



**Telstra 2 Share Offer**

**Public Offer Document**





# Telstra 2 Share Offer

YOU CAN FIND MORE INFORMATION ABOUT TELSTRA  
AND THE OFFER AS SET OUT BELOW

Subject	Document	Where found
About Telstra*	<ul style="list-style-type: none"><li>• 1999 Annual Report<sup>#</sup></li><li>• 1999 Annual Review<sup>#</sup></li><li>• Telstra's ASX continuous disclosure releases since 1 September 1999</li></ul>	Telstra 2 Share Information Centre Call 1800 18 18 18 or Telstra website <a href="http://www.telstra.com.au">www.telstra.com.au</a>
About the offer	<ul style="list-style-type: none"><li>• Appendices<sup>Ø</sup></li></ul>	Telstra 2 Share Information Centre Call 1800 18 18 18 or Telstra 2 website <a href="http://www.t2.telstra.com.au">www.t2.telstra.com.au</a>

\* *This material was prepared by Telstra under its statutory reporting obligations. It does not form part of, and is not incorporated by reference into, this offer document.*

# *The 1999 Annual Report and/or Annual Review will be sent automatically to Telstra shareholders who have elected to receive one or both of these documents.*

Ø *Some of the information in this document is dealt with in more detail in a separate volume of appendices (the Appendices). Certain parts of this document are a summary and/or an indication of the material contained in the Appendices (see 'Additional Information – Materials 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.*

The above information is available free of charge.

Print disabled persons may obtain, free of charge, a copy of this document in an alternative format by contacting the Telstra 2 Share Information Centre or by accessing the Telstra 2 website.

# About this offer document

***This offer document contains information about the sale by the Commonwealth of up to 16.6% of the shares in Telstra (the Telstra 2 Share Offer).***

The payment for Telstra shares will be in two instalments, with the first instalment payable on application and the final instalment payable by 2 November 2000. 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 by 2 November 2000.

You should read this offer 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 offer document. Detailed instructions on how to complete the application form are set out in the orange application section. The following table sets out which colour application form you should use:

Applicant	Application form
Telstra shareholders*	Yellow
Pre-registrants*	Green
Telstra's eligible employees	Please read the Employee Offer Document
Other Australian public applicants*	Orange
Broker firm applicants	Apply in the manner directed by your Stockbroker

\* ***Applications can also be lodged electronically over the Internet at [www.t2.telstra.com.au](http://www.t2.telstra.com.au)***

During the course of the Telstra 2 Share Offer, the Commonwealth and Telstra may provide information about any significant new development relevant to the Telstra 2 Share Offer through newspaper advertisements or by disclosure to Australian Stock Exchange Limited (the ASX).

The Australian Securities and Investments Commission (ASIC) has granted relief to permit the publication of any supplementary prospectus which may be necessary by means of an advertisement placed in at least two national newspapers.

**If you have any queries 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 2 Share Information Centre on 1800 18 18 18 or visit the Telstra 2 website at [www.t2.telstra.com.au](http://www.t2.telstra.com.au)**

Telstra 2 Share  
Information Centre

Call 1800 18 18 18

or

[www.t2.telstra.com.au](http://www.t2.telstra.com.au)

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## Important Dates

Public, shareholder, broker firm and employee offers open	20 September 1999
Institutional Offer opens	5 October 1999
Public, shareholder, broker firm and employee offers close	7 October 1999
Institutional Offer closes	15 October 1999
Final price, final instalment amount and basis of allocation announced by	17 October 1999
Conditional trading of instalment receipts expected to commence on the ASX	18 October 1999
Instalment receipt holding statements expected to be dispatched by	5 November 1999
Last date for payment of final instalment	2 November 2000

**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 or extend these offers, notwithstanding that the closing date has passed, or otherwise vary the terms of these offers.**

## Important Notice

The Telstra 2 Share Offer in Australia is made through this offer document, which incorporates by reference the Appendices. The offer in New Zealand is being made through a New Zealand investment statement. The offer document and the Appendices were lodged with ASIC on 6 September 1999 and are dated 6 September 1999. Telstra and the Commonwealth are permitted to issue this offer document to prospective investors, subject to the Appendices being freely available, pursuant to modifications to, and exemptions from, the Corporations Law made by ASIC. ASIC and the ASX take no responsibility for the contents of this offer document or the Appendices. The fact that the ASX has quoted the shares of Telstra, and may quote the instalment receipts, is not to be taken in any way as an indication of the merits of the instalment receipts, the shares or the Company.

No securities will be allotted or issued on the basis of this offer document later than 12 months after the date of issue of this document.

This 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.

**Certain terms in this offer document have defined meanings that are set out in the Glossary.**



## MINISTER FOR FINANCE AND ADMINISTRATION

6 September 1999

Dear Investor

On behalf of the Australian Government I am delighted to offer you the opportunity to participate in the Telstra 2 Share Offer, involving the sale of up to 16.6% of Telstra shares.

This offer gives all Australians, whether they are existing Telstra shareholders or not, the opportunity to participate in the next stage of the transformation of Telstra and the telecommunications industry.

The Government is offering people who reserved a Public Offer Document by 16 August 1999 the right to apply for a guaranteed pre-registration benefit of 400 shares. The Government is also offering Telstra shareholders an automatic entitlement to buy one share for every five shares held, or 400 shares, whichever is the greater, up to a limit of 10,000 shares. Further details are contained in this offer document.

There are also special arrangements to encourage Telstra employees to participate in the offer.

Investors may apply for more than their guaranteed allocation. However, to ensure that as many Australians as possible have the opportunity to invest in the Telstra 2 Share Offer, the minimum application has been set at 150 shares and payment will be by two instalments. Investors should be aware that the value of instalment receipts and shares can go down as well as up, and that an investment in Telstra is not guaranteed by the Commonwealth. You should read this offer document carefully, and the separate Appendices if you wish, before you make any investment decision. You should consult a Stockbroker or financial adviser if you are unsure about whether to invest in Telstra.

Telstra will remain majority Australian owned after the offer with the Commonwealth continuing to hold at least 50.1% of the Company's shares. Foreign ownership cannot exceed 35% of the shares not held by the Commonwealth. The Chairman and the majority of Directors on the Board must be Australian, and Telstra's head office and base of operations will remain in Australia.

This further sale of Telstra shares will benefit all Australians. The bulk of the sale proceeds will be used to reduce national debt. Of the proceeds, \$1 billion will be used to improve telecommunications and the environment in regional Australia.

I hope that whether you are a first-time share owner or an existing Telstra shareholder, you will consider investing in Telstra.

I commend this offer to you.

Yours sincerely

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

**John Fahey**



Office of the Chairman

6 September 1999

Dear Investor

The Telstra 2 Share Offer is a further opportunity for Australians to participate in Australia's largest listed company on a fully capitalised basis and one of Australia's best-known brands. For the year ended 30 June 1999, Telstra's revenue was \$18.2 billion and profit after tax was \$3.5 billion.

Our vision is to enhance our position as the leading telecommunications and information services company in Australia, and to expand our presence internationally. We are committed to serving all Australians with a truly contemporary range of communications products and services, and, to facilitate this, we have an extensive national and international transmission infrastructure.

We welcome the high growth opportunities that telecommunications presents, particularly in mobile communications and data transmission. We are focused on enhancing our ability to deliver networks, systems, product packages and pricing structures that are appropriate for a world where data traffic will far exceed voice.

We will continue to take advantage of opportunities that arise in this dynamic industry by forging alliances, where appropriate, with domestic and global partners.

I am particularly pleased that the Government is encouraging existing Telstra shareholders to increase their investment in Telstra, and again encouraging Telstra's customers and employees to become shareholders. Further share ownership by our employees provides strong incentives for our people to perform at their best and to fulfil our shared aspirations for the future.

The Telstra 2 Share Offer follows the sale of one-third of Telstra by the Commonwealth in November 1997 in which more than 1.8 million Australians participated. The Telstra 2 Share Offer is a logical progression in the process of privatisation, which will continue to deliver benefits for the Australian community into the next millennium.

I am personally gratified that this significant milestone in Telstra's history has been reached at a time when, after serving for 10 years as Telstra's Chairman, I am about to retire from that role. The Board has, with the support of the Government, announced its intention to appoint Mr Bob Mansfield as Telstra's new Chairman. If Mr Mansfield is elected as a director of Telstra at its annual general meeting in November 1999, he will become Chairman of the Company on my retirement.

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

Yours sincerely

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

**David Hoare**  
Chairman

# The Telstra 2 Share Offer



*The Commonwealth is inviting offers for the purchase of up to 2,133,288,285 shares in Telstra.*

*The Telstra 2 Share Offer in Australia is in six parts, open to the following:*

- *persons registered as Telstra shareholders at the close of business on 15 September 1999;*
- *members of the Australian public who reserved an offer document by 16 August 1999 and received a personalised application form;*
- *members of the Australian public who have been offered a firm allocation of shares by their Stockbroker;*
- *Telstra's eligible employees;*
- *other members of the Australian public; and*
- *Australian institutions and Stockbrokers applying in the Institutional Offer.*

## Price

The shares will be paid for in two instalments. For Public Applicants the first instalment is \$4.50 per share. This is a discount of 25 cents per share from the first instalment payable by Institutional Applicants. The amount of the final instalment will be decided at the close of the offer based on the full amount payable by Institutional Applicants. Public Applicants who hold their instalment receipts and pay the final instalment when due will receive a further loyalty discount of at least 15 cents per share on the final instalment. These Public Applicants are guaranteed that the total amount that they will pay will be no more than the weighted average price of Telstra shares traded on the ASX during the week ending 17 October 1999. Telstra shareholders in Australia will pay the same amount as Public Applicants for their

guaranteed shareholder entitlements. There is no stamp duty payable on the purchase of shares under this offer.

## First instalment

The first instalment for Public Applicants is \$4.50 per share. This is a discount of 25 cents per share from the first instalment payable by Institutional Applicants.

Institutional Applicants will pay a first instalment of \$4.75 per share.

## Final instalment

The final instalment for Public Applicants will be set at a discount (the loyalty discount) to the final instalment payable by Institutional Applicants, and will be the lower of:

- the final instalment for Institutional Applicants, less 15 cents per share; and



- the weighted average price of Telstra shares traded on the ASX for the week ending 17 October 1999 less \$4.50 (being the first instalment payable by Public Applicants).

For the purposes of calculating the weighted average price of Telstra shares traded on the ASX, trades outside normal market hours and special crossings (as defined in the ASX business rules) will be excluded. In addition, for the purpose of calculating the weighted average price, the Commonwealth reserves the right, at its absolute discretion, to exclude any one or more transactions on the ASX. The weighted average price will be rounded to the nearest cent.

The Commonwealth will determine the final instalment for Institutional Applicants at the close of the Institutional Offer and after consultation with the Joint Global Coordinators and the Commonwealth's Financial Adviser. This will be based on the level of demand for shares and will have regard to the Commonwealth's objectives including optimising the proceeds of the offer and its desire for an orderly after-market.

The total amount payable and the amount of the final instalment are expected to be announced by 17 October 1999.

**The loyalty discount on the final instalment will only apply to instalment receipts purchased by Public Applicants under this offer and held in the same registered name until the final instalment is due on 2 November 2000.**

The loyalty discount will not apply to instalment receipts purchased after trading commences. The loyalty discount will also not apply to Public Applicants who make early payment of the final instalment (see '– Payment – Early payment of final instalment') nor to those who do not pay the final instalment when due. The number of instalment receipts purchased in this offer eligible for the loyalty discount will be the lowest number held in the same registered name at any time between the date of issue and the date the final instalment is due. There are limited exceptions to the same registered name requirement mainly to ensure that the loyalty discount is not lost due to certain limited circumstances beyond the control of the holder of the instalment receipts.

## Payment

### First instalment

Public Applicants will pay their first instalment at the time of application (see '– Australian public offer – Applications by Public Applicants').

Institutional Applicants will pay their first instalment after the allocation of shares.

### Final instalment

A registered holder of instalment receipts on 20 October 2000 must pay the final instalment by 2 November 2000, and reminder notices will be sent prior to this date. If the final instalment is not paid by 2 November 2000, the Trustee can sell some or all of your shares. If the net proceeds of sale are insufficient to satisfy the final instalment (and any other related amounts you may owe to the Commonwealth, including interest, costs and administration charges), the Trustee can take action to recover the deficiency.

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

### Early payment of final instalment

Instalment receipt holders may prepay the final instalment for some (in minimum parcels of 150) or all of their registered holding, on 12 November 1999 and every second Friday thereafter, up until 1 September 2000. To do so, you will need to obtain a prepayment notification form from the Instalment Receipt Registrar and then lodge it with your payment by 5.00 pm on the relevant prepayment day. **If Public Applicants elect to prepay the final instalment, they will receive no loyalty discount in respect of the instalment receipts which they are prepaying and will pay the final instalment payable by Institutional Applicants.**



## Instalment receipts and dividends

Until you pay the final instalment:

- your shares will be held by the Trustee;
- your instalment receipts will evidence your beneficial interest in the underlying shares; and
- the Commonwealth will have a security interest in your shares.

**While you hold instalment receipts, you will be entitled to full voting rights as well as all dividends declared on the underlying shares in respect of profits for the year ending 30 June 2000. Instalment receipt holders will not receive the dividend which is payable on 29 October 1999.**

Telstra's current policy is to declare ordinary dividends of at least 60% of operating profit attributable to shareholders, subject to taking into consideration a number of commercial factors, including the interests of shareholders, cash requirements for future capital expenditures and investments, as well as relevant industry practice.

Telstra expects to pay dividends relating to profits earned in the year ending 30 June 2000 in the form of:

- an interim dividend in April 2000; and
- a final dividend in October 2000.

It is unlikely that Telstra will be able to fully frank declared ordinary dividends out of profits for the year ending 30 June 2000, although the Company's current expectation is that, overall, these dividends will be franked to more than 50%. At present, it is expected that Telstra will be able to fully frank declared ordinary dividends out of profits for the year ending 30 June 2001. However, Telstra can give no assurance as to the future level of dividends, if any, or of franking of dividends. This is because they depend upon, among other factors, Telstra's profits and tax position, and Government legislation.

After you pay the final instalment, you will be registered as the holder of the underlying shares, and your instalment receipts will be cancelled.

*You should 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.*

## Australian public offer

### Applications by Public Applicants

Applications must be for a minimum of 150 shares and then in multiples of 50 shares. To apply for shares, you must use one of the application forms that are attached to or accompany this offer document. You may also apply for shares over the Internet.

### Applying using an application form

Applications must be on the correct form. The forms are colour-coded for your convenience.

Your application form must be accompanied by your payment. This may be either:

- by cheque in Australian dollars drawn on an Australian branch of an Australian bank, crossed 'Not Negotiable' and made payable to 'Telstra 2 Share Offer'; or
- by using BPAY® (for instructions, see the orange application section).

For Public Applicants, the payment must be for the discounted first instalment amount of \$4.50 per share, multiplied by the number of shares for which you are applying.

If you are taking up a firm allocation of shares from your Stockbroker you must apply for shares in the manner directed by your Stockbroker.

### Applying over the Internet

You can also apply for shares over the Internet as a general Public Applicant and also if:

- you are registered as a Telstra shareholder at the close of business on 15 September 1999; or
- you are pre-registered.

If you wish to apply for shares over the Internet you should complete the application form on the Telstra 2 website at [www.t2.telstra.com.au](http://www.t2.telstra.com.au) (if your Stockbroker has a website, you may be able to access the Public Offer Document and application form from their website).

If you are applying through the Internet, you must use BPAY® (for instructions, see the orange application section).

### Telstra shareholders

If you are registered as a Telstra shareholder at the close of business on 15 September 1999 and held at least 50 shares you should receive a yellow personalised application form with your Public Offer Document.

Your shareholder entitlement is calculated on the basis of one share for every five shares which were registered in your name at the close of business on 15 September 1999 with each shareholder holding 50 shares or more guaranteed a minimum entitlement of 400 shares, subject to a maximum entitlement of 10,000 shares. Your shareholder entitlement will be rounded up to the nearest multiple of 50 shares.

You must use the yellow personalised application form or the corresponding form on the Telstra 2 website to ensure that you receive your shareholder entitlement.

If you have bought or sold Telstra shares after 23 August 1999 and before 9 September 1999, then you may have a different shareholder entitlement than that shown on the yellow form sent to you. You should calculate your shareholder entitlement based on your new shareholding. If your shareholder entitlement has increased then do not use the yellow form initially sent to you. A new yellow form will be sent to you. If your shareholder entitlement has decreased then you should use the yellow form sent to you, although the Commonwealth reserves the right to scale back your application if you apply for more shares than your actual shareholder entitlement.

**You can apply for more or less shares than your shareholder entitlement.** If you apply for more than your shareholder entitlement, the precise number of shares you are allocated will not be known until after the offer closes. If the Telstra 2 Share Offer is over-subscribed you will be allocated at least the amount of your shareholder entitlement. If you apply for less shares than your shareholder entitlement (but at least for the minimum of 150 shares and thereafter in multiples of 50 shares) you will be allocated the number of shares for which you apply.

The shareholder entitlement offer is only available to shareholders with registered addresses in Australia and New Zealand.

### Pre-registrants

If you are not registered as a Telstra shareholder at the close of business on 15 September 1999 but you reserved a Public Offer Document by 16 August 1999 (or one was automatically reserved for you), you should have received a green personalised application form with your Public Offer Document. You must use this green form or the corresponding form on the Telstra 2 website if you wish to receive all or some of your guaranteed benefit of 400 shares. **However, you can apply for more or less shares than this number.** If you apply for more than

400 shares, the precise number of shares you are allocated will not be known until after the offer closes. If the Telstra 2 Share Offer is over-subscribed you will be allocated at least 400 shares. If you apply for less than 400 shares (but at least for the minimum of 150 shares and thereafter in multiples of 50 shares) you will be allocated the number of shares for which you apply.

### Other Public Applicants

If you are not a Telstra shareholder at the close of business on 15 September 1999 and did not reserve a Public Offer Document by 16 August 1999 (or one was not automatically reserved for you), you should use the orange application form attached to this Public Offer Document or the corresponding form on the Telstra 2 website. The minimum number of shares you can apply for is 150 and thereafter in multiples of 50 shares. **You can apply for more than 150 shares.** The precise number of shares you are allocated will not be known until after the offer closes. If the Telstra 2 Share Offer is over-subscribed, you may be allocated less than the number of shares for which you apply.

### Lodgement of your application

Your completed application and payment should be:

- mailed using the reply paid envelope provided (or to the address set out in the orange application section);
- submitted over the Internet;
- 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 7 October 1999.

You can make your payment by cheque or through BPAY® (although if you are applying through the Internet, you must use BPAY®). To make your payment through BPAY®, contact your bank, credit union or building society to make the payment from your cheque or savings account.



## Acceptance of applications

The Commonwealth intends to accept all valid applications from:

- Telstra shareholders for their shareholder entitlements;
- pre-registrants for their guaranteed benefits;
- eligible employees for their guaranteed entitlements; and
- clients of Stockbrokers for their broker firm allocations.

In all other cases, 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 monies refunded.

Your application represents an offer to buy shares from the Commonwealth. A contract will be formed when the Commonwealth accepts your offer on the allocation of instalment receipts (but subject to a condition regarding settlement of the International Underwriting Agreement – see ‘Additional Information – International underwriting conditions’). The Commonwealth may accept your offer without further notice to you. If your offer is accepted, you will receive an instalment receipt holding statement in due course.

The Commonwealth reserves the right, at its discretion, to treat any application for 100,000 shares or more as an application in the Institutional Offer. In addition, where the Commonwealth is advised by the Joint Global Coordinators that investors who would typically be regarded as institutional investors have applied as Public Applicants (other than for their shareholder entitlements), the Commonwealth also reserves the right to treat such applications as applications in the Institutional Offer.

Public Applicants must not lodge multiple applications. The Commonwealth reserves the right to reject or aggregate applications which appear to be multiple applications from the same person. However, eligible employees and clients of Stockbrokers receiving firm allocations may also lodge an application under the public offer.

## Offers to Telstra Employees

Eligible employees may apply for an interest-free loan from Telstra to purchase up to 400 shares in the offer. The loan is repayable from after-tax dividends, the proceeds of the sale of the shares or with the employee's own money.

Eligible employees may also apply for shares under two separate offers from the Commonwealth:

- an offer of a guaranteed allocation of up to 5,000 shares bought with the employee's own money;
- an offer of extra shares and loyalty shares, being:
  - one extra share at no additional cost for every four shares bought with the employee's own money up to a maximum of 200 extra shares; and
  - one loyalty share at no additional cost for every ten shares bought with the employee's own money up to a maximum of 80 loyalty shares as long as the shares bought with the employee's own money are held until 2 November 2000 and the final instalment is not prepaid on those shares.

Full details of these offers are in the Employee Offer Document. Eligible employees should read the Employee Offer Document carefully to ensure that they understand the particular implications of applying for the benefits under the offers.

Eligible employees may apply under either or both the Employee Offer Document and this offer document, but the benefits of the offers described above are only available by using the application forms accompanying the Employee Offer Document.

An eligible employee is, in addition to the Commonwealth's offer of a guaranteed allocation of up to 5,000 shares, entitled to any other guaranteed entitlement to shares they may have.

## 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 5 October 1999 and will continue until 4.00 pm, Sydney time, on 15 October 1999.

The Commonwealth has not set an indicative range for the bidding process. The Commonwealth will determine the total amount per share payable by Institutional Applicants after consultation with the Joint Global Coordinators and the Commonwealth's Financial Adviser. All successful applicants in the Institutional Offer will pay the same total amount per share. Institutional Applicants will pay a first instalment of \$4.75 per share.

The Joint Global Coordinators and Joint Lead Managers are managing the Institutional Offer. 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 to be sold in Australia will be reserved for:

- Telstra shareholders;
- pre-registrants;
- eligible employees; and
- Stockbrokers' clients who receive firm allocations.

Any reserved shares not allocated to these parts of the Telstra 2 Share Offer may 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 Coordinators 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 determination of the total amount per share payable by Institutional Applicants and the allocation policy will be in accordance with the terms of the Institutional Offer set out in the Appendices.

### Level of allocations

The final number of shares sold by the Commonwealth will depend on how many of the shares available for the sale are allocated (there is no minimum number of shares to be sold) and the extent to which the proposed Over-allotment Option is exercised (see 'Additional Information – Over-allocation'). If this option is exercised in full (and all the other shares available for sale are allocated) the Commonwealth will retain at least

50.1% of the shares in Telstra. To the extent that the option is not exercised, then even if all the other shares available for sale are allocated, the Commonwealth may retain up to a further 1.1%, or approximately 144 million shares in Telstra. The Commonwealth proposes to make arrangements for the sale of any such Over-allotment Option shares (see 'Additional Information – Over-allocation'). The international underwriting syndicate has the 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 on 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 paid by Institutional Applicants.

### 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.

### ASX listing and quotation

Telstra shares are currently traded on the ASX. Telstra and the Trustee will apply within three business days after the date of issue of this offer document to have the instalment receipts and underlying shares quoted on the ASX.

If permission for quotation of the instalment receipts and underlying shares is not granted by the ASX within 12 weeks after the date of issue of this offer document, or such longer period as the ASX allows, application monies will be refunded in full. Interest will not be paid on these refunds.



## Conditional trading in instalment receipts

The contract formed on acceptance of your application by the Commonwealth is conditional on settlement under the International Underwriting Agreement. Until such settlement occurs, trading in instalment receipts on the ASX will be on a conditional basis. Conditional trading in instalment receipts is expected to commence on 18 October 1999. If settlement under the International Underwriting Agreement does not occur within nine business days after the commencement of conditional trading:

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

After the issue of instalment receipts there will be a further period of deferred settlement trading until the dispatch of holding statements which are expected to be dispatched by 5 November 1999 (see 'Additional Information – International underwriting conditions').

**It is your responsibility to determine your allocation before trading your instalment receipts you do not own.** 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 18 October 1999. From that date, you may call the Telstra 2 Share Information Centre on 1800 18 18 18 or access the Telstra 2 website at [www.t2.telstra.com.au](http://www.t2.telstra.com.au) to seek information on your allocation, quoting the reference number on your application form. **If you sell instalment receipts before you receive confirmation of your allocation, you do so at your own risk.**

## Selling instalment receipts

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

Telstra and the Trustee will apply for the instalment receipts and the underlying shares to be quoted on the ASX. Quotation means that you should be able to sell your instalment receipts, or later when you receive them, your shares. 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.

## Restrictions on foreign ownership

By law, foreign persons cannot have, in total, interests in more than 35% of Telstra shares not held by the Commonwealth and no single foreign person can have interests in more than 5% of such shares.

The Trust Deed and Telstra's constitution both contain provisions designed to enable the Trustee and Telstra to monitor and enforce the foreign ownership restrictions, including powers to divest the interests of holders who breach the foreign ownership restrictions.

Telstra and the Trustee have published rules which will be applied in exercising their powers to enforce the foreign ownership restrictions.

This is a simplified and general description of the foreign ownership restrictions (see 'Additional Information – Restrictions on foreign ownership').

## Commonwealth discretion

The Commonwealth reserves the right not to proceed with the Telstra 2 Share Offer at any time before the acceptance of applications to purchase the shares, in which case all application monies will be returned to applicants. Interest will not be paid on these refunds.

*Telstra is Australia's leading telecommunications and information services company with revenue of \$18.2 billion for the year ended 30 June 1999. Telstra is one of Australia's largest corporations and has one of the best-known brands in the country. The company offers a full range of services and competes in all telecommunications markets throughout Australia. Its main activities are to provide:*

- telephone lines to homes and businesses;
- local and long-distance telephone calls in Australia and international calls to and from Australia;
- mobile telecommunications services;
- a comprehensive range of data, Internet and on-line services;
- wholesale services to other carriers and carriage service providers;
- telephone directories (White Pages™ and Yellow Pages®); and
- pay television services through an affiliate.

## Telstra's networks

Telstra's fixed telephony network extends across Australia and serves virtually all Australian homes and most Australian businesses. It has optical fibre on all major

traffic routes and has a fully digital switching capability that allows it to develop and deploy a full range of modern products and services. As well as the basic telephony network, the Company has a variety of other delivery platforms over which it provides services, such as:

- an integrated services digital network;
- switched, data, transaction and digital data networks;
- a hybrid fibre co-axial cable broadband network that runs past 2.5 million homes;
- Internet protocol networks; and
- international submarine cables and access to international satellite infrastructure.

Telstra is the largest mobile telecommunications provider in Australia, with a digital GSM network covering over 94% of the population and international roaming to more than 65 countries. Telstra has recently launched a second digital mobile network based on CDMA technology. Telstra expects the digital CDMA mobile network to provide wide-ranging coverage and high-quality service.

## Data and Internet

Recognising the importance of data services and the Internet to the future and their potential to transform the nature of the telecommunications industry, Telstra is reviewing its business, operations and networks to assess the changes required to enable it to compete effectively in rapidly growing data markets. It has established a

single strategic business unit that is responsible for both expanding its range of data products and developing its content-based businesses, such as Internet and e-commerce, pay television services and directories. Telstra has established strengths in products such as Internet access and electronic directories. For example, it is already the largest Internet service provider in Australia, with over 400,000 Internet customers at 30 June 1999 and its Australian Yellow Pages® website is one of the most frequently visited sites in Australia.

### Telstra's transformation

Telstra has devoted considerable resources over recent years to upgrade and modernise its networks and systems. This program has increased its flexibility and expanded the range of products and services that it can offer its customers in the Company's traditional telephony markets as well as mobile telecommunications and emerging data and Internet markets. This has enabled Telstra to maintain its revenues from traditional telephony products and services and grow revenues in these other markets. Over the last several years, Telstra has also focused on its operating efficiency and on changing the Company's corporate culture to be more commercially oriented and more customer focused.

These efforts have included:

- enhancing the efficiency of its networks, systems and processes;
- improving work practices; and
- systematically reviewing its cost structures and the way it delivers service to its customers.

So far these initiatives have allowed Telstra to achieve cost efficiencies in many areas and have resulted in a significant reduction in the number of full-time employees, particularly over the last four years. Telstra is committed to continuing a review of areas of the business where it believes cost efficiencies can be gained. Future reductions in the Company's full-time staff will follow but are likely to be smaller than have been experienced over the last few years.

To date, Telstra's investments outside Australia have been modest. The Company continues to review opportunities, some of which could be substantial, that are of interest both strategically and financially offshore and in Australia.

### Strategy

Telstra's vision is to enhance its position as the leading full-service, telecommunications and information services company in Australia and to expand its presence internationally. To realise this vision, increase shareholder value and successfully compete, Telstra has a four-part growth strategy. In addition, Telstra continually reviews its entity and organisation structures to ensure it optimises the overall value to shareholders of its total business and its component parts.

### Optimising returns from traditional telecommunications products and services in Australia

Telstra is implementing programs to use its assets more efficiently, to enhance its extensive distribution capabilities and to improve productivity in the delivery of traditional telephony services. It is improving its marketing and sales activities, controlling costs and improving customer service. Initiatives include reorganising business units to serve customer segments more effectively and introducing new products to increase network usage. The Company also intends to continue to offer a broad range of customer focused product packages. The packages will increasingly be mixes of traditional products with newer products such as high speed Internet access and mobile and wireless telecommunications.

### Focusing on key growth opportunities in mobile telecommunications and data

Telstra believes that growth opportunities exist in mobile and wireless communications markets. It intends to continue to be the market leader in mobile telecommunications in Australia and grow revenues and earnings in this market by:

- expanding the Company's GSM coverage, particularly highway and in-building coverage, and using additional spectrum to enhance capacity;
- introducing innovative products and services including a range of data and information services; and
- rolling out a new CDMA network to provide additional digital coverage, particularly in rural and regional Australia, and to complement its GSM network in urban areas.



# Telstra 2 Share Offer

## Checklist for completing and lodging your Telstra 2 Share Offer application form

### Minimum application size

Applications must be for a minimum of 150 shares and thereafter in multiples of 50 shares.

A1



To complete your application form correctly, follow the checklist below and the detailed instructions on 'How to complete your application form' on the next page. Please also refer to the Telstra 2 Share Offer section of the Public Offer Document. Photocopies will not be accepted. Please write clearly in capital letters using black ink. Do not write outside the white boxes. **Please apply as soon as possible. The offer may close early.**

### STEP 1 Use the correct application form

- If you have received a separate yellow or green personalised application form accompanying your offer document, you must complete that personalised application form to receive your guaranteed entitlement to shares. Use the separate instructions for the yellow or green forms on page A4.
- If you have not received a personalised application form you should complete one of the orange application forms.
- If you are an eligible employee of Telstra you will receive separate personalised blue and red application forms accompanying the Employee Offer Document. Refer to the separate instructions provided in the Employee Offer Document.

### STEP 2 Sign the application form

- All applicants must sign the application form, either personally or by attorney, in the space provided on the back of the form. Companies should complete the appropriate section.

### STEP 3 Pay the application amount

To calculate the correct amount to pay, use the Ready Reckoner on page A2.

There are two ways of paying for shares. You can pay by **cheque** or you can pay electronically from your cheque or savings account using **BPAY®**.

**DO NOT SEND CASH. YOU CANNOT PAY BY CREDIT CARD.**

#### Paying by cheque

- Your cheque(s) should be made payable to 'Telstra 2 Share Offer' and crossed 'Not Negotiable'.
- Cheques must be in Australian dollars (A\$) and drawn on an Australian branch of an Australian bank.
- Cheques will be deposited on the day of receipt. If sufficient funds are not available in your bank account on this day, your application may be rejected.
- Write your reference number (which can be found at the top right of the application form) on the back of your cheque(s).

#### Paying by BPAY®

BPAY® is an electronic payment service that enables you to pay for shares directly from your cheque or savings account via the telephone or Internet banking services of participating banks, building societies and credit unions. Please refer to page A3 for BPAY® payment instructions and a table of participating financial institutions.

### STEP 4 Record your reference number

- Record the reference number (from your application form(s)) on page A2 in the space provided. Use your reference number to check on your final allocation of shares via the Telstra 2 Share Information Centre or the Telstra 2 website after share allocation takes place.

### STEP 5 Fold as shown

- DO NOT DETACH THE LOWER PORTION OF THE APPLICATION FORM.
- Fold the application form along the marks shown.
- Place the folded application form(s) and cheque(s) (unless you have already paid by BPAY®, in which case just include the folded application form(s)) in the reply paid envelope provided.

### STEP 6 Lodge your application form to be received by 4.00 pm local time on the closing date of the offer

Lodge your application form (in the reply paid envelope provided) by :

- mailing it via Australia Post for receipt by 4.00 pm local time on the closing date of the offer. Please allow sufficient time for postal delivery;
- placing it in the collection box at any Commonwealth Bank branch in Australia; or
- lodging it with any Stockbroker.

If you misplace your envelope, send your application form(s) and cheque(s) to this address:

Reply Paid T2

Telstra 2 Share Offer

MELBOURNE VIC 8031.

If you need further information on how to apply for shares, please visit the Telstra 2 website at [www.t2.telstra.com.au](http://www.t2.telstra.com.au) or call the Telstra 2 Share Information Centre on 1800 18 18 18  
Open 7.00 am – 11.00 pm (AEST), Monday – Friday

## How to complete your application form

### Offer closing date

The public offer closes on 7 October 1999.

**Apply as soon as possible.**

**The offer may close early.**

Applicants completing the yellow or green personalised application form should follow the separate instructions that apply to that form. Applicants completing the Telstra employee application forms should follow instructions in the Employee Offer Document. All other applicants should start at **A** using the orange form. Applicants using the wrong form of name or multiple applications in the same name may be rejected.

- A B C** Write the full name in which you wish to hold your shares. You can complete this form as an individual, as a joint applicant with one or two other people (this would represent one application) or under a company name. Persons under the age of 18 and trusts, estates, businesses, firms, partnerships, clubs, associations or other unincorporated bodies may not apply for shares in their own names. You should read the table on page A3 to see how you should write your name(s) on the application form. Use < > brackets and the letters A/C where indicated. If applicable, and you wish to apply for shares using your CHESS HIN, you must write your name in EXACTLY THE SAME FORMAT as it appears on your CHESS holding statement(s).
- D** Insert your tax file number or exemption category. If the application is being made by joint applicants, insert the tax file number or exemption category of each applicant. Collection of tax file numbers is authorised and strictly regulated by Australian taxation laws. It is not compulsory to quote your tax file number(s) and failure to do so will not affect your application. However, if you do not quote your tax file number(s) it may result in tax being deducted from the unfranked portion of any dividends at the highest marginal taxation rate plus the Medicare levy. Details of whether you fall within an exemption category (and the relevant exemption category numbers) are available from the Australian Taxation Office. Organisations which do not have a tax file number and are not required to lodge a tax return should write the name of the organisation and the reason why it is not required to lodge a tax return in the space provided.
- E** Please complete this section to provide address details. You must use an Australian address. If you are making a joint application, the address should be that of the first person or company named on the form. All further correspondence will be mailed to this address.
- F** If you are already a CHESS participant, or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here.
- G** You are required to provide the Trustee with information as to foreign ownership. The Trustee may have the power to sell your investment if the foreign ownership limit is breached. The Trustee has published the rules which will be applied in exercising its powers in relation to foreign ownership. If you believe that you, your company or trust may be a foreign person, you should refer to 'Additional Information – Restrictions on foreign ownership' in the Public Offer Document. You MUST place an 'X' in Box **G** of the application form if any applicant is a foreign person or a foreign person will have an interest in your shares.
- H** Insert the number of shares for which you wish to apply. The application must be for a minimum of 150 shares and thereafter in multiples of 50 shares.
- I** Write the dollar amount payable for the first instalment. This is calculated as the number of shares applied for multiplied by the first instalment amount per share of \$4.50. Be sure that your cheque(s) or BPAY<sup>®</sup> payment totals this amount. Use the Ready Reckoner below to help calculate the correct amount payable for the first instalment. **The purchase price of shares is payable in two instalments. This payment is for the first instalment only.**

### Ready Reckoner for first instalment – for example 1,000 shares @ \$4.50 per share = \$4,500.

This Ready Reckoner will help you calculate the money you need to pay for the first instalment at \$4.50 per share.

<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
150	\$675	400	\$1,800	2,000	\$9,000
200	\$900	500	\$2,250	5,000	\$22,500
250	\$1,125	600	\$2,700	10,000	\$45,000
300	\$1,350	700	\$3,150	20,000	\$90,000
350	\$1,575	1,000	\$4,500	50,000	\$225,000

- J** Please provide your contact name, business hours and after hours telephone numbers, including STD area code, in case we need to contact you about your application form.
- K** Record your total payment in Box **K**. This must equal the amount shown in Box **I**. If you are paying by cheque, write the details of your cheque(s) on the back of your form. Make your cheque, crossed 'Not Negotiable', payable to 'Telstra 2 Share Offer' in A\$ drawn on an Australian branch of an Australian bank. Write your reference number on the back of your cheque(s). If you are paying by BPAY<sup>®</sup>, refer to the instructions on the front of your form and on page A3. Remember to record your BPAY<sup>®</sup> receipt number in the space provided and lodge your form immediately. If there is insufficient space for the receipt number, enter only the last 10 digits of the receipt number.
- L** The back of the application form must be signed by all applicants personally or by an attorney. A company must sign in accordance with its constitution and the Corporations Law. Forms signed under power of attorney should have the name of the attorney printed and a statement that the form is signed under a power of attorney.

**WHERE TO SEND YOUR APPLICATION FORM:** Use the reply paid envelope supplied or refer to page A1 for address details.

**Record your reference number(s) here:**

Use your reference number to check your share allocation via the Telstra 2 Share Information Centre or the Telstra 2 website after share allocation takes place.

# How to fill out your name(s) on the application form

## How to complete **A** **B** and **C**

<b>Individual</b> (use full name, not initials)	<b>A</b>	E L I Z A B E T H J O S E P H I N E M O N T G O M E R Y
	<b>B</b>	
	<b>C</b>	
<b>Joint</b> with one or two others (represents one application)	<b>A</b>	J O H N P E T E R S M I T H
	<b>B</b>	M A R Y H E L E N S M I T H
	<b>C</b>	F R E D E R I C K J A M E S S M I T H
<b>Company</b> (use full company name)	<b>A</b>	J O H N S M I T H F R E S H F O O D S
	<b>B</b>	T R A N S P O R T P T Y L T D
	<b>C</b>	

### Examples of use of <Account Name>

<b>Superannuation Fund</b> (use trustee(s) name(s) in A and/or B and an account name as shown in C)	<b>A</b>	J O H N S M I T H & S O N S F R E S H F O O D S
	<b>B</b>	P T Y L T D
	<b>C</b>	< S U P E R F U N D A / C >
<b>Trust</b> (use trustee(s) name(s) in A and/or B and an account name as shown in C)	<b>A</b>	J O H N P E T E R S M I T H
	<b>B</b>	
	<b>C</b>	< S M I T H F A M I L Y A / C >
<b>Deceased Estate</b> (use executor(s) name(s) in A and/or B and an account name as shown in C)	<b>A</b>	C A R O L I N E V A N D E R H E L D E R
	<b>B</b>	
	<b>C</b>	< E S T J O H N S M I T H A / C >
<b>Partnership</b> (use partner(s) full name(s) in A and/or B and an account name as shown in C)	<b>A</b>	M A R G A R E T B R O W N
	<b>B</b>	J O H N P E T E R S M I T H
	<b>C</b>	< B R O W N S M I T H P A R T N E R S A / C >
<b>Club/Unincorporated Body</b> (use office bearer(s) full name(s) in A and/or B and an account name as shown in C)	<b>A</b>	J O H N P E T E R S M I T H
	<b>B</b>	
	<b>C</b>	< X Y Z T E N N I S A S S O C I A T I O N A / C >
<b>Persons under the age of 18</b> (use parent(s)/guardian(s) name(s) in A and/or B and an account name as shown in C)	<b>A</b>	J O H N P E T E R S M I T H
	<b>B</b>	
	<b>C</b>	< M I C H A E L J O H N S M I T H A / C >

## How to make BPAY® payments



Please follow these five steps:

**1** Access your participating phone/Internet banking service. Refer to the table below for registration and payment contact details.

**2** Select BPAY®, follow the prompts to enter the Biller Code and Ref Number located on the application form next to the BPAY® logo.

**3** When prompted, nominate the amount to be paid and the account\* you wish payment to come from. \*Excludes credit card accounts.

**4** Record your BPAY® receipt number and date paid in the space provided on the application form and tick the 'Paid by BPAY®' box.

**5** Immediately lodge your completed application form. Note: make a separate payment for each application.

**Note:** You must be registered for telephone or Internet banking before making a BPAY® payment.

## Participating BPAY® Financial Institutions

Participating financial institutions	Registering for telephone or Internet banking	Making BPAY® payments via telephone banking	Making BPAY® payments via Internet banking
Adelaide Bank	13 22 20 (from S.A.) 1300 652 220 (from interstate)	(08) 8300 7000 (from S.A.) 1300 300 893 (from interstate)	www.adelaidebank.com.au
ANZ	13 13 14	13 13 14	www.anz.com
Bank of Melbourne	132 575	132 575	www.westpac.com.au
BankWest	13 17 18	13 27 28	www.bankwest.com.au
Bendigo Bank	1300 366 666	1300 366 666	www.benbank.com.au
Commonwealth Bank	13 2221	13 2221	www.commbank.com.au
Challenge	13 18 62	13 18 62	www.westpac.com.au
Credit Unions	Contact your credit union	132 729	Contact your credit union
GIO Building Society	136 137	136 137	www.gio.com.au
Heritage Building Society	13 14 22	13 14 72	www.heritage.to
The National	13 22 65	13 10 13	www.national.com.au
St.George	1800 501 524	133 500 (Green Cards) 133 322 (all other cards)	www.stgeorge.com.au
Bank SA	13 13 76	13 26 46	www.banksa.com.au
Suncorp-Metway	13 11 25	13 11 25	Not available
Westpac	132 032	132 032	www.westpac.com.au

**Important:** BPAY® payments should not be forward dated as the offer may close early. If you pay by BPAY®, you must also lodge your completed and signed application form prior to the closing date for your application to be valid. If there is insufficient space for the receipt number, enter only the last 10 digits of the receipt number.

## How to fill out your personalised application form

These instructions are cross-referenced to each section of the application form.

DO NOT CHANGE THE NAME AND ADDRESS DETAILS.

Please complete only the empty white sections of the application form as applicable.

You must choose EITHER Option A or Option B below, NOT BOTH.

**Follow the yellow numbers if you have a Yellow Shareholder Personalised Application Form.**

**Follow the green numbers if you have a Green Pre-registrant Personalised Application Form.**

Lodge your application form in the reply paid envelope. If you are paying by BPAY<sup>®</sup>, ensure you write the BPAY<sup>®</sup> receipt number on the form. If you are paying by cheque, ensure you include your cheque(s) in the envelope.

### Choose Option A or Option B (not both)

**Option A** – Choose this Option if you wish to purchase YOUR FULL entitlement or if you want to apply for MORE SHARES.

- 1** **1** This box shows your entitlement to shares.
- 2** **2** Write the dollar amount payable for the first instalment on your full entitlement. This is calculated as your entitlement number of shares multiplied by the first instalment amount per share. Use the Ready Reckoner below to help calculate the correct amount payable.
- 3** **3** If you are applying for your full entitlement, and no more, then leave this box BLANK. If you are applying for more than your full entitlement, write the number of additional shares for which you are applying.
- 4** **4** If you are applying for your full entitlement, and no more, then leave this box BLANK. If you are applying for more than your full entitlement, write the dollar amount payable for the first instalment for the additional shares. Use the Ready Reckoner below to help calculate the correct amount payable.
- 5** **5** Write the TOTAL of Box **2** plus Box **4** in this box. Be sure that your payment totals this amount.

**The purchase price of shares is payable in two instalments. This payment is for the first instalment only.**

**OR**

**Option B** – Choose this Option if you wish to purchase LESS THAN your full entitlement.

- 6** **6** Write the number of shares for which you are applying. The application must be for at least 150 shares and thereafter in multiples of 50 shares.
- 7** **7** Write the dollar amount payable for the first instalment. This is calculated as the number of shares applied for multiplied by the first instalment amount per share. Use the Ready Reckoner to help calculate the correct amount payable. Be sure that your payment totals this amount.
- The purchase price of shares is payable in two instalments. This payment is for the first instalment only.**
- 8** If you are already a CHESS participant, or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here.
- 9** You are required to provide the Trustee with information as to foreign ownership and it may have the power to sell your investment if the foreign ownership limit is breached. The Trustee has published the rules which will be applied in exercising its powers in relation to foreign ownership. If you believe that you, your company or trust may be a foreign person, you should refer to 'Additional Information – Restrictions on foreign ownership' in the Public Offer Document. You MUST place an 'X' in Box **9** of the application form if any applicant is a foreign person or a foreign person will have an interest in your shares.
- 10** Insert your tax file number or exemption category. If the application is being made by joint applicants, insert the tax file number or exemption category of each applicant. Collection of tax file numbers is authorised and strictly regulated by the Australian taxation laws. It is not compulsory to quote your tax file number(s) and failure to do so will not affect your application. However, if you do not quote your tax file number(s) it may result in taxation being deducted from the unfranked portion of any dividends at the highest marginal taxation rate plus the Medicare levy. Details of whether you fall within an exemption category (and the relevant exemption category numbers) are available from the Australian Taxation Office. Organisations which do not have a tax file number and are not required to lodge a tax return should write the name of the organisation and the reason why it is not required to lodge a tax return in the space provided.
- 8** **11** Please provide your contact name, business hours and after hours telephone numbers, including STD area code, in case we need to contact you about your application form.
- 9** **12** Record your total payment here. This must equal the amount shown in either Box **5** or Box **7**. If you are paying by cheque, write the details of the cheque(s) in the table on the reverse of your personalised application form. Make your cheque, crossed 'Not Negotiable', payable to 'Telstra 2 Share Offer' in A\$ drawn on an Australian branch of an Australian bank. Write your reference number(s) on the back of your cheque(s). If you are paying by BPAY<sup>®</sup>, please refer to the instructions on the front of your form and on page A3. Remember to record your BPAY<sup>®</sup> receipt number in the space provided and lodge your form immediately. If there is insufficient space for the receipt number, enter only the last 10 digits of the receipt number.
- 10** **13** The back of the application form must be signed by all applicants personally or by an attorney. A company must sign in accordance with its constitution and the Corporations Law. Forms signed under power of attorney should have the name of the attorney printed and a statement that the form is signed under a power of attorney.

### Ready Reckoner for first instalment – for example 1,000 shares @ \$4.50 per share = \$4,500.

This Ready Reckoner will help you calculate the monies you need to pay for the first instalment at \$4.50 per share.

Shares	Amount	Shares	Amount	Shares	Amount
150	\$675	400	\$1,800	2,000	\$9,000
200	\$900	500	\$2,250	5,000	\$22,500
250	\$1,125	600	\$2,700	10,000	\$45,000
300	\$1,350	700	\$3,150	20,000	\$90,000
350	\$1,575	1,000	\$4,500	50,000	\$225,000

Telstra also believes that longer term growth opportunities for its business exist in the data, Internet, e-commerce and content-based markets. As telecommunications, computing and media technologies converge, it intends to focus on enhancing its capabilities to provide services more efficiently, develop new and innovative products and move further into these markets. Growth from converging technologies, products and services could be developed internally or by external investment in synergistic businesses. As part of these initiatives:

- Telstra is reviewing its network architecture, which was originally built principally to carry voice traffic but is increasingly required to cope with an exponential growth in data traffic. This project, called the Data Mode of Operation, will ensure that Telstra's networks and systems are appropriately conditioned for a world where data traffic far exceeds voice;
- Telstra is enhancing its ability to offer an expanded range of data, Internet, e-commerce and content-based products and services through strategic partnerships, investments and acquisitions and development of its own products and platforms; and
- Telstra intends to use its broadband capabilities to develop and market additional broadband applications and to further penetrate the pay television market in Australia.

Telstra intends to enhance its capabilities across a number of content services and access and delivery technologies to position the Company to take advantage of opportunities in this rapidly changing and uncertain business environment as they unfold.

## Exploring growth opportunities in other areas of Telstra's business

As the telecommunications markets continue to expand and the number of providers of retail products and services increases, Telstra intends to optimise wholesale earnings by improving and expanding product and service offerings. Telstra believes that growth opportunities exist in these markets for carriers that offer commercially attractive terms and conditions and value-added wholesale services such as managed network services. Telstra will shape its wholesale strategy to pursue these opportunities.

Telstra also believes it can increase revenues and earnings from outside Australia by:

- strengthening its ability to provide seamless delivery of products and services to internationally oriented companies by expanding its presence in key markets;
- increasing participation in the wholesale delivery of international traffic, particularly to markets where the Company's infrastructure or traffic patterns gives it a competitive advantage over other international carriers; and
- pursuing selected international investment, acquisition and alliance opportunities generally and, in particular with enterprises engaged in mobile telecommunications, data, the Internet or content-based businesses.

## Transforming corporate culture and improving productivity

Telstra is continuing to transform its corporate culture and improve productivity with the objective of achieving cost savings and serving its customers better. The Company must continue to change to meet evolving customer requirements, make major changes to work practices and improve management accountability and commercial discipline. Telstra has invested substantial resources over the past several years to develop technologically advanced networks and systems which have enabled it to redeploy and reduce its workforce, and outsource where appropriate. It is also working to increase the data, Internet and other information technology skills of the Company's work force for the transition to a data-dominated electronic communications market through retraining and recruitment. The Company expects this to result in improved operating flexibility, efficiency and service reliability.



## Historical financial information

### Profit and loss statement data

The table below shows historical profit and loss information derived from Telstra's 1999 audited Financial Report.

<i>(in \$ millions, except for per share amounts)</i>	Year ended 30 June <sup>(1)</sup>		
	1999	1998	1997
Operating revenue	18,218	17,302	15,983
Operating expense excluding interest expense and abnormal items	12,320	12,200	11,654
Operating profit before interest expense and abnormal items	5,898	5,102	4,329
Interest expense	578	634	524
Operating profit before abnormal items	5,320	4,468	3,805
Abnormal items <sup>(2)</sup>	–	–	(1,732)
Operating profit before income tax expense	5,320	4,468	2,073
Income tax expense <sup>(2)</sup>	1,832	1,468	464
Operating profit after income tax expense	3,488	3,000	1,609
Minority interests	(2)	4	8
<b>Operating profit attributable to shareholders</b>	<b>3,486</b>	<b>3,004</b>	<b>1,617</b>
<b>Earnings per share before abnormal items</b>	<b>27.1c</b>	<b>23.3c</b>	<b>20.0c</b>
<b>Earnings per share after abnormal items</b>	<b>27.1c</b>	<b>23.3c</b>	<b>12.6c</b>
<b>Dividends per share</b>	<b>33.0c<sup>(3)</sup></b>	<b>14.0c</b>	<b>32.2c<sup>(4)</sup></b>

(1) In 1997 Telstra implemented certain accounting policy changes some of which have a significant effect on the results of operations from 1997. Details of these changes are contained in Telstra's 1999 audited Financial Report.

(2) A discussion of Telstra's abnormal items incurred in 1997 is contained in Telstra's 1999 audited Financial Report.

(3) Includes a \$2.1 billion (16.0c per share) special dividend payable in October 1999.

(4) Includes a \$3.0 billion (23.3c per share) special dividend paid to the Commonwealth on 30 June 1997 as part of a recapitalisation of the Company.

### Balance sheet data

The table below shows historical balance sheet information derived from Telstra's 1999 audited Financial Report.

<i>(in \$ millions)</i>	As at 30 June		
	1999	1998	1997
Cash	979	953	742
Other current assets	3,574	3,557	4,367
Property plant and equipment	20,881	19,756	18,943
Other non-current assets	2,248	2,204	1,806
<b>Total assets</b>	<b>27,682</b>	<b>26,470</b>	<b>25,858</b>
Current borrowings	2,265	2,935	1,560
Other current liabilities	7,888	5,611	5,704
Non-current borrowings	4,946	4,787	6,421
Other non-current liabilities	2,289	2,058	2,235
<b>Total liabilities</b>	<b>17,388</b>	<b>15,391</b>	<b>15,920</b>
<b>Shareholders' equity</b>	<b>10,294</b>	<b>11,079</b>	<b>9,938</b>

### Cash flow data

The table below shows historical cash flow and capital expenditure data derived from Telstra's 1999 audited Financial Report.

<i>(in \$ millions)</i>	Year ended 30 June		
	1999	1998	1997
Net cash provided by operating activities	6,574	5,635	5,254
Net cash used in investing activities	(4,064)	(3,609)	(4,171)
Net cash used in financing activities	(2,484)	(1,808)	(1,572)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>26</b>	<b>218</b>	<b>(489)</b>
Capital expenditures and investments	(4,386)	(3,890)	(4,398)

The price at which Telstra instalment receipts trade may be higher or lower than the price you pay for them. Many factors will affect the price of Telstra shares and instalment receipts, including overall economic conditions, changes in government policies and movements in interest rates or stock markets.

Before making an investment decision, you should also carefully consider all of the following risks which may affect Telstra or the industry in which it operates, as well as the other information in this offer document.

## Regulatory regime

Telstra faces a number of regulatory risks in its business that could have an adverse effect on its operations and financial performance. These regulatory risks relate to the power of the Communications Minister and independent statutory regulators, principally the ACCC and the ACA. There is substantial uncertainty concerning the regulatory action that may be taken, Telstra's compliance costs and the effect this will have on the Company's business operations and profitability. Regulatory actions could also adversely affect Telstra's plans to upgrade and expand its networks.

Australia has generally applicable and established competition laws. There is further telecommunications-specific competition legislation that prohibits participants with substantial market power in a telecommunications market from taking advantage of that power with the purpose or effect of substantially lessening competition. This legislation is relatively new and there is little precedent as to its interpretation or application. Accordingly, it is often difficult for Telstra to assess what the regulators and the courts may consider to be the effect of the Company's conduct. There is a risk that Telstra could be exposed to significant penalties and compensation payments in relation to its current and future activities. This may make it prudent on some occasions for Telstra to cease or choose not to engage in business activities in which it might otherwise engage.

Over the last two years, the ACCC and ACA have increased their level of activity in telecommunications markets including in some highly competitive markets. Recent legislation has strengthened their ability to exercise their powers and has reduced Telstra's ability to challenge their actions. There is a risk that the regulators may further increase their level of activity and may focus on parts of the business that they have not actively regulated previously.

The ACCC has issued eight competition notices, and has commenced proceedings against Telstra in the

Federal Court regarding four of these notices, alleging that the Company is acting anti-competitively. Failure to comply with any of these four notices may subject Telstra to potential penalties of up to \$10 million plus \$1 million for each day of contravention if it is proved in court that the Company's conduct is anti-competitive. These notices came into effect between December 1998 and April 1999 and to date Telstra has not altered its conduct in response to the notices because it does not believe that its conduct is anti-competitive and the Company is contesting these allegations. The outcome of these competition notices is yet to be determined, but their resolution could have a significant adverse effect on Telstra's results of operations in the next financial year. The ACCC is continuing to review Telstra's conduct in a number of areas and may issue further competition notices against the Company if it believes Telstra is acting anti-competitively.

The ACCC has broad powers to determine those of the Company's services to which competitors will have access and, in the absence of a commercial agreement, the terms and conditions under which Telstra provides this access. The ACCC's assessment of Telstra's costs of providing these services, which is the basis for its pricing determinations, has been substantially below Telstra's own assessment of these costs. If the Company is required to reduce its access pricing, this may reduce the revenues and profits it generates from these services while at the same time enhancing the position of its competitors in the retail markets the Company serves. To date, the ACCC has required Telstra to provide access to some of its services, including, for example, originating and terminating access to its fixed and mobile networks and some transmission capacity services. The ACCC has recently decided to require Telstra to provide access to additional services including, for example, local call resale and access to unconditioned local loop.

Telstra is required to provide a number of services to the public in Australia in accordance with its universal service obligation, community service obligations and customer service guarantees. Telstra recovers from other industry participants only a small part of its costs in meeting these obligations. Telstra will need to incur significant capital expenditures on its networks to meet all these obligations and could incur liabilities and substantial penalties if it fails to do so.

The ACCC also has the power to disclose to Telstra's competitors or the general public information about its operating costs and profitability that Telstra would otherwise

consider to be commercially sensitive. This could enhance competitors' negotiating position when they negotiate with Telstra.

### Increased competition

The Australian telecommunications market has become increasingly competitive since the Government introduced open competition on 1 July 1997. Although the overall market has experienced strong growth, Telstra has lost substantial market share in some key markets. In response, the Company has lowered the prices of its products and services, particularly the prices for national long distance calls, international telephone services and mobile handsets and connections. Telstra expects that these trends will continue due to intensifying competitive activity, new market entrants and regulatory facilitation of access to its networks, products and services. Telstra cannot accurately predict the extent of future market share losses, but they could be markedly higher than losses of market share experienced to date.

While Telstra expects competitors to engage in vigorous price competition, there is a further risk that competitors could engage in sustained and extreme price competition in a bid to win market share. Telstra also expects that its competitors will continue to market aggressively to those of its customers who purchase large volumes of telecommunications services from it. The loss of these customers could have an adverse effect on the Company's financial results in the market or markets in which this type of competition occurs.

Features of the current regulatory regime, such as automatic access to the customer's preferred provider of long distance, fixed-to-mobile and international telecommunication services, called preselection, and single and multi-line fixed-network number portability, facilitate competitors entering and competing in the Australian telecommunications market. As a result, Telstra is likely to lose retail customers and suffer deteriorating margins. Preselection has only recently been expanded to include fixed-to-mobile services and Telstra expects mobile number portability to be introduced.

### Rapid technological change

Rapid changes in telecommunications and information technology are continuing to redefine the markets in which Telstra operates, the products and services required by its customers and the ability of companies to compete in the telecommunications industry. These changes broaden the range, reduce the costs and expand the capacities and functions of infrastructures capable of delivering these products and services. Partially as a result of these changes, the prices that can be charged for many products and services have been falling. Telstra has invested substantial capital and other resources in the development and modernisation of its networks and systems. With the accelerating pace of technological

change, the returns from these investments are increasingly less certain.

There is a risk that competitors may deploy or develop technologies that provide them with lower costs or other operating advantages compared to Telstra. This could give these competitors an advantage if Telstra is unable promptly and efficiently to provide the services that they provide. It could also require the Company to incur significant capital expenditures in addition to those already planned in order to remain competitive and could render some previous capital investments ineffective.

In addition to the significant capital expenditures required to maintain and upgrade Telstra's customer access network, Telstra is currently undertaking a specific project aimed at reducing the level of faults in its customer access network. However, there remains a risk that Telstra will not be able to satisfy its customer service regulatory obligations or demand for new access lines or that Telstra will need to incur significant additional capital expenditure in order to do so.

### Convergence of markets exposes Telstra to significant operational, competitive and technological risks

To address the converging telecommunications, data, Internet and media markets, Telstra intends to devote considerable resources to enhancing its ability to deliver services required by these markets and expand further into content markets. This rapidly changing environment exposes Telstra to a number of significant risks that could negatively affect future profitability and shareholder value.

As these markets converge, Telstra expects that a number of new competitors may enter the markets in which it has traditionally competed and that it may confront established competitors in new markets it seeks to enter. These competitors may have significant experience and capability in providing services such as data transmission, Internet and on-line services. As a result, the convergence of these markets could result in reduced market share and profitability in Telstra's traditional markets and could adversely affect its ability to win market share and operate profitably in these new markets. There is also a risk that Telstra may misjudge the timing of the transition from its traditional technology to data and Internet protocol technology and that it may be unable to attract the information technology skills necessary to compete effectively in this changing environment.

Part of Telstra's strategy in these converging markets is to acquire or form alliances with enterprises with complementary skills and capabilities. Telstra has limited experience in initiating and implementing these types of investments and alliances. There is a risk that the



Company will not make acquisitions or form alliances that will allow it to be successful. There is also a risk that existing alliances may not provide Telstra with the benefits it hopes to obtain from them, that structural changes could diminish their value or that some of its partners may seek to exit these alliances.

## Litigation

Telstra is involved in a number of judicial, regulatory and arbitral proceedings. In particular, Cable & Wireless Optus Ltd and the ACCC have each commenced proceedings against the Company alleging breaches of the anti-competitive conduct provisions of the *Trade Practices Act 1974* (Cth).

While Telstra believes that it has made appropriate provisions in respect of these proceedings, there is a risk that the ultimate resolution of these proceedings may result in the provisions being inadequate. In addition, there is a risk that as a result of these proceedings Telstra may be required to change the way it operates its business. Changes of this nature could adversely affect Telstra's financial results. There is also a risk that Telstra's reputation may suffer due to the profile of, and public scrutiny surrounding, these legal proceedings regardless of their outcome.

## Year 2000 date change – potential effect on networks and systems

In common with many companies around the world, Telstra has established a year 2000 program to review and modify its computer systems to address the year 2000 problem. The year 2000 problem arises because many computer systems and microprocessors, including those in non-information technology equipment and systems, use only two digits to identify a year in the date field with the assumption that the first two digits of the year are always '19'. Consequently, on 1 January 2000, systems that are not year 2000 compliant may read the year as 1900 or may not accept the year as a valid date. Systems that calculate, compare or sort using the incorrect date may malfunction.

Telstra is highly dependent on the proper functioning of its computer and network systems. Failure to properly rectify these systems so that they are year 2000 compliant could have a material adverse effect on the Company. The resulting failures could, for example, lead to an inability for customers to use Telstra's network services, result in generation of erroneous billing statements or disrupt the proper functioning of networks. Telstra started addressing the year 2000 problem in 1995 and has now completed remediation and testing of most of its critical computer and network systems. However, there is still a risk that systems may be affected by the year 2000 problem and the effects could be substantial.

Telstra depends upon the proper functioning of computers and systems of other organisations including other telecommunications companies, banks, and

utilities. Telstra is continuing to assess its suppliers and other parties with whom it has important financial or operating relationships to determine the extent of their year 2000 preparedness. These external organisations may not be adequately prepared and there is a risk Telstra may be affected by disruption to key services.

Telstra believes that uncertainty about the success of remediation efforts generally may cause a number of its customers to reduce the level of their activities temporarily as they assess the effectiveness of these efforts during a 'phase-in' period beginning in late 1999. Consequently, there may be a downturn in customer and general economic activity for a period of time before and after 1 January 2000. If this occurs, revenues and earnings may be adversely affected depending on how long the reduction in activity continues and how broadly it affects the overall economy. In addition, customers who experience year 2000 problems in their own systems may have difficulty paying Telstra.

Telstra may be exposed to litigation with its customers or other persons as a result of year 2000 problems. Litigation could arise from problems relating to Telstra's internal systems or to external systems on which it depends. Customers' trading partners or persons with whom Telstra has important financial or operating relationships may attempt to take action against the Company if it cannot maintain services to them. In addition, regulators may seek to impose fines or take other actions against Telstra for any failure to maintain continuity of provision of services, such as under customer service guarantees. There is also a risk that these year 2000 issues lead to business interruption or shutdown, financial loss and reputational harm.

## Relationship with the Commonwealth – continuing Commonwealth control of Telstra

The Commonwealth currently owns approximately two-thirds of Telstra's issued shares. After the Telstra 2 Share Offer, the Commonwealth will own at least 50.1% of the issued shares and will continue to have a controlling interest. So long as the Commonwealth owns a majority of Telstra shares, it will have the right under Telstra's constitution to decide any matter requiring approval by the holders of a simple majority of the issued shares, including the election of directors, with the exception of matters upon which the Commonwealth is not permitted to vote under the Australian Corporations Law or applicable ASX Listing Rules.

In addition, under the Telstra Act, the Communications Minister may direct the Company to act in ways that benefit the public interest even though those actions may not be in the best interests of Telstra's other shareholders.

The Government is responsible for the regulation of the telecommunications industry. The Government and its regulatory agencies in carrying out their functions have taken actions, and may take further actions, which constrain Telstra's conduct or restrict its commercial operations. Telstra expects that the Government will continue to exercise its legislative and regulatory responsibilities and powers to promote industry competition and that the Commonwealth's separate equity interest will not be a determinative consideration in that context.

There is also a risk that current or future governments will take steps that further alter Telstra's competitive position or the manner in which the Australian telecommunications industry is regulated. In particular, the Government is required to commence a review of the telecommunications specific competition legislation before 1 July 2000 and this may lead to further competition regulation.

### Changes to tax laws

The Government is currently conducting a review of business taxation in Australia and on 2 August 1999 received a confidential independent report setting out recommendations for consideration. The review was chaired by Mr John Ralph, a director and deputy chairman of Telstra. Mr Ralph is subject to strict confidentiality obligations to the Government. In addition, he is not aware of which, if any, of the recommendations in the report the Government intends to accept. The Minister for Finance and Administration has access to the report and is participating in the Government's consideration of it. No other participant in the Telstra 2 Share Offer process (including members of the Board (other than Mr Ralph) and the management of Telstra) has seen or is able to see the independent report produced by the review. The independent report is under consideration by the Government as at the date of this offer document, but no decisions have been taken, or intentions formed by the Government, that would, if enacted in legislation, be expected by the Government to be materially adverse to the value of Telstra shares. Decisions may be taken by the Government in the near future but might not be announced before the close of the Telstra 2 Share Offer where the Government considers that they may have a beneficial or neutral effect on the price or value of Telstra securities. Once decisions are made, both the House of Representatives and the Senate would need to pass appropriate legislation to give effect to such decisions. Depending upon the legislation finally adopted (if any) there is a risk that changes to business taxation may adversely affect Telstra's financial position and results of operations. It is possible that the making of decisions or formation of intentions by the Government may have a material effect on the price or value of Telstra's

securities, which may be positive or negative depending on the nature of the decision or intention, even before appropriate legislation is passed by the Commonwealth to give effect to such decisions or intentions.

ASIC has given a no action letter to the participants in the Telstra 2 Share Offer process in relation to the Commonwealth's possession of the report and certain decisions it may make concerning it. That no action letter is described in more detail in the Appendices. In general terms it confirms that ASIC will not take action under relevant provisions of the Corporations Law against the participants in the offer in relation to the contents of the report or decisions the Commonwealth may make in relation to the report during the offer period provided that any decisions the Australian Government makes or intentions it forms during the offer period which concern the report and which could have a material adverse effect on the price or value of Telstra securities will be disclosed by supplementary prospectus.

In addition the Government has enacted legislation implementing a 10% tax on the supply of goods and services in Australia and eliminating the wholesale sales tax. The new tax will take effect beginning 1 July 2000. This new tax may negatively affect earnings because, for example:

- regulatory caps on charges for local calls and local calls from payphones may prevent Telstra from passing on the full effect of the tax to its customers;
- Telstra will need to devote significant resources to implement the transition to the GST environment; and
- customer spending patterns may be adversely affected.

### Perceived health risks associated with electromagnetic energy

Allegations have been made, but not proven, that mobile telecommunications equipment poses health risks due to emissions of electromagnetic energy from mobile telecommunications devices. The weight of national and international scientific opinion is that there is no substantiated evidence of public health effects from such energy at typical levels. In Telstra's operations, it complies with the electromagnetic energy emissions levels permitted by legislation. However, there is a risk that an actual or perceived health risk associated with mobile telecommunications equipment could:

- lead to litigation against Telstra;
- adversely affect Telstra by reducing the number or the growth rate of mobile telecommunications services or lowering usage per customer; or
- hinder Telstra in installing new mobile telecommunications equipment.

## Telstra's regular reporting and disclosure obligations

Telstra is a 'disclosing entity' for the purposes of the Corporations Law and is subject to regular reporting and disclosure obligations under the Corporations Law and the ASX Listing Rules. These obligations require Telstra to notify the ASX of information about specific events and matters as they arise so that the ASX can make that information available to the stock market conducted by the ASX.

In particular, Telstra has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify the ASX immediately of any information of which it becomes aware concerning Telstra that a reasonable person would expect to have a material effect on the price or value of securities in Telstra. A substantial amount of information concerning the Company has been notified to the ASX by Telstra and is therefore publicly available through the ASX and ASIC (although a fee may be payable to the ASX and ASIC to obtain a copy of that information). All documents lodged with ASIC in relation to Telstra may be obtained from ASIC. Telstra also has other reporting obligations under the ASX Listing Rules under which, for example, it has lodged its 1999 Annual Report and 1999 Annual Review with the ASX. To the extent permitted by law, the Commonwealth accepts no liability for information notified to the ASX by Telstra.

Investors should conduct and rely on their own investigations and enquiries and make their own assessment of the investment described in this offer document. Investors may wish to obtain professional advice before applying for instalment receipts under this offer document.

## Senior Manager Equity Participation Plan

Since 1994 senior managers of Telstra have participated in a long-term incentive plan, conditional upon the Company exceeding over three years the return on investment target agreed by the Board. The incentive plan was designed to replicate many of the features of an equity plan, but since no shares were traded at the time of its introduction, any awards from the plan are paid in cash.

The Board has now decided to replace progressively the existing long-term incentive plan and as a result move from an internally measured plan to one linked to Company performance in the market.

The benefits of this change for Telstra are:

- to align senior manager and shareholder interests;
- to reinforce a strong focus for senior managers on the future performance of the Company; and
- to keep pace with reward practices in the market.

As a practical result of the Telstra Act, the Company is not able to issue new shares. Accordingly, the new plan to be introduced is dependent on purchasing existing Telstra shares. Its operation will be a direct charge against the Company's accounts. The ASX has confirmed that, since there are no new shares to be issued directly or through the exercise of options, its Listing Rules do not require the Board to submit the plan for shareholder approval.

To achieve a reasonable balance of fairness and incentive, the Senior Manager Equity Participation Plan (SMEPP) adopted by the Board has two equally weighted parts, one involving the allocation of restricted shares, and the other involving the grant of options over issued shares.

For the SMEPP offer to be made in 1999, restricted shares and options are subject to the same performance hurdle three to five years after allocation. Each will be earned by the participant only if the average of the Telstra Accumulation Index exceeds the average of the All Industrials Accumulation Index for 30 consecutive days between the third and fifth anniversary of allocation. Options are then exercisable up to 10 years after the original date of allocation. The exercise price is the market price at the time of grant of the options. Restricted shares generally may not be traded for five years after initial allocation of the rights to obtain the shares.

Offers under the SMEPP will be made to executives at the discretion of the Board. Less than 50 senior managers will be offered participation in SMEPP in 1999. The chief executive officer has been allocated 50,000 restricted shares and 300,000 options. A total of less than 600,000 restricted shares and less than 3,500,000 options will be allocated to participants in 1999. The number of options and restricted shares offered to each executive has been determined taking account of individual performance and other criteria judged relevant by the Board.

Cumulatively over a five-year period the total number of shares and options over shares is not expected to exceed 0.5% of shares on issue.

The Board wishes to encourage senior managers to be holders of significant shareholdings in the Company, so as to align strongly with the interests of shareholders. As a guideline, the Board has indicated an expectation that the chief executive officer and those reporting to him would build and hold over five years a stake at least equivalent to one-and-a-half times salary and one times salary, respectively, out of shares acquired through the SMEPP.

## Nature of this offer document

Telstra's shares are quoted on the ASX and the Company is subject to the ASX's continuous disclosure listing rules. For these reasons, ASIC has allowed this offer document to contain less information than would usually be included in a prospectus for an initial public offering of securities not quoted on a stock exchange.

As a result of this ASIC relief, apart from formal matters, this offer document and the Appendices need only contain information relating to:

- the terms of the offer;
- the rights and obligations attaching to the instalment receipts;
- the capacity of the Commonwealth and the Trustee to fulfil their respective obligations in relation to the instalment receipts; and
- any material information relating to Telstra, of which the Commonwealth or Telstra is aware, that has not, because of its confidential or prejudicial nature, been notified to the ASX under its continuous disclosure listing rules.

Copies of the following documents:

- constitution of Telstra;
- constitution of the Trustee;
- employee share plan trust deed and loan scheme;
- Trust Deed;
- foreign ownership rules and procedures issued by Telstra and the Trustee; and
- other material contracts referred to in this offer document and the Appendices,

may be inspected during normal office hours, free of charge, for 12 months after 6 September 1999, at:

Telstra  
242 Exhibition Street  
Melbourne Victoria.

## Capacity to fulfil obligations

The Commonwealth has sufficient funds to comply with its obligations in relation to the instalment receipts. The Commonwealth's principal obligation in relation to the offer will be to transfer the shares sold under the offer to the Trustee. This will happen on settlement of the offer. Prior to settlement of the offer, first instalment monies will be held in trust for applicants. The Commonwealth has a number of other obligations under the Trust Deed, including making payments in connection with the administration of the instalment receipt trusts.

The Trustee will have a number of obligations under the Trust Deed (and the Commonwealth has agreed to meet the costs of fulfilling those obligations), but its most important obligation will be to transfer shares to instalment receipt holders on payment of the final instalment. The Trustee will hold the

Telstra shares necessary to fulfil this obligation, transferred to it by the Commonwealth upon settlement, on the terms of the Trust Deed.

## Obligations of holders of instalment receipts

Your instalment receipts will evidence your beneficial interest in underlying shares. However, the shares themselves will be held by the Trustee in accordance with the Trust Deed. The Trustee will hold the shares on trust for you as the owner of the beneficial interest and for the Commonwealth as the holder of a security interest securing payment, among other things, of the final instalment. After you pay the final instalment by the due date in cleared funds, the instalment receipts will be cancelled, the Trustee will transfer the underlying shares to you and you will become the registered holder of the shares. The Commonwealth will no longer have a security interest in them.

If you are allocated instalment receipts and you continue to hold them until 20 October 2000, you become legally bound to pay the final instalment by 2 November 2000. Reminder notices will be sent before the final instalment is due. If you sell the instalment receipts, and the transfer is registered by 20 October 2000, the purchaser assumes the liability to pay the final instalment.

If you do not pay the final instalment on time, you may have to pay interest on the amount due. The Trustee can then sell some or all of the underlying shares relating to your instalment receipts to pay the final instalment (and any related interest, costs, expenses, administration charges, duties and taxes you may owe). If there is any balance from the sale, the Trustee will refund it to you. If there is a deficit, you will be liable to pay the outstanding amount.

## Rights of holders of instalment receipts and shareholders

Holders of instalment receipts will generally have the same rights as shareholders. Both are entitled to receive dividends (although instalment receipt holders will not receive the dividend which is payable on 29 October 1999), to receive notices, Financial Reports and other documents required to be sent to shareholders (although instalment receipt holders will not receive notice of the 1999 annual general meeting and accompanying documents), to attend meetings of shareholders (including the 1999 annual general meeting on 12 November 1999), to vote at such meetings, and, if they satisfy certain pre-requisites, to requisition and convene such meetings (or in the case of instalment receipt holders, require the Trustee to do so).

While management of Telstra is vested in Telstra's directors, the approval of shareholders is required for certain matters. An example is the election of directors, although the Board may fill casual vacancies and appoint additional directors after consultation with the Communications Minister (directors so appointed by the Board hold office only until the next annual general meeting). As the holder of at least 50.1% of the shares,

the Commonwealth will have the power to control most decisions made by shareholders. Shareholders may transfer their shares subject to the requirements of Telstra's constitution, the Telstra Act, the Corporations Law and the requirements of the ASX. If Telstra is wound up, subject to any special rights attached to shares, shareholders are entitled to any surplus assets of the Company after paid-up capital has been repaid, in proportion to capital paid up or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.

### Over-allocation

In Australia and New Zealand, shares are being offered for sale by the Commonwealth directly. In other countries, the sale by the Commonwealth will initially be to the international underwriting syndicate which will resell instalment receipts representing the relevant shares (or corresponding interim American Depository Shares ('interim ADSs')) to end investors. The international underwriting syndicate may agree to sell to end investors up to approximately 144 million more instalment receipts (or a corresponding number of interim ADSs) than the international underwriting syndicate will acquire from the Commonwealth as part of the international offering.

Initially, the international underwriting syndicate may borrow instalment receipts or interim ADSs, either from the Commonwealth or third parties, to facilitate settlement. Ultimately, the international underwriting syndicate expects to satisfy any obligation to provide instalment receipts (or interim ADSs) to investors to whom they have over-allocated in one (or a combination) of the following ways:

- The international underwriting syndicate may exercise an option which the Commonwealth proposes to grant to them to acquire up to approximately 144 million additional instalment receipts (or a corresponding number of interim ADSs) (the 'Over-allotment Option'). The Over-allotment Option may only be exercised once within 30 days of allocation of shares in the international offering. The exercise price under the Over-allotment Option will, like the price at which the international underwriting syndicate will purchase shares under the international offering, essentially be the first instalment paid by Institutional Applicants, less applicable commissions. See '- Fees and commissions'.
- The international underwriting syndicate may also purchase instalment receipts (or interim ADSs) on the ASX or on foreign markets or off-market to satisfy their obligations.

Where the international underwriting syndicate purchase instalment receipts (or interim ADSs) to satisfy their obligations, they may resell some or all of the instalment receipts (or interim ADSs) so purchased and instead satisfy the relevant obligations via exercise of the Over-allotment Option.

To the extent that the Over-allotment Option is not exercised, then even if all the other shares available for sale are allocated,

the Commonwealth will initially own more than 50.1% of Telstra. If this occurs, the Commonwealth proposes to make arrangements for the sale of the shares in question (this may involve the shares being sold to an affiliate which may subsequently onsell them) so as to reduce its holding to the level which would have applied had the Over-allotment Option been exercised in full.

The ability of the international underwriting syndicate to over-allocate and to purchase instalment receipts (or interim ADSs) on-market to satisfy over-allocations may in some circumstances have a stabilising effect on the market price of instalment receipts (and interim ADSs). Any such bids on the ASX must not on any trading day be higher than the lower of the highest current independent bid on the ASX (or in the case of a bid placed when the ASX opens, than the highest current independent bid on any other securities exchange on which instalment receipts (or interim ADSs) are traded at the close of the preceding trading day) or the Institutional Applicant first instalment. Resales of instalment receipts (or interim ADSs), as referred to above, may also affect the market price of instalment receipts (and interim ADSs), although no price constraints apply to these. Such purchases and resales will only occur within 30 days of allocation of shares in the international offering.

There is no guarantee at any time that the market price of instalment receipts (or interim ADSs) will not drop below the first instalment price.

If the Over-allotment Option is exercised, this will be disclosed to the ASX for public release, as will the level of exercise. The international underwriters will not disclose for public release the level of any over-allocations made by them or of purchases to satisfy any over-allocations or of resales as referred to above. However, a bid on the ASX on behalf of the international underwriting syndicate for instalment receipts to satisfy over-allocations will be identified by highlighting such bids in a different colour through the use of order parameter 'T'. Any 'stabilisation bid' will therefore be apparent to traders on the ASX. Offers on the ASX for resale, as referred to above, will also be identified in the same way.

### Restrictions on foreign ownership

By law:

- foreign person(s) cannot have, in total, interests in more than 35% of the Telstra shares held by persons other than the Commonwealth; and
- no single foreign person can have interests in more than 5% of the Telstra shares held by persons other than the Commonwealth.

If you are an Australian citizen or are usually resident in Australia, you will generally not be a foreign person for the purposes of the restriction (but see below if you are investing as a company or a trustee). However, if you are investing on behalf of a foreign person or are under the control of, or accustomed or obliged to act in accordance with the wishes or instructions of, a foreign person, or are acting in concert

with a foreign person, that foreign person will be treated as having an interest in your investment and the foreign ownership restrictions will apply to that foreign person and to your investment.

A company or trustee will be a foreign person if:

- in the case of a company, a foreign person or company and its associates hold an interest in more than 15% of the company or foreign person(s) and/or companies and their associates together hold interests in more than 40% of the company;
- in the case of a trustee, a foreign person or company and its associates is entitled to 15% or more of the distributions of capital or income from the trust or foreign person(s) and/or companies and their associates together are entitled to distributions of 40% or more of capital or income from the trust.

You are required to provide the Trustee with information as to foreign ownership and it has the power to sell your investment if the foreign ownership limit is breached. The Trustee has published the rules which will be applied in exercising its powers in relation to foreign ownership. The above description simplifies the foreign ownership provisions of the Telstra Act. If you believe that you, your company or trust may be a foreign person, you should refer to the Appendices or to the legislation for the detailed provisions.

## Taxation

The taxation position for a particular individual investor can be complex. The discussion below may not be applicable to you, for example, if you are a share trader. Further details are also contained in the Appendices. You should consult a professional adviser about your personal taxation circumstances.

The discussion below is based on the law in force at the date of this offer document and relates to Australian resident individual investors. Legislation, if any, arising from the review of business taxation may adversely affect Telstra and its investors (see 'Investment Risks – Changes to tax laws').

### Taxation of Dividends

Any dividends you receive while you hold instalment receipts will be treated for tax purposes as trust distributions rather than dividend distributions. You may still be eligible for the benefit of any franking credits attached to the dividends, whether they are paid as trust distributions or dividend distributions. Once you become the registered holder of the share after you pay the final instalment, all dividends paid to you by Telstra will be treated for tax purposes in the same way as other dividends. You must generally declare both trust and dividend distributions as part of your assessable income. The Australian Taxation Office requests that this income be shown at the dividend income box of your tax return.

Where the dividend is a franked dividend, the franking credit associated with that dividend may also be included in your assessable income.

A rebate of tax equivalent to the franking credit (known as a 'franking rebate') may also be available to you.

Under recently enacted changes to the income tax law, there are circumstances where you may not be entitled to the benefit of franking credits. The application of these rules depends on your own circumstances including the period for which the instalment receipts and shares are held and the extent to which you are 'at risk' in relation to your investment.

### Taxation of Capital Gains

If you sell an instalment receipt or a share for more than its cost base the gain may be subject to tax. For capital gains tax purposes you will be regarded as having acquired the share at the time the Commonwealth allocated the share. The instalment receipt is evidence of your interest. However, the payment of the final instalment and the transfer of the share to you will not be treated as an acquisition by you for capital gains tax purposes. The cost base of an instalment receipt acquired under the Telstra 2 Share Offer will be calculated and indexed from the date the Commonwealth allocated the share. The cost base of a share acquired under the Telstra 2 Share Offer may be indexed for inflation. Indexation is only available for the first instalment from the date the Commonwealth allocated the share and for the final instalment from the date of receipt by the trustee of the payment. Assets must be held for 12 months or more for indexation. If you sell an instalment receipt or share for less than its cost base you may incur a capital loss. A capital loss can only be offset against capital gains. There may be tax consequences for you if the Trustee has to sell your shares because you do not pay the final instalment.

### Stamp duty

No stamp duty will be payable by you on the issue of instalment receipts, payment of the first instalment, or the transfer of shares to you on payment of the final instalment. All other transfers of instalment receipts and shares may attract Australian stamp duty applicable to marketable securities. If you trade on the ASX through a broker, stamp duty is payable as to 0.15% by the seller and 0.15% by the purchaser. If you trade instalment receipts or shares off-market, stamp duty will generally be payable in the Australian Capital Territory by the purchaser at the rate of 0.3%. Stamp duty is calculated on the higher of the sale price or the value of the marketable security.

### Fees and commissions

Stockbrokers (including the Australian Joint Lead Managers, Co-Lead Managers and Co-Managers) will be entitled to a brokerage fee of 0.5% of the net present value of the final amount payable by Public Applicants or members of the New Zealand public for shares sold pursuant to applications bearing a broker number, including shareholder entitlements. Licensed financial planners may make arrangements to participate in this fee for applications made through a Stockbroker. No brokerage will be payable on applications lodged as part of the Employee Share Offer.

Commission will be payable to the Australian Joint Lead Managers, Co-Lead Managers and Co-Managers in respect of shares allocated to institutions under the Institutional Offer. In respect of shares allocated to Australian and New Zealand institutions, the relevant syndicate members will be paid

collectively a commission of 0.64% of the net present value of the total amount payable by Institutional Applicants. (In relation to bids submitted by Stockbrokers, the selling commission component of the 0.64% will be paid to them.) In respect of shares sold outside Australia and New Zealand the international syndicate members will receive (as a discount on the amount they pay for instalment receipts that they onsell to investors) collectively a commission of 0.76% of the net present value of the total amount payable by Institutional Applicants and a further 0.08% of the amount of the first instalment representing an underwriting fee. The underwriting fee component will not apply to shares the subject of the Over-allotment Option.

For the purposes of calculating the net present value of the total amount payable, the amount of the first instalment plus the discounted amount of the final instalment will be used.

In addition to a capped reimbursement for direct expenses, the Joint Global Coordinators will receive a project management fee of \$10.5 million for acting as consultants to the Commonwealth in connection with the Telstra 2 Share Offer.

### International underwriting conditions

A contract formed on acceptance of your application will be conditional on settlement under the International Underwriting Agreement. If settlement under the International Underwriting Agreement does not occur within nine business days after the commencement of conditional trading:

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

While the International Underwriting Agreement has not yet been concluded, it will include rights of termination. These rights could include, among other things, material adverse developments relating to Telstra, stock markets or banking systems. The International Underwriting Agreement is expected to be signed on or about 16 October 1999.

### Materials in the Appendices

The following is an indication of what material is contained in the Appendices:

#### Appendix 1

Interests of directors; Interests of advisers and experts; Consents; Telstra's expenses of the offer; Further information about the Institutional Offer; Entitlement of nominee holders under the shareholder entitlement offer; ASIC modifications, exemptions and relief; ASX waivers and clarifications; Quotation application and agreement between the Trustee and the ASX; Description of shares and constitution; Description of the instalment receipts and Trust Deed; Memorandum of understanding; Impact of Superannuation Legislation Amendment Bill (No. 4) 1999 on superannuation funds wishing to apply for instalment receipts; Qualifying for the loyalty discount; Foreign investment and exchange control regulations; Taxation; Indemnities of directors, officers and employees; Indemnities provided by the Commonwealth of Australia.

#### Appendix 2

Glossary


# Glossary

ABN AMRO Rothschild	ABN AMRO Corporate Finance Australia Limited and Rothschild Australia Securities Limited, trading as ABN AMRO Rothschild
ACA	Australian Communications Authority
ACCC	Australian Competition and Consumer Commission
Board	the board of directors of Telstra
Commonwealth	the Commonwealth of Australia and where the context so permits, the Government of Australia
Commonwealth's Financial Adviser	Goldman Sachs Australia LLC
Communications Minister	the Minister for Communications, Information Technology and the Arts
Credit Suisse First Boston	Credit Suisse First Boston Australia Limited
eligible employee	a Telstra employee who is eligible to participate in the Telstra employee offer as set out in the Employee Offer Document
Financial Report	the consolidated financial report of Telstra
institution	a person to whom an 'excluded issue' may be made under section 66(2)(n) of the Corporations Law
Institutional Applicant	an applicant who is an Australian or New Zealand resident institution or a Stockbroker and includes an applicant who is treated as applying under the Institutional Offer
Institutional Offer	the invitation to Stockbrokers and to Australian and New Zealand institutions described in the Appendices
International Underwriting Agreement	the international underwriting agreement between the Commonwealth, Telstra and the international underwriters expected to be dated on or around 16 October 1999
J. B. Were & Son	Were Stockbroking Limited, trading as J. B. Were & Son
Joint Global Coordinators	ABN AMRO Rothschild, Credit Suisse First Boston and J. B. Were & Son
member of the Australian public	a natural person 18 years old or over, without a legal disability or a company (including a person acting as trustee or for an unincorporated body) resident in Australia, but excluding an Institutional Applicant
Public Applicant	an applicant who is a member of the Australian public, including a shareholder of Telstra, a client of an Australian Stockbroker and an eligible employee, but excluding an applicant who is treated as applying under the Institutional Offer
Public Offer Document (or offer document)	the Public Offer Document dated 6 September 1999 relating to the Telstra 2 Share Offer
Stockbroker	a member organisation of the ASX or a New Zealand stockbroker
Telstra or the Company	Telstra Corporation Limited ACN 051 775 556 and/or its controlled entities, as appropriate
Telstra 2 Share Offer	the offer of up to 2,133,288,285 shares in Telstra by the Commonwealth
Telstra Act	<i>Telstra Corporation Act 1991</i> (Cth)
Trust Deed	the Trust Deed dated 5 September 1999 between the Commonwealth and the Trustee
Trustee	Telstra Instalment Receipt Trustee Limited ACN 080 176 334



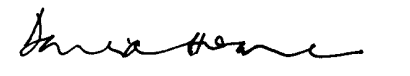
# Seller's and Directors' Authorisation

This document is authorised by the Commonwealth and is signed for and on behalf of the Commonwealth by:



**John Fahey**  
*Minister for Finance and Administration*

This document is authorised and signed by all the directors of Telstra:



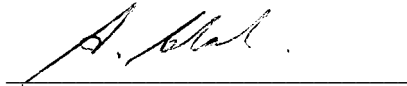
**David Hoare**



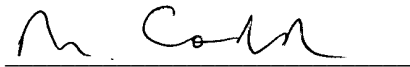
**John Ralph**



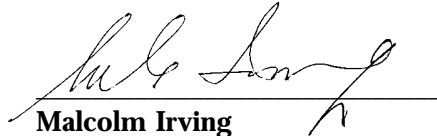
**Ross Adler**



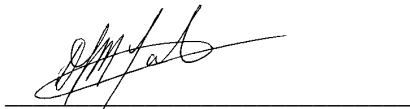
**Anthony Clark**



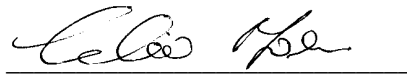
**Michael Codd**



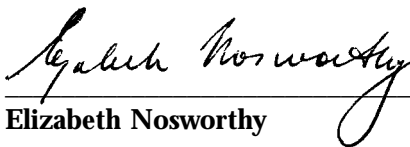
**Malcolm Irving**



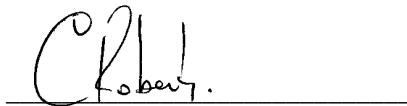
**Donald McGauchie**



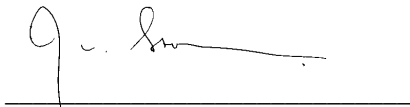
**Cecilia Moar**



**Elizabeth Nosworthy**



**Christopher Roberts**



**John Stocker**

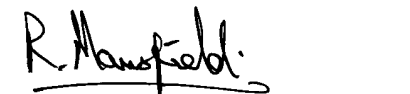


**Stephen Vizard**



**Zygmunt Switkowski**

This document is signed by Robert Mansfield, a proposed director of Telstra:



**Robert Mansfield**

# Directory

## Joint Global Coordinators

ABN AMRO Rothschild  
Level 24, 255 George Street  
Sydney NSW 2000

Credit Suisse First Boston  
Level 27, 101 Collins Street  
Melbourne Vic 3000

J. B. Were & Son  
Level 17, 101 Collins Street  
Melbourne Vic 3000

## Legal Adviser to the Joint Global Coordinators

Allen Allen & Hemsley/Arthur Robinson & Hedderwicks  
2 Chifley Square, Sydney NSW 2000  
530 Collins Street, Melbourne Vic 3000

## Australian Joint Lead Managers

J. B. Were & Son  
Level 17, 101 Collins Street  
Melbourne Vic 3000  
1800 835 896  
www.jbwere.com.au

Ord Minnett Corporate Finance Limited  
Level 25, Grosvenor Place, 225 George Street  
Sydney NSW 2000  
1300 728 787  
www.ords.com.au

## Australian Co-lead Managers

ABN AMRO Rothschild  
Level 24, 255 George Street  
Sydney NSW 2000  
1800 450 005  
www.au.abnamro.com

Credit Suisse First Boston  
Level 27, 101 Collins Street  
Melbourne Vic 3000  
(03) 9280 1888, (02) 8205 4433  
www.csfaep.com.au

Macquarie Equities Limited  
1 Martin Place  
Sydney NSW 2000  
(02) 9237 3434  
www.macquarie.com.au

Merrill Lynch International  
(Australia) Limited  
Level 49, MLC Centre  
19-29 Martin Place  
Sydney NSW 2000  
(02) 9226 5555

Salomon Smith Barney  
Australia Securities Pty Limited  
Level 16, Grosvenor Place  
225 George Street  
Sydney NSW 2000  
1800 222 262  
www.ssmb.com.au

Warburg Dillon Read Australia Limited  
Level 25, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
1800 644 983

## Australian Co-managers

BNP Equities (Australia) Limited  
Level 12, 12 Castlereagh Street  
Sydney NSW 2000  
(02) 9236 0888

Hartley Poynton Limited  
Level 7, Hartley Poynton Building  
141 St Georges Terrace  
Perth WA 6000  
1800 787 001  
www.poyntons.com.au  
Regional Specialist

Morgan Stockbroking Limited  
Level 29, Riverside Centre  
123 Eagle Street  
Brisbane Qld 4001  
1800 777 946  
www.morgans.com.au  
Regional Specialist

# Directory

## The Commonwealth of Australia

Office of Asset Sales and IT Outsourcing  
Level 2, Burns Centre  
28 National Circuit  
Forrest ACT 2603

### Legal Adviser to the Commonwealth

Freehill Hollingdale & Page  
Level 48  
101 Collins Street  
Melbourne Vic 3000

### Financial Adviser to the Commonwealth

Goldman Sachs Australia LLC  
Level 48, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

### Accounting Adviser to the Commonwealth

PricewaterhouseCoopers  
333 Collins Street  
Melbourne Vic 3000

## Telstra Corporation Limited

Registered Office  
Level 41  
242 Exhibition Street  
Melbourne Vic 3000  
*Company Secretary* Michael Montalto

### Legal Adviser to Telstra

Mallesons Stephen Jaques  
Level 28, Rialto  
525 Collins Street  
Melbourne Vic 3000

### Instalment Receipt and Share Registrar

Perpetual Registrars Limited  
Level 4  
333 Collins Street  
Melbourne Vic 3000

### Instalment Receipt Trustee

Telstra Instalment Receipt  
Trustee Limited  
c/- Morisons Solicitors  
Level 1, 15 Torrens Street  
Braddon ACT 2612

**Telstra 2  
Share  
Offer**

