

23 December 2014

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ELECTRONIC LODGEMENT

Dear Sir Madam

Telstra acquires Asian telecommunications and service provider Pacnet

In accordance with the Listing Rules, I attach a copy of a media release and an analyst briefing pack, for release to the market.

Telstra CFO and Group Executive International, Andrew Penn and Brendon Riley, Group Executive, Global Enterprise and Services will host a conference call regarding this acquisition at 2.30 pm AEDST today, 23 December 2014. Details will be available from Telstra's investor relations website www.Telstra.com/investor later this morning.

Yours faithfully



Damien Coleman
Company Secretary

Telstra acquires Asian telecommunications and service provider Pacnet

23 December, 2014 - Telstra today announced it would acquire Asian telecommunications and services provider Pacnet Limited, a provider of connectivity, managed services and data centre services to carriers, multinational corporations and governments in the Asia-Pacific region.

The acquisition of the Singapore and Hong Kong headquartered Pacnet includes interests in its China joint venture, PBS, which is licensed to operate a domestic Internet Protocol Virtual Private Network and provide data centre services in most major provinces in China.

Pacnet gives Telstra ownership of an extensive range of services including software defined networking, an expanded data centre network, more submarine cables and major customers across the region.

The US\$697 million acquisition is subject to completion adjustments. The transaction is subject to regulatory and Pacnet financier approvals and is expected to complete by mid-2015.

Telstra Chief Executive Officer, David Thodey said the acquisition was aligned to Telstra's growth strategy and was a significant step for Telstra as it continued to expand the business beyond Australia.

"Asia is an important part of our growth strategy. We believe this acquisition will help us become a leading provider of enterprise services to multinational companies and carriers in the region," Mr Thodey said.

"The enterprise services market is evolving rapidly and Pacnet will strengthen our networks; data centres and submarine network as well as boosting our service offerings and people capabilities.

"For Australian businesses, businesses across Asia and importantly companies looking to expand and grow in Asia, the combined entity will provide powerful new options for networks and services.

"Pacnet increases the scale and scope of our assets which can be used as a platform for Telstra to scale and expand leading solutions such as unified cloud, unified communications, managed network services and security services.

"Our strategy is centred on serving enterprise and carrier customers doing business in Asia. We serve these customers by leveraging our strong connectivity foundation to offer a portfolio of integrated network applications and services solutions," he said

Pacnet Chief Executive Officer Carl Grivner said: "The addition of Pacnet's subsea fibre network, data centre assets, capability in China, and dedicated employee base to Telstra's world-class infrastructure and management will give it the ability to accelerate business growth in the region.

"There is a tremendous opportunity for this combination to address the growing demand for services throughout the Asia-Pacific region and provide superior solutions and service to customers," he said.

In the year ended December 2013 Pacnet generated revenues of US\$472m and earnings before interest, tax, depreciation and amortisation (EBITDA) of US\$111m.

The combined entity would become a leader in the Asia service provider market. Telstra's GES business in Asia would almost double in size and it is expected to drive operational and cost synergies.

About Pacnet: as at 30 November 2014

Pacnet is headquartered in both Singapore and Hong Kong with approximately 815 employees across 25 offices (including PBS China) located in 24 cities in 11 countries and regions, including Australia, China, Hong Kong, India, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, the United Kingdom and the United States.

Pacnet's core assets comprise an integrated network of points-of-presence (PoPs), data centres and submarine cables across Asia-Pacific, operated out of delivery centres throughout the Asia-Pacific region. Pacnet operates 109 PoPs across 61 cities in the Asia-Pacific region and 8 cities outside of the region (US and Europe) aimed at both carrier and enterprise customers.

Pacnet operates a network of 29 interconnected data centres in 17 cities across the Asia-Pacific region, of which 7 have Tier III accreditation. Pacnet also has Asia's largest privately-owned submarine cable network, which lands at 21 cable landing stations in China, Hong Kong, Japan, the Philippines, Singapore, South Korea and Taiwan. In addition, Pacnet controls two of the five fibre pairs on the Unity trans-Pacific submarine cable network connecting Japan to the United States.

Pacnet has a broad customer base. It focuses on two key customer segments: enterprise and carrier customers. In the enterprise segment, Pacnet has about 2,400 customers with strong penetration of financial services, internet, social networking players, e-commerce, technology and professional services. In the carrier segment, Pacnet has about 220 customers comprising both retail and wholesale telecommunications players. Pacnet has also developed a strong franchise with the over-the-top segment, in line with Telstra's strategy.

ENDS

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ACQUISITION OF PACNET

ACCELERATING TELSTRA'S ASIAN GROWTH STRATEGY



23 DECEMBER, 2014

1

ASIA IS AN INTEGRAL PART OF TELSTRA'S STRATEGY

OUR PURPOSE

TO CREATE A BRILLIANT CONNECTED FUTURE FOR EVERYONE

OUR STRATEGY



IMPROVE CUSTOMER
ADVOCACY



DRIVE VALUE
FROM THE CORE



BUILD NEW GROWTH
BUSINESSES

GLOBAL SERVICES

ASIA

LONGER TERM
INVESTMENTS

Health, Telstra Software Group
(TSG), Telstra Ventures,
Digital Media

2

OUR STRATEGY FOR ASIA HAS THREE PILLARS



GLOBAL ENTERPRISE SERVICES

BECOME A LEADING PROVIDER OF ENTERPRISE SERVICES TO MNCs AND LARGE ENTERPRISES IN ASIA



CONNECTIVITY / MOBILITY

LEVERAGE TELSTRA'S CORE CAPABILITIES IN NETWORK EXCELLENCE TO DRIVE VALUE FROM CONNECTIVITY OPPORTUNITIES IN THE REGION



LONGER TERM

LEVERAGE OUR LONGER TERM INVESTMENTS SUCH AS SOFTWARE INTO ASIA AND INVEST IN SIMILAR OPPORTUNITIES IN THE REGION

3

CURRENT ASIAN ASSETS AND CAPABILITIES

LEADING PROVIDER OF INTERNATIONAL CONNECTIVITY IN ASIA

ACCESS TO
230
COUNTRIES & TERRITORIES

GLOBAL DELIVERY CENTRE

MORE THAN
1400
INTERNATIONAL STAFF

MORE THAN
2000
POPS WORLDWIDE

19
LICENCES WORLDWIDE

INTEREST IN MORE THAN
20 CABLE SYSTEMS

2.5 TBPS CAPACITY
TO BE ADDED IN THE NEXT 12 MONTHS

MORE THAN **150000**

SQFT OF COLO READY DATA CENTRE SPACE

18 OFFSHORE DATA CENTRES

汽车之家
AUTOHOME INC.

A LEADING REGIONAL PLATFORM FOR GROWTH

4

PACNET'S CORE ASSETS

- ASIA'S LARGEST PRIVATELY-OWNED SUBMARINE CABLE NETWORK, WHICH LANDS AT 21 CABLE LANDING STATIONS ACROSS ASIA
- **109** POINTS OF PRESENCE ACROSS **61** CITIES IN THE ASIA – PACIFIC REGION AND **8** CITIES OUTSIDE OF THE ASIA-PACIFIC REGION (US & EUROPE)
- NA&S CAPABILITIES IN MANAGED NETWORK AND SECURITY SERVICES AND THE LARGEST INTEGRATED DATA CENTRE FOOTPRINT IN THE ASIA PACIFIC
- **29** INTERCONNECTED DATA CENTRES IN **17** CITIES ACROSS THE ASIA-PACIFIC REGION INCLUDING **7** TIER III DATA CENTRES
- STRONG IN-REGION PRESENCE ACROSS ASIA
- **2400+** ENTERPRISE CUSTOMERS **800+** STAFF IN 11 COUNTRIES

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PACNET TRANSACTION DETAILS

ACQUISITION OF - USD

\$697M

INCLUDING GROSS DEBT OF APPROXIMATELY US\$400M

PACNET FY13 REVENUES OF USD

\$472M

AND EBITDA OF US\$111M

TARGETING RUN RATE SYNERGIES OF USD

\$65M

MEETS ALL OF TELSTRA'S INVESTMENT GUIDELINES

EPS

BY YEAR 2

ROIC > WACC

BY YEAR 3

MORE ACCRETIVE THAN A SHARE BUYBACK (OF SAME SIZE)

6

NEXT STEPS

- Customary closing conditions apply
- Completion anticipated in Q4FY15
- Expect to fully integrate all aspects of Pacnet (except China JV holding) to capture operating and capital synergies
- Run rate synergies are expected to be realised within the first two years after completion