

10 April 2012

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Welcomes ACCC Approval of FOXTEL – AUSTAR Merger

In accordance with the Listing Rules, I attach an announcement for release to the market.

Yours faithfully



Damien Coleman
Company Secretary

Telstra Welcomes ACCC Approval of FOXTEL – AUSTAR Merger

10 April 2012 – Telstra welcomes the ACCC's statement that it will accept undertakings provided by FOXTEL and clear the merger between FOXTEL and AUSTAR. The FOXTEL announcement (attached) outlines the Undertakings given by FOXTEL to the ACCC as part of obtaining ACCC clearance.

The ACCC's clearance of this merger was the last material outstanding condition precedent to the completion of the agreement between FOXTEL and AUSTAR. Federal Court approval for the AUSTAR shareholder vote is now required for the merger to complete.

Rick Ellis, Group Managing Director Telstra Digital Media, said this decision was a win for consumers:

"The merger between FOXTEL and AUSTAR will create a pay TV company that will be able to provide innovative content for customers across Australia."

"It will also enable Telstra to expand its FOXTEL on T-Box offering into some AUSTAR areas over time, enabling regional Australians in those areas to enjoy the same high quality IPTV services as those who live in metropolitan areas.

"Telstra will provide further detail on its plans to expand the availability of FOXTEL on T-Box at a later date."

Telstra's contribution to this transaction will be in the form of a subordinated shareholder note. The provision of this loan is excluded from Telstra's cashflow for guidance purposes.

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FOXTEL and AUSTAR Set to Merge After ACCC Green Light

National Service Will Deliver Innovation, New Services and Parity for City, Regional and Rural Consumers

Media Release: 10 April 2012

FOXTEL and AUSTAR will join forces to create a national subscription television service for all consumers after the Australian Competition and Consumer Commission (ACCC) today accepted an undertaking from FOXTEL and gave a green light to the transaction to merge the companies. The transaction is subject to final Federal Court approval on 13 April.

The ACCC said today it had accepted a set of undertakings offered by FOXTEL in order to facilitate the merger process. On 30 March 2012, AUSTAR shareholders voted in favour of the merger, subject to the decision by the ACCC, and pending approval by the Federal Court of the shareholder vote.

"This is a great outcome for consumers because we will now be able to create a company of scale that will deliver innovative new digital products and services, and parity for regional and city customers," said FOXTEL's Chief Executive Officer, Richard Freudenstein.

"The new national FOXTEL will be one of Australia's most progressive and dynamic media companies, it will directly employ 2500 people and support a subscription television sector which spends close to \$600 million a year on new and original Australian content," Mr Freudenstein added.

FOXTEL currently services the major metropolitan cities and Western Australia, while AUSTAR services rural and regional Australia. FOXTEL and AUSTAR share 50:50 ownership of the major subscription TV channels group XYZ Entertainment. When the merger is completed, FOXTEL will own 100 per cent of XYZ.

"Bringing together AUSTAR, FOXTEL and XYZ will unite a number of the most watched channels in the lifestyle and entertainment genres. Importantly, it will enable us to keep building our offering of high quality, compelling content including sport, movies, news, music, children's, and documentary channels using world-leading technology. This will benefit the 2.2 million subscriber households and over 6 million viewers of our combined platforms, as well as potential consumers," said Mr Freudenstein.

FOXTEL expects to complete the merger in late May 2012.

Until the transaction is completed and integration of the two companies has commenced, FOXTEL will continue to service FOXTEL customers and AUSTAR will continue to service AUSTAR customers.

“Combining FOXTEL and AUSTAR will give us the scale to keep investing and innovating in both content and technology for consumers across Australia in an increasingly competitive market,” Mr Freudenstein said.

“While we continue to believe that the transaction does not substantially lessen competition in any market, we are pleased that the ACCC has today accepted the undertakings which we have provided to expedite completion of the transaction,” said Mr Freudenstein.

“Throughout the process ACCC Chairman Rod Sims and his officers have taken a highly professional approach in their dealings with FOXTEL for which I would like to thank the ACCC,” said Mr Freudenstein.

There have been some changes to the draft undertakings to accommodate the comments of respondents to the ACCC’s public enquiry process.

The undertakings the ACCC has accepted cover five broad areas:

- **Non-exclusivity over a broad range of channels** – FOXTEL is undertaking not to acquire or renew exclusive new distribution rights to a broad range of linear and time-shifted channels and associated entitlement and subscription VOD (video-on-demand) content unless another bidder is seeking exclusive rights. These channels include Disney Channel, SKY NEWS, ESPN, 13th Street, and KidsCo.

This undertaking will ensure IPTV players will have access to a wide range of channels and entitlement and subscription VOD content, including where they wish to bundle content services with telephony and broadband services.

- **Non-exclusivity over TVOD movie rights** – FOXTEL is undertaking not to exclusively acquire TVOD (transactional video-on-demand) rights to movies, unless another bidder is seeking exclusive rights.

This undertaking will also ensure IPTV players will have access to transactional movie services including where they wish to bundle these movie services with telephony and broadband services.

- **Non-exclusivity over movies supplied by major studios and key independents** – FOXTEL is undertaking not to acquire or renew exclusive new distribution rights to include movies in linear channels or EVOD (entitlement video-on-demand) services from more than 50% of the major studios or more than 50% of the eight key independent distributors in Australia. FOXTEL is also undertaking not to acquire or renew exclusive new distribution rights to include movies in SVOD (subscription video-on-demand) services, except for new release movies that FOXTEL is permitted to acquire exclusively for inclusion in linear channels for a period of 18 months.

This undertaking will ensure that IPTV players and other content aggregators will continue to have access to a broad range of movies which they will be able to provide to their customers as part of linear channels, EVOD services and SVOD services.

- **Signal access to facilitate IPTV delivery by third parties** - FOXTEL has undertaken that it will provide the signal of linear channels to IPTV players either via an internet exchange (located in Sydney) or via access to the satellite signal. FOXTEL will recover its reasonable and attributable costs of providing such signals.

This undertaking will enable IPTV players to efficiently receive the channel signal for channels to which they have negotiated agreements.

- **Special Access Undertaking extended to Austar set top units** – FOXTEL has also agreed that it will extend its current Special Access Undertaking (which the ACCC accepted in 2007) to AUSTAR set top units.

This extended undertaking will enable independent channel providers to access FOXTEL and AUSTAR's over 2.2 million subscribing households in order to sell their channel directly to the combined FOXTEL and AUSTAR customer base.

The Undertakings contain certain provisions that relate to FOXTEL's dealings with the FOXTEL partners including, for example, precluding FOXTEL from agreeing with any of the FOXTEL partners to jointly bid for the acquisition of exclusive content in circumstances where FOXTEL is in its own right prohibited from acquiring that content on an exclusive basis pursuant to the Undertaking.

For more information call Mark Furness on 0419 275 504 or email: mark.furness@lastwordcc.com.au

About FOXTEL

FOXTEL is Australia's leading subscription television provider. FOXTEL strives to ensure subscribers find TV they want to watch every time they switch on through delivery of a range of high quality channels covering news, sport, general entertainment, movies, documentaries, music and children's programming. FOXTEL is owned by Telstra Corporation Limited ACN 051 775 556 (50%), The News Corporation Ltd (25%), and Consolidated Media Holdings Ltd (25%).