IT'S HOW WE CONNECT

9 August 2012

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Full Year 2012 Financial Results – CEO/CFO Analyst briefing presentation

In accordance with the Listing Rules, I enclose a presentation for release to the market.

This Announcement has been released simultaneously to the New Zealand Stock Exchange.

Yours faithfully

Damien Coleman
Company Secretary

TELSTRA FULL YEAR RESULTS ANNOUNCEMENT 2012

DAVID THODEY, CHIEF EXECUTIVE OFFICER

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DISCLAIMER

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- These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in Telstra's Financial Report dated 9 August 2012 and 2011 Debt Issuance Prospectus lodged with the ASX and available on Telstra's Investor Centre website www.telstra.com/investor.
- All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences. All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.
- All amounts are in Australian Dollars unless otherwise stated.

WE HAVE DELIVERED

1. WE HAVE DELIVERED ON OUR COMMITMENTS
2. OUR BUSINESS HAS PROVED RESILIENT
3. OUR BALANCE SHEET REMAINS STRONG
4. OUR STRATEGIC PRIORITIES ARE DELIVERING

HIGHLIGHTS FOR FISCAL YEAR 2012

1. OUR FOCUS ON CUSTOMER SERVICE
2. OUR MOBILES PERFORMANCE
3. CAPITAL AND PORTFOLIO MANAGEMENT
4. FINALISATION OF THE NBN AGREEMENTS

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TELSTRA FULL YEAR RESULTS ANNOUNCEMENT 2012

ANDREW PENN, CHIEF FINANCIAL OFFICER

IT'S HOW WE CONNECT

AGENDA

IT'S HOW WE CONNECT

1. GROUP RESULTS
2. PRODUCT PERFORMANCE
3. PRODUCTIVITY
4. CAPITAL MANAGEMENT
5. GUIDANCE

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GROUP RESULTS

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$ Billions	FY11	FY12	Growth (reported basis)	Growth (guidance basis[1])
Total Revenue	25.1	**25.4**	1.1%	1.3%
EBITDA	10.2	**10.2**	0.8%	2.1%
EBIT	5.7	**5.8**	2.3%	
Attributable NPAT	3.2	**3.4**	5.4%	
Earnings per share (cents)	26.1	**27.5**	5.4%	
Accrued Capex	3.4	**3.6**		
Free Cash Flow	5.5	**5.2**		
Ordinary DPS (cents)	28.0	**28.0**		

1. Guidance basis excludes impairments, Government NBN Definitive Agreement receipts and regulated wholesale price changes

PRODUCT PERFORMANCE
TOP LINE GROWTH SUSTAINED

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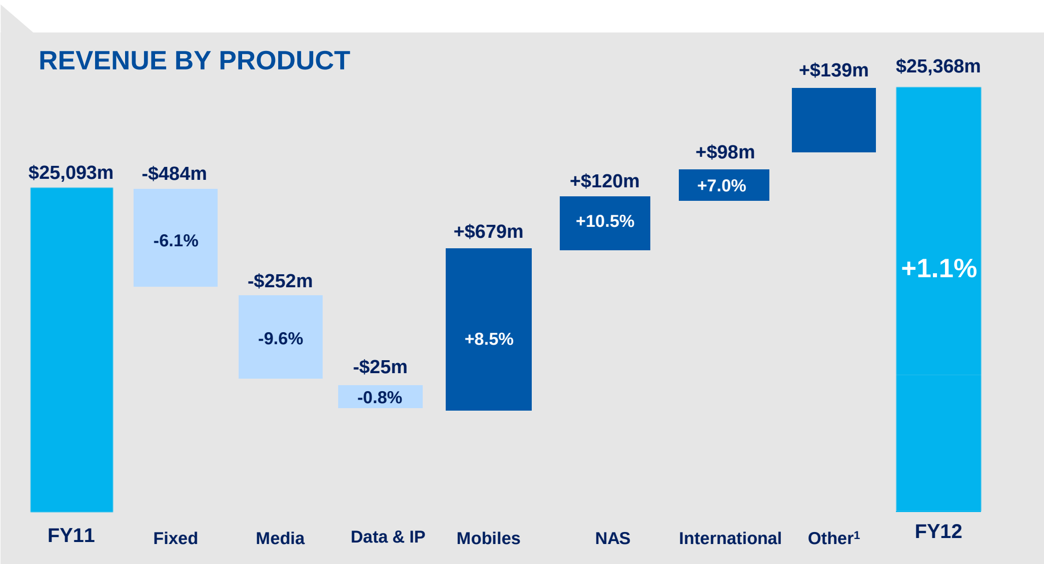


1. Other includes increased distributions from Foxtel (+$38m) and Government NBN payments (+$67m)

PRODUCT PERFORMANCE - FIXED
FIXED BROADBAND PARTLY OFFSETS DECLINE IN PSTN

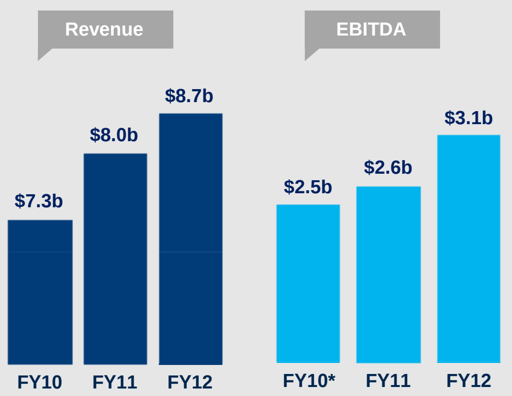
FIXED	FY11	FY12	Growth
Revenue	$8.0bn	**$7.5bn**	-6.1%
- PSTN	$5.4bn	**$4.8bn**	-10.0%
- Fixed BB	$2.0bn	**$2.0bn**	+2.9%
EBITDA Margin - PSTN	59%	**60%**	+1pp
EBITDA Margin – Fixed BB	31%	**37%**	+6pp
PSTN Customers – retail	7.2m	**6.9m**	-0.3m
Fixed BB Customers – retail	2.4m	**2.6m**	+0.2m

- **MOBILE VOICE ONLY HOUSEHOLDS INCREASED 2% TO 14% NATIONALLY**
- **RETAIL PSTN LINES DECLINED BY 281,000**
- **FIXED RETAIL BB CUSTOMERS UP 203,000 TO 2.6 MILLION**
- **BUNDLED CUSTOMERS UP 336,000 TO 1.4 MILLION**

PRODUCT PERFORMANCE - MOBILES
ANOTHER STRONG YEAR FOR MOBILES

MOBILES	FY11	FY12	Growth
Revenue	$8.0bn	**$8.7bn**	+8.5%
- Postpaid handheld	$4.4bn	**$4.7bn**	+6.0%
EBITDA Margin	33%	**36%**	+3pp
Customers	12.2m	**13.8m**	+1.6m
Postpaid Handheld ARPU ex. MRO	$65	**$65**	+0.1%
Postpaid Handheld ARPU inc. MRO	$64	**$62**	-3.8%
Postpaid Handheld Churn	13.4%	**12.2%**	-1.2pp

CONTINUED REVENUE & EBITDA GROWTH



* FY10 EBITDA has not been adjusted for product hierarchy changes

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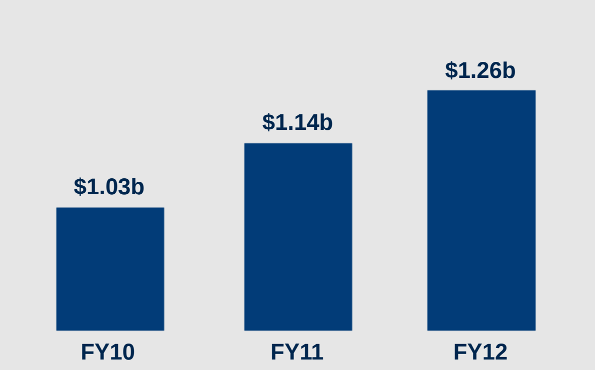
PRODUCT PERFORMANCE – DATA & IP
STRONG IP ACCESS OFFSET DECLINES IN LEGACY

DATA & IP	FY11	FY12	Growth
Revenue	$3.1bn	**$3.1bn**	-0.8%
- IP Access	$1.0bn	**$1.1bn**	+8.9%
- Legacy Data	$0.4bn	**$0.3bn**	-14.9%
- ISDN	$0.9bn	**$0.8bn**	-5.8%
EBITDA Margin	64%	**64%**	-

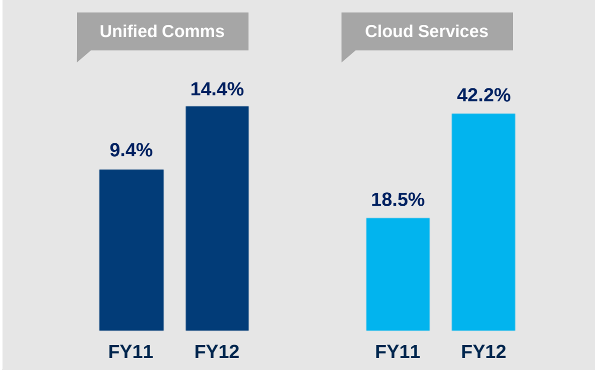
- **IP ACCESS REVENUE +8.9% AS PENETRATION OF IP SOLUTIONS INCREASE**
- **MARKET SHARE GROWTH CONTINUES**
- **KEY ENABLER OF NAS GROWTH IN ENTERPRISE AND GOVERNMENT**
- **NAS UPTAKE DRIVES IP GROWTH IN BUSINESS SEGMENT**

PRODUCT PERFORMANCE – NAS
NAS CONTINUES TO GROW

FY2012 NAS REVENUE +10.5%



STRONG GROWTH IN NAS PORTFOLIO



SIGNIFICANT CONTRACT SIGNINGS IN 2012 › DEPENDABLE ANNUITY STREAM IN 2013

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SEGMENT RESULTS
EXTERNAL INCOME

$ Billions	FY11	FY12	Growth
Consumer	9.9	**10.3**	3.6%
Business	4.7	**4.7**	-0.9%
Enterprise and Government	4.1	**4.3**	4.4%
Telstra Retail	18.8	**19.3**	2.6%
Telstra Wholesale	2.2	**2.1**	-4.2%

PRODUCT PERFORMANCE – MEDIA
SENSIS AND DIGITAL MEDIA ADAPTING TO CHANGE

MEDIA MARKETING SERVICES

SENSIS	FY11	FY12	Growth
Revenue	$1.8bn	**$1.5bn**	-17.7%
- Print	$1.2bn	**$1.0bn**	-22.1%
- Digital	$0.4bn	**$0.4bn**	+4.5%
EBITDA Margin	56%	**47%**	-9pp

MEDIA ENTERTAINMENT SERVICES & CONTENT

- **MEDIA REVENUE +4.7% EX-SENSIS & ADVERTISING**
- **FOXTEL SALES VIA TELSTRA +3.1% TO $602M**
- **>5 MILLION BIGPOND MOVIE DOWNLOADS**
- **2.3M PAYING TRANSACTIONS PER MONTH ACROSS BIGPOND CONTENT PORTFOLIO**

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PRODUCT PERFORMANCE – MEDIA
FOXTEL

FOXTEL[1]	FY11	FY12	Growth
Revenue	$2.1bn	**$2.2bn**	+3.6%
EBITDA	$551m	**$598m**	+8.5%
Customers - metro	1,652k	**1,676k**	+24k
iQ HD Penetration	31%	**42%**	+11pp

- **INCREASED TAKE UP OF FOXTEL PRODUCTS – FOXTEL iQ, MULTI-ROOM AND HD DIGITAL**
- **FOX SPORT PENETRATION >80%; PREMIUM PLATINUM SERVICE >40%**
- **$108 MILLION DISTRIBUTION RECEIVED[2]**
- **AUSTAR ACQUISITION COMPLETED 23 MAY 2012**

1. Stand alone Foxtel results (excluding Austar)
2. Foxtel not consolidated in Telstra's accounts - however distributions are included in Telstra EBITDA

PRODUCT PERFORMANCE – INTERNATIONAL
INTERNATIONAL PORTFOLIO +7%

INTERNATIONAL (AUD)	FY11	FY12	Growth
Revenue – Total	$1,398m	**$1,496m**	+7.0%
- Hong Kong (CSL)	$814m	**$860m**	+5.7%
- China digital media	$176m	**$128m**	-27.3%
- Global connectivity & NAS	$408m	**$508m**	+24.5%

- **STRONG GLOBAL PLATFORM TO SUPPORT NAS OPPORTUNITIES**
- **CSL CUSTOMER GROWTH +475K**
- **CSL EBITDA MARGIN +4PP TO 26%**
- **RE-FOCUS CHINA PORTFOLIO ON AUTOHOME**

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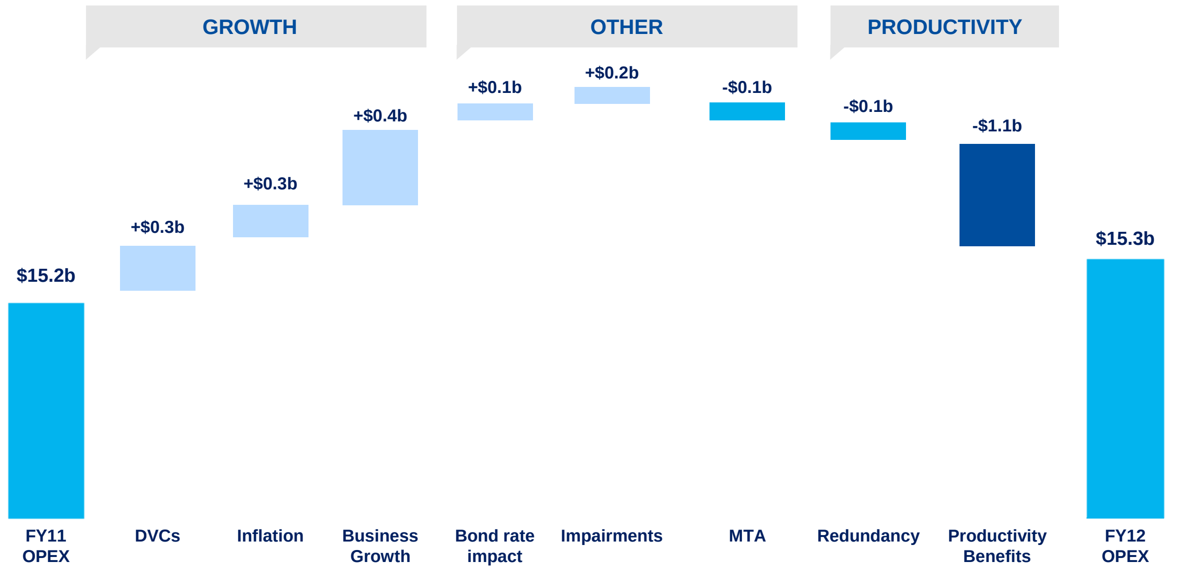
PRODUCTIVITY
$1.1 BILLION IN PRODUCTIVITY BENEFITS



CAPITAL MANAGEMENT
STRATEGIC FRAMEWORK

FISCAL DISCIPLINE

OBJECTIVES

1. MAXIMISING RETURNS FOR SHAREHOLDERS
2. MAINTAINING FINANCIAL STRENGTH
3. RETAIN FINANCIAL FLEXIBILITY

PRINCIPLES

1. Maintain balance sheet settings consistent with a single-A credit rating
2. Ensure dividend remains fully-franked and increase over time. FY12 and FY13 dividend will be 28c, fully-franked[1]
3. Target medium-term capex/sales ratio ~14% subject to NBN roll-out, excluding spectrum payments
4. Over a full year we will not borrow to pay the dividend or fund capital returns
5. Maintain flexibility for portfolio management and to make strategic investments

Excess Free Cashflow at 30 June 2012: $1 billion

Excess Free Cashflow (3 years): $2 – $3 billion

1. Any dividend is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

CAPITAL MANAGEMENT
BALANCE SHEET SETTINGS AS AT 30 JUNE

	FY11	FY12
Gross Debt[1]	$16.2bn	$17.2bn
Liquidity	$2.6bn	$3.9bn
Net Debt	$13.6bn	$13.3bn
Avg. Borrowing Costs	7.2%	7.0%
Financial Parameters	**Comfort Zones**	**Actual**
Debt Servicing	1.5 – 1.9x	1.3x
Gearing	50% to 70%	53.2%
Interest Cover	>7x	10.3x
Credit Ratings	**Long Term**	**Short Term**
S&P (Outlook)	A (stable)	A1
Moody's (Outlook)	A2 (stable)	P1
Fitch (Outlook)	A (stable)	F1

Debt Maturities Due:	
Less than 1 year	$3.0bn
1 – 3 years	$4.8bn
4 – 7 years	$4.0bn
8 – 10 years	$4.7bn
> 10 years	$0.2bn

1. Includes commercial paper

CAPITAL MANAGEMENT
PORTFOLIO MANAGEMENT

INVESTMENTS

TOTAL ~$500 MILLION

DIVESTMENTS

TOTAL ~$660 MILLION

* Subject to regulatory approvals

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2013 GUIDANCE[1]

Measure	FY12 Reported	FY12 ex TelstraClear	FY13 Guidance
Total Income	$25.5bn	$25.0bn	**Low single digit growth**
EBITDA	$10.2bn	$10.3bn	**Low single digit growth**
Capex			**~15% of sales**
Free Cash Flow	$5.2bn	$5.1bn	**$4.75 – $5.25 bn**
Dividend[2]			28 cps fully franked

1. Guidance assumes wholesale product price stability, no impairments to investments (including the foreign exchange impairment on Telstra Clear expected on completion) and excludes any proceeds on the sale of businesses and the cost of spectrum purchases
2. Dividend subject to the Board's normal approval process for dividend declaration and there being no unexpected material events

SUMMARY

- DELIVERED ON COMMITMENTS
- A STAND OUT YEAR IN MOBILES WITH GROWTH IN FIXED RETAIL BROADBAND, NAS AND INTERNATIONAL
- PSTN DECLINED IN LINE WITH EXPECTATIONS AND A CHALLENGING YEAR FOR SENSIS
- SIMPLIFICATION PROGRAMME DELIVERED $1.1 BILLION OF PRODUCTIVITY BENEFITS
- ACTIVE CAPITAL & PORTFOLIO MANAGEMENT
- MOMENTUM IN BUSINESS TO CONTINUE IN FY13

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TELSTRA FULL YEAR RESULTS ANNOUNCEMENT 2012

DAVID THODEY, CHIEF EXECUTIVE OFFICER

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OUR STRATEGIC PRIORITIES ARE DELIVERING

IT'S HOW WE CONNECT

- IMPROVE CUSTOMER SATISFACTION
- RETAIN AND GROW CUSTOMER NUMBERS
- SIMPLIFY THE BUSINESS
- BUILD NEW GROWTH BUSINESSES

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IMPROVE CUSTOMER SATISFACTION

Initiatives:

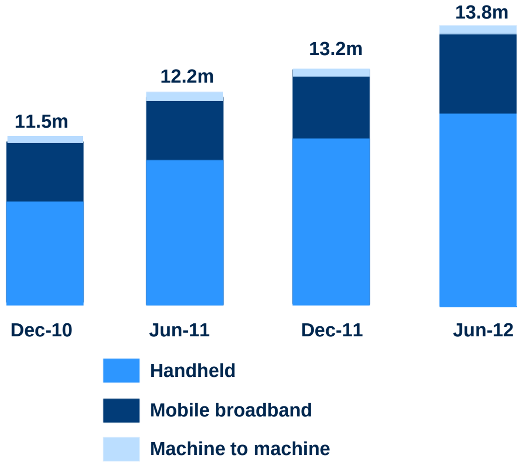
- One Step (one order, one appointment to activate PSTN and ADSL)
- Online support available 24/7 via Facebook, Livechat, CrowdSupport
- Thirteen apps for tablets and smartphones
- Website redesign for easier navigation and transactions

Outcomes:

- 26% decrease in Level 1 TIO complaints
- 21% decrease in consumer call volumes
- Company-wide Net Promoter System (NPS) deployment

RETAIN AND GROW THE NUMBER OF CUSTOMERS

Number Of Mobile Customers



- 1.6 million new domestic mobile customers
- 375,000 4G devices sold
- 203,000 new retail fixed broadband customers
- 336,000 new customers on a bundled plan
- 193,000 T-BOX® sales
- 148,000 T-HUB® sales

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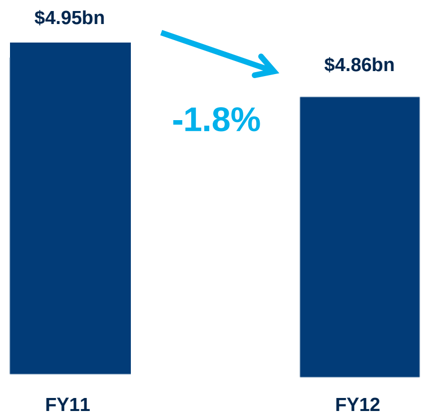
SIMPLIFY THE BUSINESS

Labour and Labour Substitution Expense*



- $1.1 billion in productivity benefits
- 1.6 million customers now receive a digital bill
- 1 million customers registered for direct debit
- Over $100 million in online bill payments received per month
- Our new online shop is up and running
- 24x7 LiveChat

*Excludes impact of bond rate on labour expenses in FY12

BUILD NEW GROWTH BUSINESSES

MEDIA

ASIA

NAS

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SENSIS – DIGITAL STRATEGY

- Our digital transition continues
- Strong growth in third party networks
- Growth in usage:
    - Yellow Pages Digital visits +16%
    - White Pages Mobile visits + 47%
- Focus on churn reduction, penetration of digital products and management of print decline

SUMMARY

WE HAVE MET OUR COMMITMENTS

OUR STRATEGIC PRIORITIES ARE DELIVERING

OUR STRATEGY REMAINS UNCHANGED

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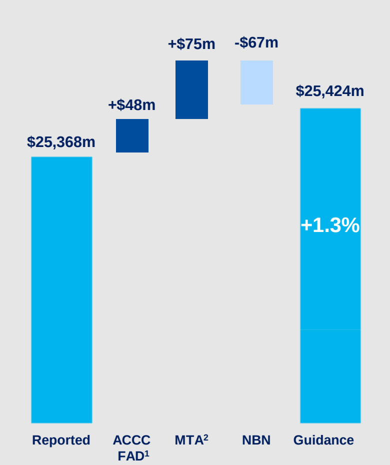
APPENDIX

IT'S HOW WE CONNECT

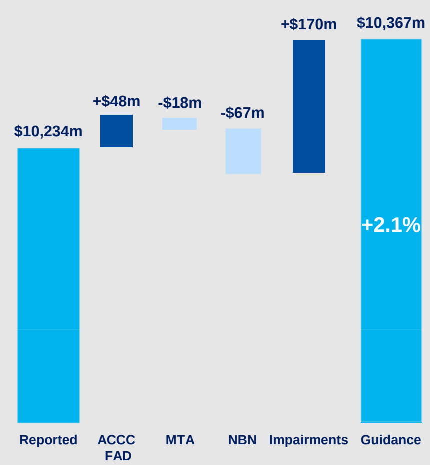
GROUP RESULTS
REPORTED TO GUIDANCE RECONCILIATION

IT'S HOW WE CONNECT

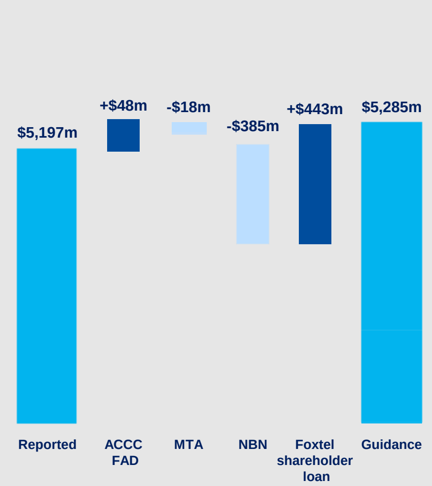
TOTAL REVENUE



EBITDA



FREE CASHFLOW



1. ACCC Final Access Determination (FAD) pricing for fixed services
2. Re-pricing of mobile terminating rates from 9 cents to 6 cents

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PRODUCT PERFORMANCE
PRODUCT PROFITABILITY

EBITDA Margin[1, 2]	FY11	FY12	1H12	2H12
Mobiles	33%	36%	34%	39%
Fixed BB	31%	37%	35%	38%
PSTN	59%	60%	60%	60%
Data & IP	64%	64%	63%	64%
Sensis	56%	47%	25%	60%
Telstra Group	**40.6%**	**40.6%**	**38.3%**	**42.8%**

1. Product EBITDA margins are for selected portfolios which are reflective of Telstra's domestic business. These EBITDA margins are based on management estimates and are calculated in accordance with AASB 8 and reconcile with segment information.
2. Includes minor adjustment to historic numbers to reflect changes in product hierarchy

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Telstra FY12 Annual Results Announcement Speech

David Thodey - CEO

SLIDE 1:

Good morning everyone. Welcome to Telstra's full-year results for fiscal year 2012.

We're going to cover three things this morning:

1. Firstly, I'm going to give a quick introduction, looking at some highlights for the year;
2. Andy Penn will take you through the numbers in more detail;
3. I will then return to give you a brief update on our strategic priorities.

SLIDE 2: Disclaimer

SLIDE 3:

We have had a strong year and we have delivered on our commitments:

- We have met the guidance we set 12 months ago and delivered total revenue of $25.4 billion.
- On a guidance basis total revenue increased by 1.3% and EBITDA increased by 2.1%.

Our business has proved resilient in a mixed economic climate:

- We achieved top and bottom line growth;
- We won share in key products;
- We grew profitability in key products; and
- We were able to offset the declines we had in Sensis and Telstra Business with our performance in our core domestic business.

Our balance sheet remains strong and we have a clear capital management framework.

Our strategic priorities are delivering results. We are:

  - Improving customer satisfaction;
  - Retaining and growing the number of customers;
  - Simplifying the business; and
  - Building new growth businesses.

This is reflected in our key achievements.

SLIDE 4:

It has been an eventful year. I would like to discuss four of the key achievements that stand out for me.

1. As you know, we are focused on putting the customer at the centre of everything we do. We are working hard to build a culture of real customer service. Over the past 12 months our efforts to improve customer satisfaction are starting to pay dividends.
    - While there is more work to be done, our internal and external measures continue to show improvement. Lead indicators (such as TIO complaints; activation and assurance improvements;

billing and billing query improvements; shop and online improvements) show that we are making progress. But, as I said, we still have a long way to go.
- We recently took the significant step of introducing the Net Promoter System into our business to support further gains in this area. We want to turn customers into advocates by giving them the best possible service.

2. The second achievement is our mobiles performance – both in terms of the net number of SIOs added and the quality of our networks.
    - This year we added 1.6 million domestic mobile customers. This brings the total number of domestic mobile customers to 13.8 million. This includes 6.6 million postpaid handheld customers; 3.3 million prepaid handheld customers and 3.1 million mobile broadband customers.
    - We also added 475,000 mobile customers in Hong Kong, bringing the total number on our CSL network to 3.5 million customers.
    - As for the performance of our network here in Australia, our 3G network received a number of awards this year, including awards from JD Power; Frost & Sullivan; Gizmodo; and Lifehacker.
3. The third achievement is the work we have done in relation to capital and portfolio management.
    - In April we announced our capital management strategy to the market.
    - Last month, we announced the sale of Telstra Clear in New Zealand as part of our portfolio management activities.
4. Lastly, we finalised the NBN agreements with the Commonwealth and NBN Co, including ACCC acceptance of our Structural Separation Undertaking.
    - At our Annual General Meeting last October (nine months ago), shareholders voted overwhelmingly in favour of Telstra's participation in the rollout of the NBN. This was an important milestone, delivering greater certainty for our shareholders.
    - The NBN Agreements are now in place and Telstra is committed to delivering on those agreements. We are NBN ready and focused on leveraging the opportunities arising from the NBN.
    - In March we received $321 million from the Government as part of the Information Campaign and Migration Deed.
    - Then in June we received a further $100 million from the Government for the Retraining Funding Arrangement.
    - We recently handed over stage 1 of the transit network build to NBN Co (dark fibre and exchange rack spaces) under the Infrastructure Services Agreement. We continue to seek opportunities to collaborate positively with NBN Co on the building of its access network.
    - Recognising the benefits arising from the NBN agreements, we have decided to accelerate our NBN transit build.
    - We have also launched retail and wholesale services over the NBN following successful trials in the early release sites.

Let me pause here and hand over to Andy who will take you through the results in more detail.

Andrew Penn – CFO

SLIDE 5:

Thank you David and good morning.

SLIDE 6:

I am going to cover five topics in my presentation this morning.

Firstly, I will take you through the group results and comment on how we tracked relative to guidance.

Secondly, I will take you through the performance of our key product groups - Fixed, Mobile, Data and IP, and our growth businesses, NAS, Media and International.

Thirdly, I will comment on the continued progress we are making in our productivity programme and the efficiencies we are delivering through operating expenses.

Fourthly, I will provide you with an update of our capital position against the background of the capital management framework I outlined in April.

And finally, I will conclude with some comments on the outlook for fiscal year 2013, including guidance.

SLIDE 7:

As David has already mentioned, we are pleased to have delivered another set of results in line with our commitments to the market and in line with guidance.

For the financial year ended 30 June 2012, on a reported basis, revenue was up 1.1% to $25.4bn. EBITDA was up 0.8% to $10.2bn. This included a $130m impairment in relation to the sale of TelstraClear in New Zealand. Earnings per share were up 5.4% to 27.5c per share.

On a guidance basis, total revenue was up 1.3% and EBITDA was up 2.1%.

The guidance basis excludes the impact of impairments, regulated wholesale price changes and payments received from the Government in relation to NBN. A reconciliation of these impacts is provided in the appendix to my presentation.

Accrued capital expenditure for the year was $3.6bn or 14.2% of sales. During the year we generated $5.2bn of free cash flow, further strengthening our capital position.

The Board has declared a final dividend of 14.0c per share. This brings the total dividend for the year to 28.0c per share fully franked.

SLIDE 8:

Looking across the business, reported revenue was up 1.1% to $25.4bn.

Fixed revenues declined 6.1% as expected whilst Sensis experienced significant declines in print revenues and this was the main cause of the 9.6% decline in Media.

It is against this background that our revenue growth was particularly pleasing with Mobile revenue up $679m or 8.5%, NAS revenue up $120m or 10.5% and International revenue up $98m or 7.0%, collectively adding almost $1bn.

I will now take you through the performance of our products in more detail starting with Fixed.

SLIDE 9:

Total Fixed revenue declined 6.1% to $7.5bn.

PSTN revenue declined 10% due to a 281,000 reduction in retail PSTN lines and lower ARPU.

Recent research has indicated that approximately 2% of households moved to mobile only households during the year with the total now standing at 14% nationally.

Partly offsetting the decline in PSTN revenue was strong growth in our Fixed Retail Broadband business.

Revenue was up 8.5% to $1.6bn driven by strong customer growth, up 203,000 to 2.6m.

This strong result highlights the success of our bundles strategy with continued strong growth in existing customers taking multiple products for the first time. We now have more than 1.4m customers on a bundled plan with 336,000 added in 2012.

We also achieved a 6 percentage point improvement in our Fixed Retail Broadband margin to 37% following capital investments and productivity improvements.

Going forward we expect the revenue mix to continue to shift from PSTN to Fixed Broadband with increased penetration of bundled plans and the rollout of the NBN.

SLIDE 10:

2012 was a standout year for our Mobiles business.

Revenues were up 8.5% to $8.7bn and Mobiles now represent more than one third of our total revenue base.

We continued to win market share during the year with the acquisition of a further 1.6m Mobile customers.

These results were supported by the superiority of our networks including the launch of our 4G Network in September 2011. We have sold more than 375,000 4G devices since the launch.

In the post paid handheld market, customer growth was up 8.8% and revenue was up 6.0% to $4.7bn. ARPU declined 3.8%, mainly due to the impact of the mobile repayment option. Excluding this, post paid handheld ARPUs were broadly flat over the year, while the post paid handheld deactivation rate improved to 12.2%.

2012 has therefore represented another very strong year for our Mobiles business with EBITDA up 21% to $3.1bn.

SLIDE 11:

Turning to Data and IP.

Overall revenue declined 0.8%. However the portfolio continued to deliver strong EBITDA margins at 64%.

IP access revenue grew 8.9% to $1.1bn as we continued to grow market share.

This was offset by declines in legacy Data products down 14.9% and ISDN revenues down 5.8%.

IP Access continues to act as a strong platform for our Network Application Services (NAS) business in the Enterprise and Government sector. NAS products such as cloud and IP telephony are also a platform for extending IP products into the small business sector.

SLIDE 12:

In this regard we have seen strong growth in NAS over the last couple of years and revenue was up again in 2012, 10.5% to $1.26bn.

This was supported by strong growth in Unified Communications up 14.4%, and Cloud Computing up 42.2%.

We saw growth in NAS across most market segments, particularly in Enterprise & Government, and the large business market. During the year we signed a number of important contracts with the Department of Human Services, Australia Post, NAB and Origin. These large long term contracts will underpin our growth in the coming year.

SLIDE 13:
Looking at our core Australian telco business through the customer segment lens, total retail revenue grew by 2.6% to $19.3bn.
We saw strong growth in consumer, up 3.6% to $10.3bn and Enterprise and Government up 4.4% to $4.3bn.
Telstra Business declined slightly, down 0.9% to $4.7bn, reflecting the challenging economic environment for small business. Wholesale declined 4.4% to $2.1bn, mainly due to regulatory pricing changes, migration from resale products to lower ARPU infrastructure products and declining PSTN usage.

SLIDE 14:
Turning to Media.
There are three aspects to our Media portfolio – Media Marketing Services (which is Sensis), Media Entertainment Services and Content (this includes BigPond, content arrangements and the resale of FOXTEL via Telstra); and finally FOXTEL itself.
David will talk a little later on Sensis, but it has clearly been a challenging year as we transition from a print to a digital marketing services business.
Sensis revenue was down 17.7% to $1.5bn with print revenue down 22.1% partly offset by growth in Digital, up 4.5%.
Notwithstanding the challenging year, Sensis's margins remained attractive, albeit declined 9 percentage points to 47%.
In Media Entertainment Services and Content, revenue was up 4.7%. This included FOXTEL sales via Telstra, up 3.1% to $602m.
During the year we also saw a number of positive signs that point towards the continued growth of this business.

- We have now sold close to 400,000 TBoxes. Over 5 million BigPond movies have been downloaded via a TBox since its launch.

- There are now over 2.3 million billed transactions per month across the BigPond portfolio, including movies, music, games and shopping; and

- There have been more than 600,000 downloads of the AFL app and 8.1 million online video streams.

SLIDE 15:
Turning to FOXTEL.

On a stand alone basis FOXTEL revenue was up 3.6% in 2012 to $2.2bn, EBITDA was up strongly, 8.5% to $598m. These numbers exclude AUSTAR which was acquired in late May.

Customer numbers were up 24,000 to 1.7m and FOXTEL also saw improvements in the take up of a number of important products. These included FOXTEL IQ, multi room and the high definition digital offerings.

Penetration of FOXTEL's IQ HD service increased from 31% to 42%, while over 80% of subscribers now take up FOXTEL's sports package and more than 40% take up the Premium package.

Telstra's 50% economic interest in FOXTEL is not consolidated into the results. However the distribution of $108m received during the year was included in Telstra's EBITDA result.

SLIDE 16:

Finally, turning to International.

International had a positive year with revenue up 7% to $1.5bn.

For CSL NewWorld, our Mobiles business in Hong Kong, revenue was up 5.7% to $860m. On a local currency basis revenue was up 10% following strong growth in customer numbers, up 475,000.

This performance supported strong growth in CSL's EBITDA margin, up 4 percentage points to 26%.

While we saw a 27% decline in revenue in China, this largely followed the sale of Soufun in 2011, LMobile and ChinaM in 2012 as we refocussed our portfolio on the successful Autohome business.

During the year we also completed the Reach integration. Following this, the global connectivity business grew 24.5% to $508m.

The reintegration of Reach and the further expansion of our regional cable business provides an excellent platform from which to grow our domestic NAS business into the region.

SLIDE 17:

I would now like to make a few comments on our ongoing productivity and simplification programme.

During the year direct variable costs increased approximately $400m due to increased mobile sales. The impact of inflation was approximately $300m and other business growth as a consequence of our growing portfolio and transaction volumes increased expenses by approximately $400m.

Expenses were also impacted by the fall in the Government Bond rate and impairments and regulatory changes to mobile termination rates.

Against this Project New delivered $1.1bn in productivity benefits in 2012 with total operating expenses for the group, including impairments, up only 0.8% to $15.3bn. Excluding impairments, operating expenses were broadly flat.

SLIDE 18:

Turning to Capital Management.

In April I presented to the market our strategic framework for Capital Management. At that time I indicated our excess free cash flow at 30 June 2012 was expected to be between $0.5bn to $1bn. We ended the year with excess free cash flow of $1bn, at the top end of this range.

Against this we have a significant debt refinancing programme in 2013 and significant spectrum commitments.

Also, as you will hear from David shortly, we will be investing an additional $500m over the next two years to bring forward investments in our 4G Mobile Network and the NBN Transit Networks. This will extend our Mobile Network advantage and bring forward the benefits from the NBN Agreements.

These investments will increase our capex to sales ratio to approximately 15% per annum over 2013 and 2014. This number is then expected to reduce below 14% in 2015.

I indicated in April that we expected our excess free cash to grow to $2bn-$3bn over the next three years, subject to the timing of the NBN rollout. This did not include the proceeds for the sale of TelstraClear or the additional capex I have just mentioned and based on the NBN revised roll out announced yesterday, I can nonetheless confirm our outlook of $2bn-$3bn over the next three years.

The other parameters of our capital management framework remain unchanged and Telstra is not contemplating capital management initiatives at this time.

SLIDE 19:

Consistent with this framework we continue to target a Single A Credit Rating. All of the major rating agencies have recently confirmed this.

We are currently operating at the conservative end of our balance sheet parameters with gearing at 53.2% and debt servicing at 1.3 times.

In addition, we are carrying almost $4bn of liquidity as at 30 June. This positions us well for the significant debt refinancing programme that I mentioned we will be undertaking this year. We have debt maturities of $3.0bn in 2013 in addition to spectrum commitments.

SLIDE 20:

We have also been active in terms of portfolio management as part of our overall capital management strategy. Subject to the regulatory approval of the TelstraClear transaction, approximately $660m will have been raised through the divestments of TelstraClear, LMobile and China M, with most of this being redirected into a range of investment opportunities. These included minority stakes in IPscape, Dimi, Mandoe and Oooyala, increasing our economic holding in Autohome and finally, supporting FOXTEL in the purchase of AUSTAR.

In summary we finished the year in a strong capital position with a better performing portfolio of businesses.

SLIDE 21:

Before closing I will make a few comments on guidance for 2013.

As the decommissioning payments from the roll out of NBN will be treated as Other Income we intend to guide based on total income in 2013 to capture these. We have also excluded the impact of the sale of TelstraClear on guidance. This includes the FX impairment expected to be realised in 2013.

On this basis we expect to see continued low single digit growth in both total income and EBITDA.

We expect our capex to sales ratio in 2013 to be approximately 15% as we support accelerated investments into our Mobile Network and the NBN Transit Network.

Free cash flow is expected to be between $4.75bn and $5.25bn taking into account this additional capex. Unlike previous years the free cash flow guidance does not make any provision for investing capex. We will update guidance on free cash flow for investments if and when appropriate.

Finally, subject to the Board’s normal approval process for dividend declaration, and there being no unexpected material events, we expect to pay a fully franked dividend of 28c per share in fiscal year 2013.

SLIDE 22:

Before handing back to David let me summarise:

- 2012 was a year of strong performance delivering on our commitments and results in line with guidance;
- We achieved a standout performance in Mobiles with EBITDA up 21% and 1.6m new customers.
- In Fixed Retail Broadband we added 203,000 new customers, and we grew revenue in NAS, up 10.5% and International, up 7.0%.
- Notwithstanding the continued decline in PSTN as expected, and a very challenging year for Sensis, we delivered top line and bottom line growth in relatively tough economic conditions.
- Project New delivered $1.1bn of productivity benefits and made a significant impact on improving our customer experience.
- We have put in place a clear capital management framework and have been actively managing our capital position and undertaking appropriate portfolio management.
- We ended the year with excess free cash of $1bn and confirmed our outlook of $2bn-$3bn over three years, notwithstanding the revised NBN roll out announced yesterday.
- And we expect the momentum in our business to continue into 2013.

Thank you and I would now like to hand back to David.

David Thodey – CEO

SLIDE 23: TITLE SLIDE

SLIDE 24:

I would like to give an update on each of our strategic priorities ─ improving customer satisfaction; retaining and growing the number of customers; simplifying the business; and building new growth businesses. Our priorities are all delivering results and remain our key focus areas.

SLIDE 25:

Improving customer satisfaction is core to our strategy.

There still remains a lot to do. But each day we continue to change how we interact with customers.

We have introduced many new customer service initiatives over the year. Let me highlight just a few:

- We launched One Step which provides a one order, one appointment process for customers to activate their PSTN and ADSL services. This means only one truck roll and allows customers to get online sooner.

- Customers can now get online service support, 24 hours a day, seven days a week. We are using social media services to support our customers, including Facebook and LiveChat. And, we have 60 people monitoring social media sites.
- Customers can now connect with us online via one of thirteen applications we have developed for iPad, iPhone and Android devices.
- Our website has been redesigned with a world class online shop and we have made it is easier to navigate through the site.

I am pleased to say we are seeing improvement. We have seen TIO level 1 complaints relating to Telstra reduce by 26% over the year. But they are still too high. However, they are heading in the right direction. We have reduced the overall percentage of Telstra related complaints handled by the TIO by over 30% over the last three years.

As a result of the service improvements we have made, including new online services, fewer calls are being made to our call centres. This year consumer call volumes reduced by 21%.

The introduction of the Net Promoter System (or NPS) is the next stage in improving customer satisfaction. As I said previously, we want to turn customers into advocates by giving them the best possible service. Every day we receive around 20,000 pieces of feedback from our customers. Our staff and partners listen to and learn from this feedback. This is one of the biggest change programmes ever undertaken by Telstra. We have asked every Telstra employee to treat our customers the way they would like to be treated themselves.

SLIDE 26:

We are grateful for the many customers who chose Telstra this year.

The quality of our mobile network is helping to drive growth in our business and is a key differentiator. This fiscal year we recorded one of our best ever years in mobile growth, with 1.6 million domestic mobile customers added. Over the past two years we have acquired over three million domestic mobile customers. Our domestic mobile business now accounts for more than one-third of our revenues.

In September 2011, we were the first Australian company to launch a commercial 4G LTE mobile network. Since then we have sold more than 375,000 4G devices. Our 4G network now covers more than 40% of the Australian population.

This year we invested $800 million in our mobile network. To maintain our network advantage, we will be investing $1.2 billion in fiscal year 2013 as part of the incremental capital investment that Andy mentioned earlier.

As Andy also mentioned, our fixed broadband portfolio grew by 8.5% this year as more customers took-up one of our competitive bundled offers. 336,000 customers signed up to a bundle offer, taking the total number of customers to 1.4 million customers on a bundle.

The increased availability of content over our T-Box and T-Hub (and the recently launched T-Hub2) saw sales of these products more than double in fiscal year 2012, with many customers taking up these products as part of our bundled plans. This year we sold 148,000 T-Hubs and 193,000 T-Boxes. Products like the T-Box and T-Hub are connecting customers to the digital world and, of course, are NBN compatible.

SLIDE 27:

Simplifying our business is critically important. We have delivered a decline in our labour and labour substitution costs which is due to the impact of our efforts to simplify the business. To achieve a 1.8% decline at a time when demand for our services continues to grow strongly, and, at the same time as improving customer satisfaction, is a great result. The result is testament to the hard work of all the people who work at Telstra.

This fiscal year we delivered $1.1 billion in productivity benefits across the business.

1.6 million customers now access their bill digitally (via PDF or online). One million customers have registered for direct debit. We receive over $100 million in online bill payments per month. I believe this is just the beginning.

Our new online shop is up and running. It has exclusive offers; free delivery for mobiles; and provides 24x7 support to customers. The introduction of LiveChat means customers can contact our sales consultants and talk to them live, and, our sales consultants can proactively reach out to customers.

We see significant opportunity to provide innovative support to our customers using new digital technology and services.

SLIDE 28:

The fourth element of our strategy is building our new growth businesses of media, Asia and Network Applications and Services. Our growth initiatives continue to build on our core competencies. They are a natural complement to our core business and reflect the trends and developments emerging in the industry.

Under the umbrella of our media business, we recently announced an exclusive arrangement between Telstra and MOG (a next generation music media company) to deliver a high-quality streaming music service across a range of devices (e.g. smartphones, tablets, wireless HiFi systems), giving subscribers access to a massive catalogue of music.

We think partnering with companies such as MOG makes a lot of sense and allows us to offer customers compelling content to suit their needs.

The year has also seen the acquisition of Austar by Foxtel; continued growth from our IPTV platform; and the roll-out of new content services, such as our exclusive live streaming of AFL games to mobile devices.

I will specifically discuss Sensis in more detail on the next chart.

Before I do, let me turn to Asia and NAS. Last month, we announced our investment in a NSW based company called IPscape, which provides cloud based call centre solutions to Telstra global customers.

Telstra Global now provides managed network services; international data and voice; satellite across Asia Pacific, China, India, Europe and Africa; and has a total of 14 carrier licences worldwide.

As Andy mentioned, our international business has performed well this year, delivering 7% growth in product revenue. CSL revenue grew by 10% in local currency. Global connectivity and NAS products (which includes assets acquired from Reach), grew by 24.5% to $508 million.

Recently we announced the appointment of David Burns as Head of NAS. David has a proven track record in leading highly profitable global services businesses and will be a great asset as we expand our NAS business. As Andy mentioned, this year we signed many new customers to NAS services and the pipeline for this business looks very strong.

Part of our ambition to grow NAS includes servicing our regional customers. Paul McManus, the former Head of NAS, has been appointed head of our Asian NAS business.

SLIDE 29:

Let me turn to Sensis. As we have talked about previously, Sensis has had a challenging few years as we move the business from print to the online world.

We are confident that our strategy is right, and that we will successfully make the transition to a digital media marketing services company.

We are now in the second year of digital sales in our major Yellow canvasses. We have seen good customer demand and shorter selling cycles, enabling us to focus on growing the customer base.

As foreshadowed, we have also focussed on aligning the cost base at Sensis with the new business model. Full year EBITDA margin was 47% – a good testament to those efforts.

I am pleased that John Allan has joined us to lead Sensis through this transition. John brings a wealth of media industry experience to the role. It is also good to have Rick Ellis, an experienced media executive, now managing our total media portfolio.

We are now a year into our three year transition. We expect double-digit revenue declines in fiscal year 2013, then by fiscal years 2014 and 2015 we expect the business to have stabilised.

SLIDE : 30

Before I finish, let me summarise today's full year results:

- We have delivered on our commitments:
    - We have met guidance.
    - Our business has proved resilient.
    - Our balance sheet remains strong.
- Our strategic priorities are delivering:
    - We achieved top and bottom line growth.
    - We expect the business will continue to grow at the top and bottom line in fiscal year 2013.
- Our strategy remains unchanged.

Thank you for your time this morning. Andy and I would be happy to take your questions.

[END]