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Office of the Company Secretary

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Transcript - Telstra reaches \$1 billion in asset monetisation

In accordance with the listing rules I attach a copy of the transcript from the announcement made on Friday 16 August that Telstra has reached \$1 billion in asset monetisation, for release to the market.

Yours faithfully

Sue Laver
Company Secretary

ASX announcement: Telstra reaches \$1 billion in asset monetisation, 16 August – Transcript

[Start of recorded material at 11:03:00]

Ross Moffat: Good morning, Ross Moffat here from Telstra Investor Relations. Welcome to the call today. Joining us here on the call, Vicki Brady our CFO and Guy Wylie our Treasurer. First, we'll have some brief comments from Vicki, as a bit of an outline, and then we'll follow up with Q&A probably led by Guy and Vicki. This call will be recorded and there will be a transcript afterwards. It's not a formal Q&A call, so just be aware of that when we get to the question point in time, just hesitate for a second and then we will have to proceed through questions. With that, over to you Vicki.

Vicki Brady: Thanks Ross for that. And as Ross said I'll just make some brief comments on a deal we've announced today.

Today we have announced the establishment and part sale of an unlisted property trust to own 37 of our existing exchange properties.

This agreement shows continued progress we are making against the fourth pillar of our T22 strategy to monetise up to \$2 billion of assets to strengthen our balance sheet.

As part of the transaction a Charter Hall-led consortium will acquire a 49 per cent stake in the new property trust for \$700 million, reflecting a capitalisation rate of 4.4 per cent and valuing the entire property trust at \$1.43 billion.

Telstra will retain ownership of a 51 per cent controlling interest in the property trust and retain operational control of the properties.

These exchanges are all relatively high-value ones in which we expect to maintain a presence long term. They represent a significant portion of the value attributable to the exchanges we own.

We will sign long-term triple-net leases with the property trust. The leases will have a weighted average lease expiry of 21 years, with multiple options for lease extension to accommodate our ongoing requirements.

As we announced yesterday, we also reached an agreement to sell part of our portfolio of data centres in Europe and Asia.

Combined with recent changes to Telstra Ventures, the sale of the Edison Exchange building in Brisbane, and other smaller transactions, these agreements bring the total value of assets monetised as part of T22 to around \$1 billion.

As Ross said we'll now open up for questions. We have Guy Wylie online as well, So any questions?

Andrew Ling: Hi, it's Andrew Ling here from Blackrock. Very quick question in terms of the portfolio of exchanges that are being divested. I understand that it will be largely

ASX announcement: Telstra reaches \$1 billion in asset monetisation, 16 August – Transcript

fully cash flow neutral, because you will have rental income from the 51 per cent stake you retain offset by the rent paid on the 49 per cent stake. Is that correct?

Guy Wylie: It's Guy here. It's just a small cash outflow that you will see in our cash flow statement which will be in our distribution to minorities line. That's essentially correct.

Andrew Ling: And just in terms of IFRS 16, how much do you expect to be grossed up on the Balance Sheet in debt?

Guy Wylie: Zero. Because this is a consolidated entity and so it won't get consolidated on.

Andrew Ling: Will the REIT be able to take on any debt in its own right?

Guy Wylie: We're not talking about the way it's capitalised. But day one there is no debt in the structure.

Andrew Ling: OK. Thank you.

Ross Moffat: Do we have any other questions? We have no further questions. Please feel free to contact the IR team today and we will record a transcript in case anyone wants to hear it later today. Thank you very much for your participation today. We look forward to being in communication next week. Bye now.

[End of recorded material at 11:08:52]