Telstra Corporation Limited
Acquisition of KAZ Group Limited

Wednesday, 7 April 2004

Agenda

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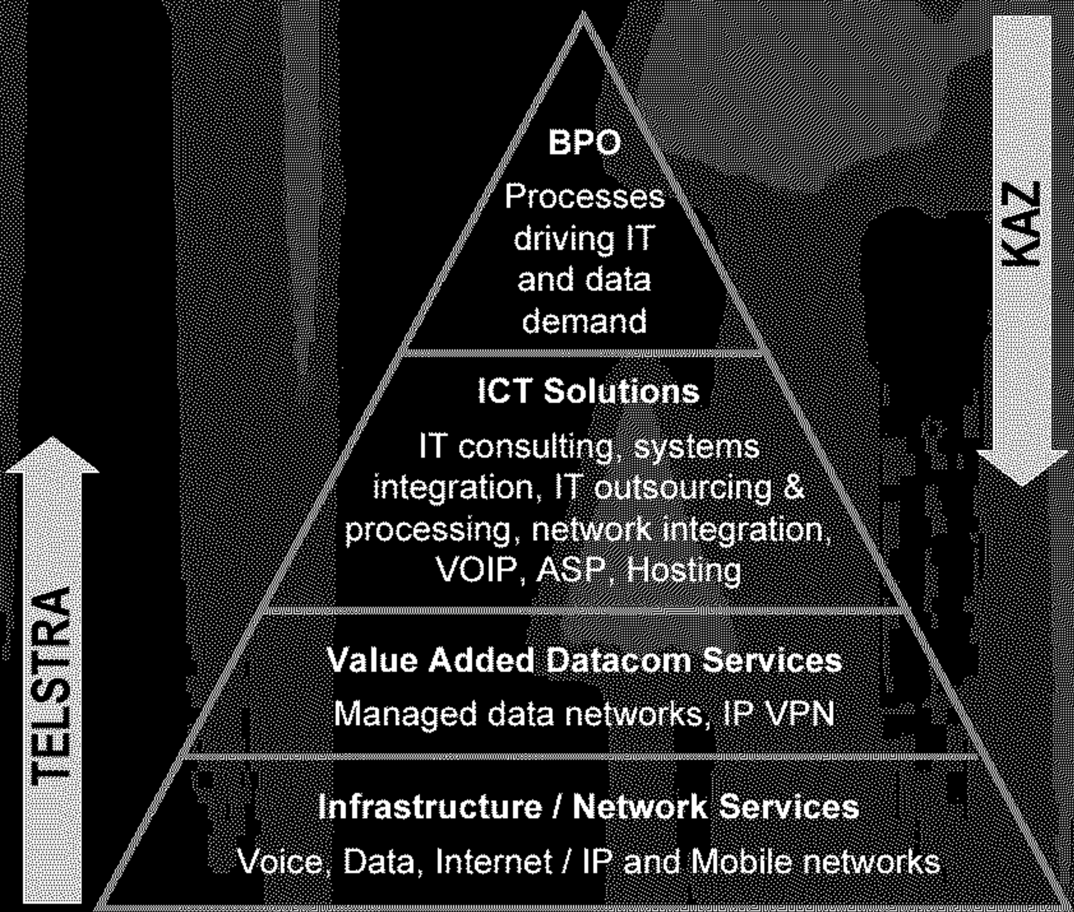
Executive Summary

- Telstra to acquire KAZ via a Scheme of Arrangement for a purchase consideration of 40 cents per share, equivalent to total consideration of $333 million
- Proposed acquisition has unanimous KAZ Board recommendation
- KAZ is a very attractive fit for Telstra given its complementary skill set
  - Strong government and mid-market customer relationships with significant annuity revenues in growing Business Process Outsourcing (BPO) sector
- Following the acquisition, Telstra will be uniquely positioned to meet the challenges posed by multinational Information Communication Technology (ICT) players
- Acquisition meets all Telstra's acquisition criteria
  - EPS accretive in FY06
  - Cash flow positive FY05
  - Operational control
  - ROIC above market consensus WACC in FY06
- Telstra is committed to its Capital Management Program

A strategic acquisition at a fair price

Telstra Services Solutions
Grow presence and increase revenue from ICT



- Strengthens Telstra's position in the ICT market
- Highly complementary competencies and capabilities
- Ability to provide end-to-end service deepens customer relationships
- Increases Telstra's exposure to fast growing BPO segment

Meets customer demands to provide
a full range of ICT solutions

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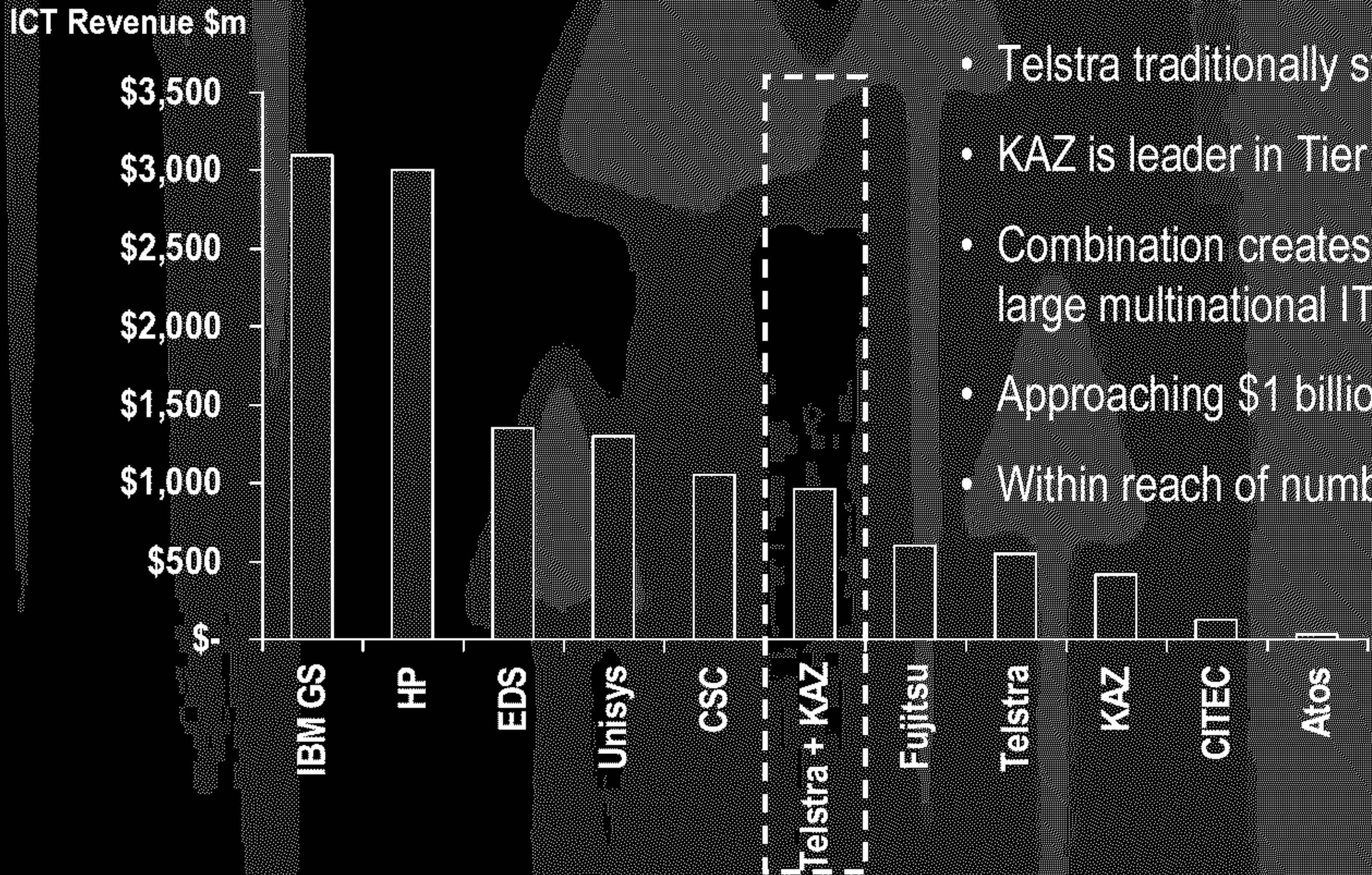
Telstra Services Solutions

Telstra + KAZ = 6th largest ICT provider in Australia*



- Telstra traditionally strong in Tier 1 segment
- KAZ is leader in Tier 2 segment
- Combination creates a strong competitor to large multinational IT firms
- Approaching $1 billion annual revenues
- Within reach of number 3 player

(*) excludes carriage revenue

Combined capabilities provide a strong platform for growth

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Transaction Overview
Sale Process and Integration

- Exclusive sale process involving completion of detailed due diligence by Telstra
- Transaction unanimously recommended by Board of KAZ in the absence of a superior proposal
- KAZ's directors intend to vote in favour of proposal in relation to their personal shareholdings
- KAZ's key senior management team, including founder and CEO Peter Kazacos, are committed to the business on a go-forward basis
- Detailed integration plan has been established – implementation will be a collaborative exercise involving KAZ management
- New business will operate as a standalone division within the Telstra Business and Government segment

Well planned process
will mitigate integration risk

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Transaction Overview
Total Acquisition Cost

- Cash offer to acquire all outstanding KAZ ordinary shares for $0.40 per share, equivalent to total consideration of $333 million, including unlisted options (approx. $2 million)
  - Goodwill $113 million
  - Identifiable Intangibles $179 million
- Offer implies a premium of
  - 27% based on 3 month VWAP of 31.5 cps
  - 21% based on VWAP of 33.2 cps since 1H FY04 results announcement on 24 Feb
- 7.6x FY04E Normalised EBITDA $44 million (mid point of KAZ market guidance)
- KAZ ungeared on a net debt basis
- Acquisition will be funded utilising existing Telstra bank facilities

Fair price for strategic asset

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Transaction Overview
Timetable and Conditions

- Merger by way of Scheme of Arrangement
  - Documentation expected to be mailed to KAZ shareholders during May
  - Transaction expected to close in July 2004
- Break fee of $3.3 million payable to Telstra in agreed circumstances if recommendation by KAZ Board changes
- Break fee of up to $3.3 million payable by each party to the other where the party is in material breach of the Merger Implementation Agreement
- Key conditions include
  - KAZ material adverse change
  - KAZ shareholder approval
  - Court approval

Acquisition process expected to be completed by July 2004

KAZ Overview
Key Features

KAZ has national coverage and significant growth opportunities

- Recognised and respected IT Services brand
- Over 25 years IT experience (Aspect founded in 1975 and KAZ founded in 1988)
- Strong relationships in government and corporate customer base
- Solid profitable growth over a 5 year period, with revenues in excess of $350 million per annum in FY03A
- Proven competencies and capabilities in IT Services, BPO, Applications and Services Management
- Growth strategies in place and evident
- History of innovation and flexibility

KAZ is the
leading Australian owned IT provider

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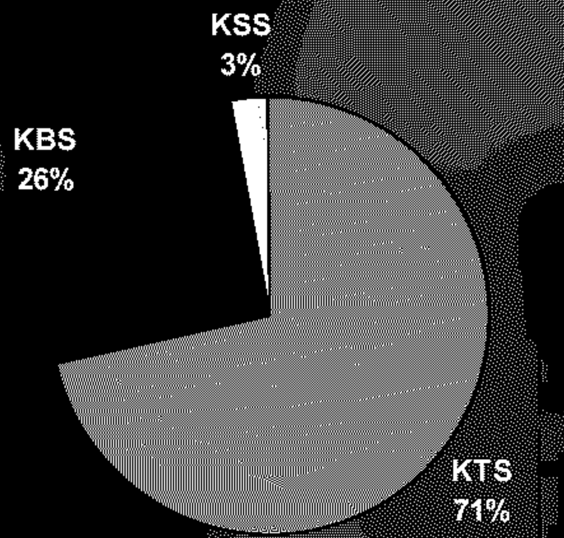
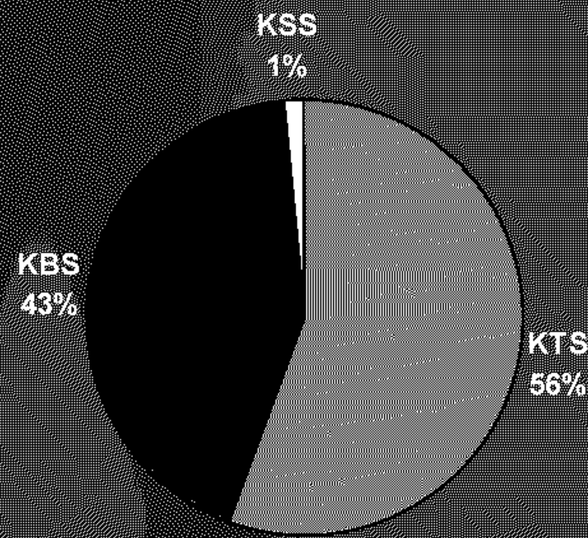
KAZ Overview
Business Description

Revenue Breakdown by Division (1H04A)



EBITDA Breakdown by Division (1H04A)



KAZ Technology Services (KTS)	• IT Services / Outsourcing	• Applications development • Systems integration • Infrastructure management
KAZ Business Services (KBS)	• Business Process Outsourcing	• Superannuation fund administration • Bureau services
KAZ Software Solutions (KSS)	• Proprietary Software Development	• Superannuation fund administration (Atune) • Document imaging (DIPS) • Enterprise management (Fundi)

KAZ Overview
Sales and Earnings Growth

- Earnings guidance for FY04E reflects strong top line growth and a solid EBITDA performance on a normalised basis

$m	FY03A[1]	1H FY04A[2]	FY04E[2]
Revenue	357.7	215.0	400-410
EBITDA	33.8	16.4	33-37
EBITDA (Normalised)	39.7	21.5	42-46
Free cash flow[3]	6.8	3.3	N/A

1. EBITDA normalised for redundancies, development costs relating to generational upgrade in Atune software and accounting adjustments as disclosed in FY04 Half Year Results Investor Presentation
2. As per FY04 Half Year Results Investor Presentation
3. Free cash flow = Operating cash flow less Investing cash flow

Track record of solid performance with growth opportunities

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Telstra and KAZ
Customer Benefits

- Combination of Telstra and KAZ will create a strong Australian-owned alternative to major ICT multinationals
- KAZ is an excellent fit with Telstra's existing managed and e-business services with few overlapping businesses/ competencies
- Complementary nature of skills and capabilities will enable the new business to offer complete solutions, expand into new markets and have less reliance on partners
- Customers will continue to benefit from KAZ's flexible 'can do' culture and responsive approach to business

Customers to benefit
from complementary skills

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Telstra and KAZ
Enhancement Opportunities

- Enhancement value partly offset by integration costs in FY05E and FY06E
- Transaction forecast to deliver net synergies of $17m EBITDA in FY07E

Revenue

- Delivery of end-to-end ICT solutions is expected to deliver
  - Reduced customer churn
  - Market share gains
  - Cross-sell benefits in both Telstra and KAZ clients (e.g. pull-through carriage revenues)
- Leverage complementary expertise in BPO (manual and automated) in existing and new verticals

Costs

- Facilities management – improved operational efficiency
- Telstra's SI/ Applications Development projects – in-source a component
- Reduction in public listing and associated administration costs

Substantial enhancement benefits to flow from FY07E

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Financial Impact

- Fair acquisition price for leading Australian IT Services company ✓
- Acquisition FY04E EBITDA Multiple – 7.6 times[1] ✓
- EPS accretive within 2 years ✓
- Cash flow positive in year 1 ✓
- ROIC above Telstra WACC[2] within 2 years ✓
- Operational control ✓

1. FY04E EBITDA normalised for non-recurring items (mid-point of KAZ market guidance)
2. Market consensus view of Telstra's WACC

Acquisition of KAZ meets
Telstra's strict acquisition criteria

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Financial Priorities – A recap

Operational excellence

- Improved EBITDA/EBIT Margin
- Process improvement using Six Sigma
- Tight capex management
- Customer satisfaction

Accretive acquisitions

- EPS accretive by year two[1], ROIC[2]
- Operational control
- Incremental in size

Target parameters

- Gross & Net Debt to Equity
- EBITDA/Net Interest
- Discretionary cash flow to net debt

Increase in long-term shareholder value

- Improve Return on Equity and EPS
- Flexible balance sheet settings
- Active Capital Management

Strong cash flow
gives us options

1. Calculated on a pre-goodwill amortisation basis
2. Return above market consensus view of Telstra's WACC

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Summary

- KAZ is a growth business with a track record of solid performance
- KAZ will contribute to Services Solutions
  - Recognised and trusted brand
  - Broad range of complementary capabilities
  - Industry leading customer service standards
- Meets Telstra's strict investment criteria
- Unanimously recommended by Board of KAZ
- Telstra remains within its target financial parameters after this acquisition
  - Committed to Capital Management

A strategic acquisition
at a fair price

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Thank You

Questions

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