close	31 October 1997
Public offer closes	3 November 1997
Institutional Offer closes	14 November 1997
Final price, final instalment amount and basis of allocation expected to be announced by	16 November 1997
Conditional trading of instalment receipts expected to commence on the ASX	17 November 1997
Instalment receipt holding statements expected to be dispatched by	2 December 1997
Payment due for final instalment	17 November 1998

If you wish to apply for shares, you are encouraged to do so as soon as possible. The Commonwealth has a right to close these offers early without prior notice, extend these offers, or otherwise to vary the timing of (including re-opening) these offers.

developments relevant to the Telstra Share Offer through newspaper advertisements.

If you have any questions about whether to invest in Telstra, you should consult a stockbroker or financial adviser.

If you have any questions about procedures for investing in Telstra, you should call the Telstra Share Information Centre on 1800 18 18 18.

Status of this Public Offer Document

The Telstra Share Offer in Australia and New Zealand is made through this Public Offer Document, which incorporates by reference the Appendices. The Public Offer Document and Appendices were lodged with the Australian Securities Commission (ASC) on 29 September 1997 and are dated 29 September 1997. Telstra and the Commonwealth are permitted to issue this Public Offer Document to prospective investors, subject to the Appendices being freely available, pursuant to modifications to the Corporations Law made by the ASC. The ASC and Australian Stock Exchange Limited (ASX) take no responsibility for the contents of this document or the Appendices. The fact that the ASX may quote the instalment receipts or the shares of Telstra is not to be taken in any way as an indication of the merits of the instalment receipts or the Company.

This Public Offer Document does not constitute an offer or invitation in any place where, or to any person to whom, it would not be lawful to make such an offer or invitation.

Selected Telstra Share Offer information

This information should be read in conjunction with the balance of this Public Offer Document.

Maximum price per share payable by Public Applicants ⁽¹⁾	\$3.30
First instalment price per share payable by Public Applicants	\$1.95
First instalment price per share payable by Institutional Applicants	\$2.00
Indicative price range per share for Institutional Applicants	\$2.80 – \$3.30
Maximum number of shares for sale	4,288,866,733
1998 financial year prospective fully franked dividend per share ⁽⁴⁾	13c

Year ended 30 June	Adjusted ⁽²⁾ (\$ millions)	Reported ⁽²⁾ (\$ millions)
1996 operating profit before abnormals and income tax	3,431	3,242
1997 operating profit before abnormals and income tax	3,984	3,805
1996 operating profit after income tax ⁽³⁾	2,423	2,302
1997 operating profit after income tax ⁽³⁾	1,336	1,609

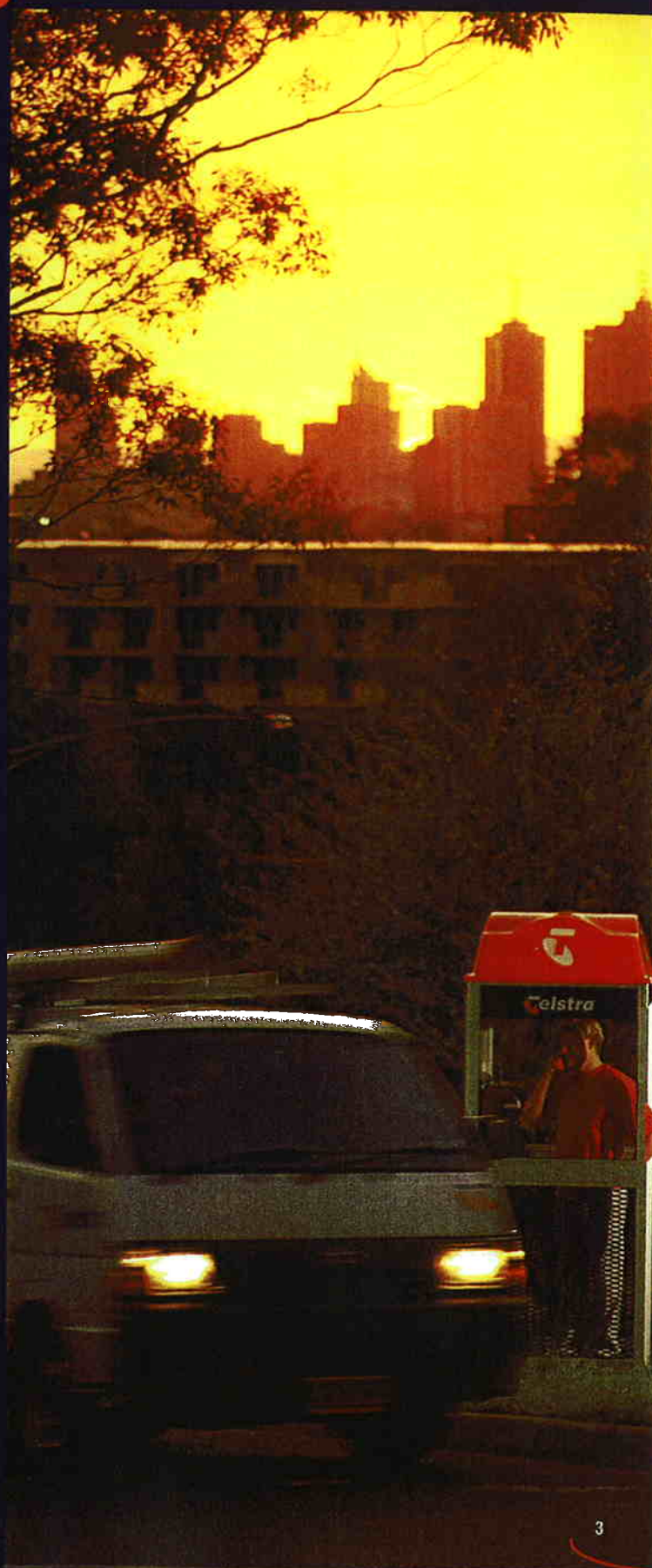
Notes:

- (1) Maximum price means the first instalment plus the maximum final instalment price payable by Public Applicants in relation to shares acquired under the Telstra Share Offer.*
- (2) The reported numbers are from Telstra's audited Financial Statements and reflect the changes in accounting policies adopted by Telstra in the 1997 financial year. The adjusted numbers have been calculated as if the changes in accounting policies had always been in place. See 'Financial information' on page 27.*
- (3) After abnormals (net of tax) of a positive \$131 million in the 1996 financial year (adjusted and reported) and, in the 1997 financial year, a negative \$1,339 million (adjusted) and a negative \$951 million (reported).*
- (4) Calculated based on the directors' assessment of Telstra's prospects for the 1998 financial year and its dividend policy.*

For detailed prospective financial information regarding the 1998 financial year, please see 'Prospects' commencing on page 35. To understand Telstra's dividend policy and its ability to frank its dividends, see 'Financial information – Dividends' on page 29.

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Minister for Finance
Parliament House, Canberra, ACT, 2600

Dear Investor,

On behalf of the Australian Government I am pleased to be able to offer you the opportunity to apply for shares in Telstra. The partial sale of Telstra is a significant opportunity for all Australians to participate in our nation's largest ever share offer.

Telstra is a world-class Australian company, a leader in technology and a key player in one of Australia's fastest growing industries. The Telstra Share Offer provides an opportunity for Australian investors, including many first time investors and Telstra employees, to participate in Telstra's future as share owners.

For the first time, the Commonwealth is offering a guaranteed share allocation to investors who reserved a Public Offer Document by 12 September 1997. The guaranteed allocation will help ensure that as many Australians as possible can obtain shares if they wish. Prospective investors should be aware that an investment in Telstra is not guaranteed by the Australian Government and that the value of shares can go down as well as up. You should read this Public Offer Document carefully and, if you wish, the separate Appendices before you make any investment decision, and you should consult a stockbroker or financial adviser if you are unsure.

The Government has ensured that Telstra will remain majority Australian owned with, at most, 11.6667 per cent of Telstra able to be sold to overseas investors. After the Telstra Share Offer is completed, the Commonwealth will be the majority shareholder, continuing to own at least two-thirds of the shares in Telstra. The Chairman and a majority of directors on the Board must be Australian, and Telstra's head office and the base of operations will remain in Australia. The Board will continue to be responsible for the strategic direction and management of the Company, while ultimately being accountable to shareholders, including the Commonwealth.

The partial sale of Telstra will deliver clear benefits to all Australians. In line with the Government's pre-election commitment, \$1.149 billion of the proceeds from the sale will be used to fulfil the Government's commitment to the Natural Heritage Trust of Australia, Australia's biggest ever environmental project. In addition, \$250 million will be provided for the Regional Telecommunications Infrastructure Fund ('Networking the Nation'), with the remainder of the proceeds expected to contribute to a reduction in Commonwealth public debt.

I hope that you will consider the merits of investing in Telstra and I commend this offer to you, whether you are an experienced share owner or a first time share buyer.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Fahey'.

John Fahey

29 September 1997

29 September 1997

Dear Investor,

The Telstra Share Offer is an opportunity for Australians to share in the growth of a company that serves so many Australians.

Telstra connects Australians. Our networks span the nation. Our services reach virtually all Australian homes and are used by a substantial majority of Australian businesses. The Telstra brand is one of the best-known in the country. Telstra has a proud history, from its birth as a provider of basic telephone lines across a far-flung continent to its present rank as a globally-oriented marketer of fixed and mobile telephone services, advanced Internet, data and directory services and, through FOXTEL, pay television.

Once a monopoly supplier of essential services, Telstra now competes with all comers in one of the most open and sophisticated telecommunications markets in the world. The new regulatory environment, which began on 1 July this year, is transforming Telstra and the telecommunications industry. For Telstra, it means we are adding more value to our products and more customer focus to our service, at the same time as we control our costs.

Competition, and scrutiny from stock markets, will continue to sharpen the performance of Telstra. It will challenge our people. It will benefit our customers. It will make us strive to profit our shareholders.

We have a solid foundation of market knowledge and technical excellence. We have a vision for our future and the means to get us there. We are determined to seize the opportunities in our new commercial environment.

This watershed in the growth of Telstra – between the achievements of the past and the challenges of the future – is the right moment for the decision of the Commonwealth to sell up to one-third of its shares in Telstra.

I am particularly pleased that the Government is encouraging Telstra's customers and employees to become shareholders. Share ownership will be a further incentive for our people and for Telstra to perform even better.

On behalf of the Board, I commend the offer to you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David M Hoare', written in a cursive style.

David M Hoare

Chairman

The Telstra Share Offer



The Commonwealth invites members of the Australian public, Australian institutions, Stockbrokers and certain international investors to make offers to purchase up to 4,288,866,733 shares in Telstra.

The Telstra Share Offer in Australia is in five parts, open to the following:

- *members of the Australian public who reserved a Public Offer Document before 12 September 1997 and received a personalised application form*
- *members of the Australian public who have been offered a firm allocation of shares by their Stockbroker*
- *other members of the Australian public*
- *Telstra's eligible employees*
- *Australian institutions and Stockbrokers applying in the Institutional Offer.*

Price and payment

Payment for shares will be in two instalments. The maximum total price payable by **Public Applicants** under this offer is \$3.30 per share. Public Applicants under this offer will pay:

- the first instalment of \$1.95 per share when applying for the shares, which is 5 cents per share less than the first instalment payable by Institutional Applicants; and
- a final instalment of not more than \$1.35 per share, payable on 17 November 1998. The final instalment payment for Public Applicants will be at least 5 cents per share below the final instalment payable by Institutional Applicants.

The discount on the final instalment only applies to instalment receipts purchased by Public Applicants under this offer and held until the final instalment is due. It will not apply to instalment receipts purchased after trading commences. The number of instalment receipts purchased in this offer to which the discount applies will be the lowest number held at any time between the date of issue and the date the final instalment is due.

The first instalment for **Institutional Applicants** is \$2.00 per share, payable after allocation.

At the close of the Institutional Offer, the Commonwealth will determine the final price of the shares after consultation with the Joint Global Co-ordinators and the Commonwealth's Financial Adviser, based on the level of demand for shares and having regard to its objectives of optimising the proceeds of the offer and its desire for an orderly after-market.

The final price will determine the amount of the final instalment, both of which are expected to be announced by 16 November 1997.

You will not pay any stamp duty or brokerage on the purchase of shares under this offer.

Instalment receipts

Until you pay the final instalment:

- your shares will be held by the Trustee, which has been established to hold the shares until the final instalment is paid;
- instalment receipts will reflect your beneficial interest in the shares; and
- the Commonwealth will have a security interest in your shares.

You will be entitled to full dividends and voting rights while you hold instalment receipts. After you pay the final instalment on the due date, you will be registered as the holder of the shares, and your instalment receipts will be cancelled.

The registered holder of the instalment receipt on 4 November 1998 must pay the final instalment on 17 November 1998. If the final instalment is not paid, the Trustee can sell the corresponding share. If the net proceeds of sale are insufficient to satisfy the final instalment (and any other amounts you may owe, including interest), the Trustee can take action to recover the deficiency. A reminder notice will be sent to instalment receipt holders prior to the final instalment due date. There is no early payment option for the final instalment.

It is important to note that the partial payment characteristics of instalment receipts may make percentage price movements in them greater than percentage price movements if they were fully paid shares in similar circumstances.

You should be aware that at the time of payment of the final instalment, the market price of your investment may be less than the total of the first and final instalments.

Australian public offer

Applications by Public Applicants

Applications must be for a minimum of 400 shares and then in multiples of 100 shares. To apply for shares, you must use one of the application forms which are attached to or accompany this document.

The application form contains detailed instructions on how to complete the form.

Your application form must be accompanied by a cheque in Australian dollars drawn on an Australian branch of an Australian bank, crossed 'Not Negotiable' and made payable to 'Telstra Share Offer'. The cheque must be for the first instalment amount of \$1.95 multiplied by the number of shares for which you are applying.

Applications must be on the correct form and the forms are colour-coded for your convenience:

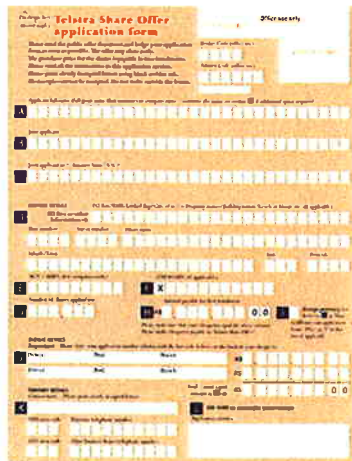
If you reserved a Public Offer Document before 12 September 1997

- you should have received a **yellow personalised application form** with your Public Offer Document. You must use this form to ensure that you receive your **minimum guaranteed entitlement of 600 shares**. However, you can apply for more or less than 600 shares using this form. If you use this form to apply for more than 600 shares, the precise number of shares you are allocated will not be known

until after the offer closes. If the Telstra Share Offer is over-subscribed you will be allocated at least 600 shares. If you use this form to apply for fewer than 600 shares (but at least the minimum of 400 shares) you will be allocated the number of shares for which you apply.

Other Public Applicants

- If you did not reserve a Public Offer Document before 12 September 1997, or if you have been offered a firm allocation of shares by your Stockbroker, you should use the **orange application form** attached to this Public Offer Document. The minimum number of shares you can apply for is 400. The precise number of shares you are allocated will not be known until after the offer closes. If the Telstra Share Offer is over-subscribed, you may be allocated less than 400 shares.



Lodgement of applications

Your completed application form and cheque(s) should be:

- mailed using the enclosed reply paid envelope (or to the address on the application form); or
- placed in the collection box at any Commonwealth Bank branch in Australia; or
- lodged with a Stockbroker,

to be received by 4.00 pm local time on Monday, 3 November 1997.

However, broker firm and eligible employee applications must be received by 4.00 pm local time on Friday, 31 October 1997.

You should send in your completed application form and cheque(s) as soon as possible after the Telstra Share Offer opens. The Commonwealth reserves the right to:

- *close the offer early without prior notice; or*

- *vary any of the important dates set out on page 1, including extending or re-opening the offers.*

Acceptance of applications

Except for valid applications for the minimum guaranteed entitlement, the Commonwealth reserves the right to reject any application or to allocate to any person fewer shares than applied for by that person. You will get a refund if you have applied and paid for more shares than you are allocated. No interest will be paid to you on any money refunded.

Applications represent offers to buy shares from the Commonwealth. The contract will be formed when the Commonwealth accepts your offer (but subject to a condition regarding settlement of the offer with certain international investors – see pages 10 and 53). The Commonwealth may accept your offer without further notice to you. In due course you will receive your instalment receipt holding statement.

In addition, the Commonwealth reserves the right, at its discretion, to treat any application for greater than 150,000 shares as an application in the Institutional Offer. Where the Commonwealth is advised by the Joint Global Co-ordinators that investors who would typically be regarded as institutional investors have applied as Public Applicants, the Commonwealth also reserves the right to treat such applications as applications in the Institutional Offer.

Public Applicants (other than eligible employees and clients of Stockbrokers receiving firm allocations) should not lodge multiple applications.

The Commonwealth reserves the right to reject or aggregate applications which appear to be multiple applications from the same person.

Offers to employees

The Commonwealth will make available up to 2,000 shares for purchase by each eligible employee of Telstra. Each eligible employee will also receive 1 extra share free for every 4 shares purchased up to a maximum of 500 extra shares. To help them buy these shares, Telstra will offer each eligible employee an interest-free loan repayable from after-tax dividends or sale of the shares.

In addition, if eligible employees separately apply for shares as Public Applicants and receive an allocation, they will receive, at no additional cost, 1 loyalty share for every 10 additional shares purchased and held continuously for 12 months. Eligible employees are entitled to a maximum of 200 loyalty shares.

Applications by eligible employees as Public Applicants will be subject to any scale-back arrangements. This may affect the number of loyalty shares allocated to eligible employees.

Details of these offers are in the Employee Offer Document.

Institutional Offer

The Commonwealth is inviting bids from Australian and New Zealand institutions and Stockbrokers in the Institutional Offer, on the terms set out in the Appendices. The Institutional Offer and an associated international offering and global book-building process will commence on 27 October 1997 and will continue until midday Melbourne time on 14 November 1997.

An indicative price range of \$2.80 to \$3.30 per share has been set to assist bidders in the bidding process. However, this range may be varied by the Commonwealth at any time. Bidders may bid, and the final price may be set, above or below the indicative price range.

Institutional Applicants will pay a first instalment of \$2.00 per share. The Commonwealth will determine the institutional sale price after consultation with the Joint Global Co-ordinators and the Commonwealth's Financial Adviser. All successful applicants in the Institutional Offer will pay the same price.

The Institutional Offer is being managed by the Joint Global Co-ordinators and Joint Lead Managers. They and the Co-Lead Managers and Co-Managers will solicit bids from potential applicants. The Commonwealth is the bookrunner.

Allocation policy

Australian public offer

A proportion of the shares has been reserved for:

- guaranteed entitlements;
- eligible employees; and
- firm allocations to clients of Stockbrokers.

Any reserved shares not allocated to these parts of the Telstra Share Offer will be allocated to other Public Applicants and to satisfy successful bids made in the Institutional Offer.

Institutional Offer

The Commonwealth will determine the allocation of shares between bidders in the Institutional Offer after consultation with the Joint Global Co-ordinators and the Commonwealth's Financial Adviser. There is no assurance that any bidder in the Institutional Offer will be allocated any shares or the number of shares for which it has lodged a bid.

The first determinant of the allocation will be the price at which bids are lodged. Bids lodged at prices below the final price will receive no allocation. After disregarding bids at prices lower than the final price, the



allocation to bidders will reflect a number of factors. Other things being equal, factors that will be regarded favourably include:

- price leadership;
- early lodgement of bids;
- consistency of bids;
- bids by investors expected to be long-term holders of Telstra shares; and
- participation in marketing activities.

Over-allocation

The final number of shares sold by the Commonwealth will depend on the extent to which the proposed over-allotment option described on page 49 is exercised. If this option is exercised in full, the Commonwealth will retain at least two-thirds of the shares in Telstra (plus those shares retained for the eligible employee 1 for 10 loyalty offer). To the extent that the option is not exercised, the Commonwealth may retain up to a further 2.25%, or approximately 288.87 million shares in Telstra. See page 49 for information on the international underwriting syndicate's ability to over-allocate in the international offering and to satisfy such over-allocations either by acquiring additional instalment receipts from the Commonwealth during the 30 days after allocation or by purchasing instalment receipts in the stock market. Such purchases may have the effect of stabilising the secondary market price for instalment receipts in circumstances where the secondary market price is at or below the amount of the first instalment.

Borrowing on instalment receipts

You may create an encumbrance (such as a mortgage) over your instalment receipts. However, you cannot create any encumbrance over your instalment receipts which is capable of extending to the

underlying shares until you have paid the final instalment.

Selling instalment receipts and shares

Your instalment receipts and later, your shares, will be registered either on the ASX's Clearing House Electronic Subregister System (CHESS) or Telstra's issuer-sponsored sub-register. You will receive a holding statement showing how many instalment receipts or shares you hold.

Application will be made for instalment receipts and shares to be quoted and traded on the ASX. Quotation means that you should be able to sell your instalment receipts, and later when you receive them, your shares. However, the amount you receive for your instalment receipts or shares will depend on whether there are any buyers, how much they are prepared to pay and any transaction costs involved.

The contract formed on acceptance of your application is conditional on settlement under the international underwriting agreement. Conditional trading in instalment receipts is expected to commence on 17 November 1997 and will continue until the ASX is notified of settlement under the international underwriting agreement. If settlement under the international underwriting agreement does not occur by 2 December 1997:

- instalment receipts will not be issued;
- the contract formed on acceptance of your application will be cancelled; and
- all conditional trades that have occurred since 17 November 1997 will be cancelled.

After the issue of instalment receipts there will be a further period of deferred settlement trading until dispatch of holding statements which will occur within 5 business days of settlement under the

international underwriting agreement. (See 'Additional Information – International underwriting conditions' on page 53.)

It is your responsibility to determine your allocation prior to trading your instalment receipts. To assist you in determining your allocation prior to receipt of your holding statement, the Commonwealth will announce the basis of allocation by placing advertisements in the major national and metropolitan newspapers in Australia. This is expected to take place on 17 November 1997. From that date, you may call the **Telstra Share Information Centre on 1800 18 18 18** to seek information on your allocation, quoting your application number. **If you sell instalment receipts before you receive confirmation of your allocation, you do so at your own risk.**

Listing and quotation on ASX

Telstra is admitted to the official list of the ASX as a debt issuer and the Trustee and Telstra will apply within 3 business days after the issue date of this document to have the instalment receipts and shares quoted on the ASX.

Restrictions on foreign ownership

By law, foreign persons cannot have, in total, interests in more than 11.6667% of Telstra and no single foreign person can have interests in more than 1.6667% of Telstra.

The Trust Deed and Telstra's Articles of Association both contain provisions designed to enable the Trustee (while instalment receipts remain on issue and subsequently Telstra) to monitor and enforce the foreign ownership restrictions, including powers to divest the interests of holders who breach the foreign ownership limits.

This is a **simplified and general description of the foreign ownership restrictions.** Further details are contained in the application form and in the separate Appendices volume.

New Zealand applicants

New Zealand residents are subject to the foreign ownership restrictions – see 'Restrictions on foreign ownership' (above) and the separate Appendices volume. New Zealand applicants pay for their shares in Australian dollars, paying the same first and final instalment amounts as Institutional Applicants. They pay the first instalment of A\$2.00 per share, and the final instalment on 17 November 1998. New Zealand Institutional Applicants must follow the procedure for the Institutional Offer. Other New Zealand applicants must comply with the following procedure. To apply for shares, they must use one of the application forms attached to this document. The application form must be received by a New Zealand office of a member of the Australian syndicate by 4.00 pm on Monday, 3 November 1997. The application form must be accompanied by a cheque in Australian dollars, drawn on an Australian branch of an Australian bank, crossed 'Not Negotiable' and made payable to 'Telstra Share Offer'; or an international bank draft in Australian dollars made payable to 'Telstra Share Offer'. New Zealand applicants allocated instalment receipts will receive certificates rather than holding statements.

Commonwealth discretion

The Commonwealth reserves the right not to proceed with the Telstra Share Offer at any time before the acceptance of applications to purchase the shares, in which case all application moneys will be returned to applicants. See also 'Additional information – International underwriting conditions' on page 53.