

Investor Day

2 November 2017

Wi-Fi: @CIC
No password required.
Once connected, open a
browser and click accept.



Disclaimer

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 "Our material risks" section of our Operating and Financial Review (OFR) which is set out in Telstra's financial results for the year ended 30 June 2017 which was lodged with the ASX on 17 August 2017, and also included in our 2017 Annual Report which was released on 1 September 2017, and are available on Telstra's Investor Centre website www.telstra.com/investor.

These presentations are not intended to (nor do they) constitute an offer or invitation by or on behalf of Telstra, its subsidiaries, or any other person to subscribe for, purchase or otherwise deal in any debt instrument or other securities, nor are they intended to be used for the purpose of or in connection with offers or invitations to subscribe for, purchase or otherwise deal in any debt instruments or other securities.

All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences.

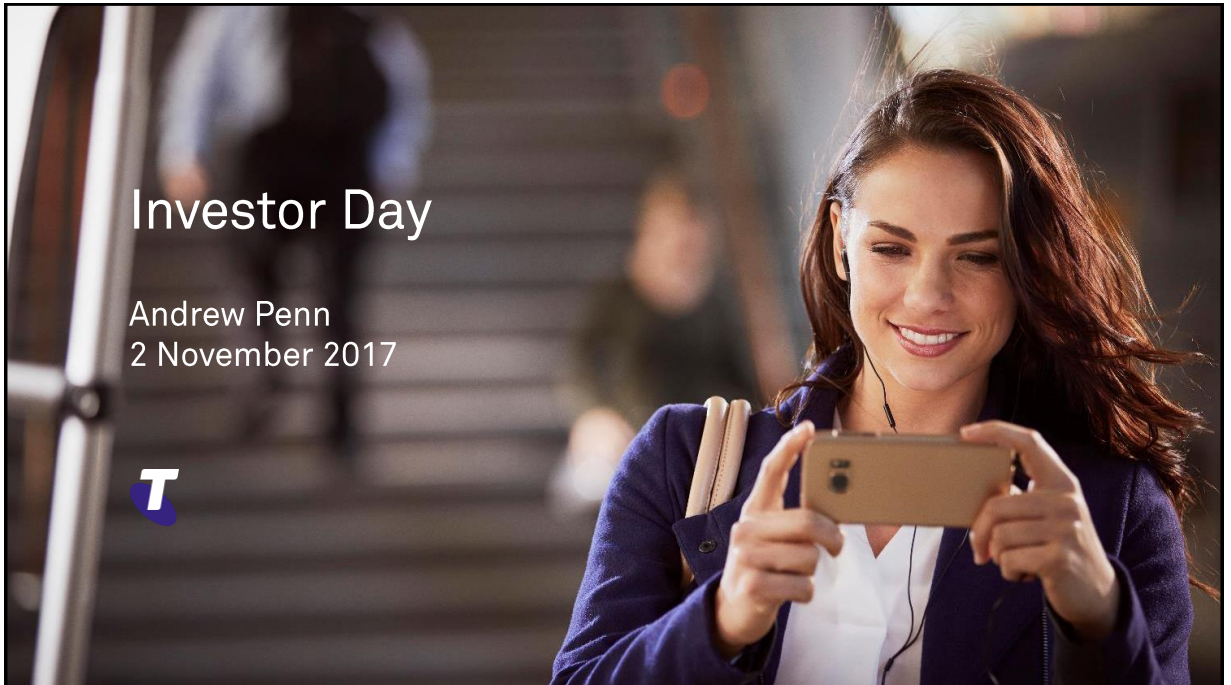
All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.

All amounts are in Australian Dollars unless otherwise stated.

nbn™, nbn co and other nbn™ logos and brands are trade marks of nbn co limited and used under licence.

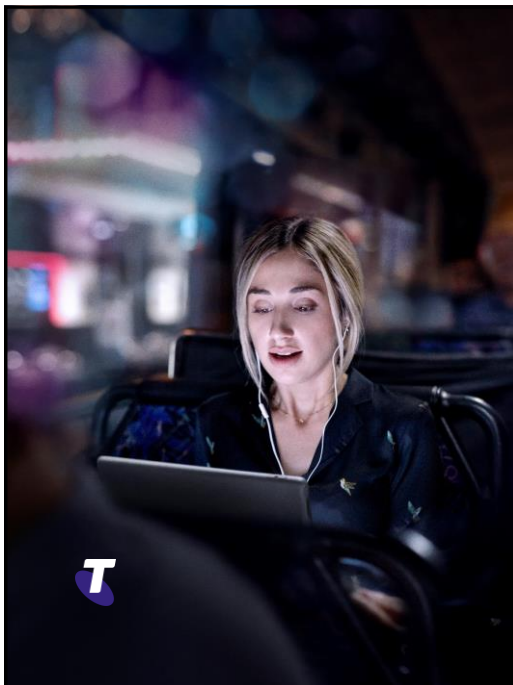
The Spectrum device, and ™ are Trade marks of Telstra Corporation Limited and © Registered trade marks of Telstra Corporation Limited. Other trade marks are the property of their respective owners.





Investor Day

Andrew Penn
2 November 2017



Objectives for the day

- 1 Opportunity to engage with key members of the broader team
- 2 Position our vision and strategy within the context of changing market dynamics
- 3 Demonstrate how we are progressing in relation to the 3 pillars of our strategy
 - Delivering Brilliant Customer Experiences
 - Driving Value and Growth from the Core
 - Building Growth Businesses close to the Core
- 4 Update you in relation to the progress we are making on our Strategic Investment Program
- 5 Provide a deeper dive on our infrastructure and telecommunications assets, including in a post nbn world
- 6 Demonstrate the growth and value opportunity for the company

CEO leadership team



Andrew Penn
Chief Executive Officer



Cynthia Whelan
Group Executive
New Businesses



Carmel Mulhern
Group General Counsel
Group Executive
Corporate Affairs



Warwick Bray
Chief Financial Officer



Vicki Brady
Group Executive
Consumer & Small
Business



Robyn Denholm
Chief Operations Officer



Alex Badenoch
Group Executive HR



Brendon Riley
Group Executive Enterprise

• Also speaking today



Will Irving
Group Executive
Wholesale



Joe Pollard
Group Executive
Media & Marketing



Stephen Elop
Group Executive
Technology,
Strategy & Innovation



Mike Wright
Group Managing Director,
Networks



Page 5

Agenda

Agenda and Strategy Update	Andrew Penn
Market context	Stephen Elop
Break	
Telstra Enterprise	Brendon Riley
Consumer & Small Business	Vicki Brady
Q&A	Andrew Penn, Stephen Elop, Brendon Riley, Vicki Brady
Lunch & Customer Immersion Sessions	
Transformation update: Networks for the Future and Digitisation	Robyn Denholm, Mike Wright
Financial Strategy	Warwick Bray
Q&A	Andrew Penn, Robyn Denholm, Mike Wright, Warwick Bray



Page 6

Our vision is to become a world class technology company that empowers people to connect

1. Traditional worlds of technology and computing are converging



2. Demand is growing, but value is captured at the layer of applications and services



PAGE 7

Economic headwinds and challenges will increase over next 2 – 3 years

Competitive dynamics



Digital disruption



Regulatory and macro economics



Migration to nbn








Two critical decisions:

- 1 Strategic investment program; investing up to \$3bn incremental capex over 3 years to 30 June 2019
- 2 New dividend policy




PAGE 8

nbn

Service	Speed	Affordability
 	 	
<ul style="list-style-type: none"> • Activation • Assurance 	<ul style="list-style-type: none"> • nbn technology choice • CVCs • In home experience • Other network 	<ul style="list-style-type: none"> • CVC/AVC – pricing structure

Our purpose, vision & strategy

Purpose	To create a brilliant connected future for everyone		
Vision	To be a world class technology company that empowers people to connect		
Brand	To create better ways to empower everyone to thrive in a connected world		
Strategic pillars	Deliver brilliant customer experiences	Drive value and growth from the core	Build new growth businesses close to the core
			
Strategic enablers	Networks for the future	Deliver a seamless end to end usage experience across our networks and build the network 2020 architecture	
	Digitisation	Digitise our systems and processes to enable brilliant customer experiences and simplify our ways of working	
	Culture & capabilities	Build and enhance priority capabilities and drive critical cultural shifts (simplicity and accountability)	
			Strategic investment of up to \$3 billion from FY17 – FY19

Strategic Investment Program

- Investing up to \$3bn incremental capex to achieve a step change in Customer Experience
- Total capex (including spectrum) over 3 years to FY19 to exceed \$15bn
- Financial benefit of >\$500 million per annum realised by FY21

Customer Experience



Networks of the future

The New Generation Network



Mobile Leadership



Always On Network



New Services



Digitisation

Digital Experiences (Customer)



Digital Experiences (Employee)



Digital Platforms



Digital Ways of Working

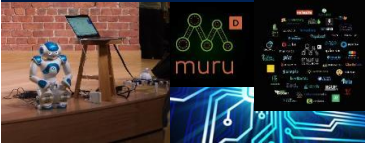



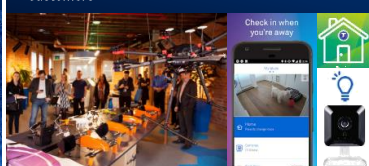




\$750m of strategic investment deployed at 30 June

KEY METRICS UPDATE.

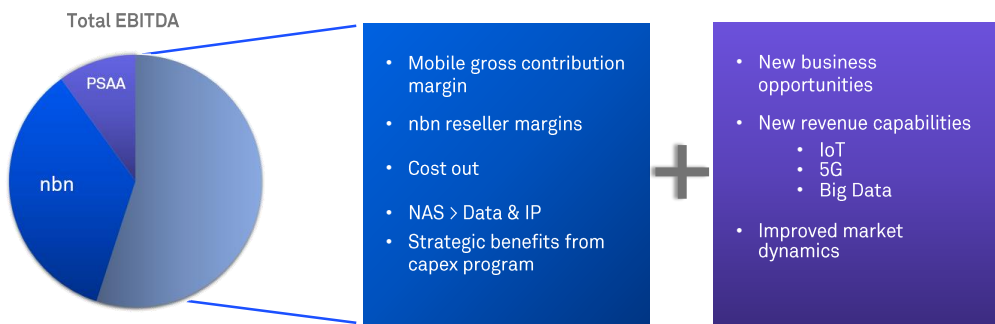
Networks for the future		UPDATE	
New network build based on SDN/NFV architecture:100% by FY20		6.4% (vs FY17 target of 5%)	
Deliver Gigabit-enabled LTE in CBD locations and selected high traffic areas for our capital cities by end FY19		Gigabit enabled network in Sydney & Melbourne CBDs plus ~2km, Bris CBD plus ~1.5km & a number of additional sites in all 3 cities. Gigabit LTE deployment underway in Perth & Adelaide CBDs.	
Mobility speed and coverage: deliver double the speeds of original 4G to 87% of population by end FY 19		Double the speeds of original 4G to 90% of population .	
Ensure 85% of ADSL customers during nbn transition can experience a quality video streaming experience and the other 15% are provided tailored solutions for the best possible experience		90% of ADSL customers now have ADSL supporting quality video streaming. New HEVC technology in Telstra TV2 reduces data consumption for streaming HD video.	
Deliver 5 times data growth holding overall network costs flat by FY20		Optical transport layer now available on routes connecting Sydney, Melbourne, Brisbane, Perth & Adelaide. These foundations allow us to increase capacity to meet future customer demand & simplify our network to enable capital efficiency.	
Digitisation	UPDATE	Customer Experience	UPDATE
Applications retired, contained or moved to cloud: FY20: 50% or 800 applications	156 additional applications retired, contained or virtualised in FY17.	Strategic NPS: Annual increase of 3-6 points each year from FY17-FY20	+6 points over 6 months to June 2017 (flat compared to June 2016)
IT delivery capability applying Agile/DevOps capabilities: FY20: 70%	25% with over 100 teams implementing Agile/DevOps delivery through some of our major programs.	Episode NPS: Annual increase of 3-6 points each year from FY17-FY20	+2 points over 6 months to June 2017 (+3 points compared to June 2016)
Automated processing of consumer nbn orders: FY20: 95%	<5%. Initial volumes now provisioned leveraging new digital platforms. On track for 50% by end of financial year.		

We are making good progress

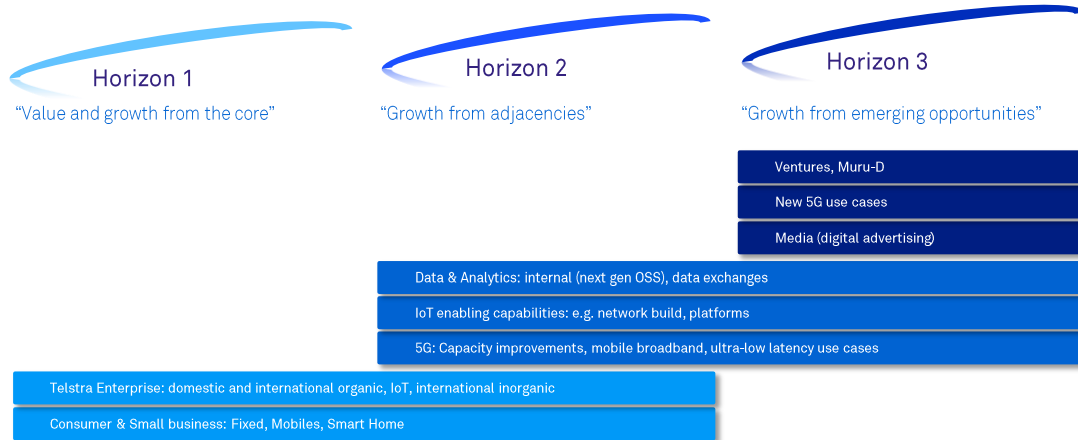
<p>Innovation Initiatives aimed at lifting the level of innovation</p> 	<p>Simplified business Refocused our strategy on new growth and adjacencies closer to the core</p> 	<p>Building capability for the future Creating new customer-inspired culture & capabilities</p> 
<p>Networks Completed major network resiliency & redundancy program</p> 	<p>Applications & services Delivering world-leading digital experiences for our customers</p> 	<p>Repositioning the Telstra brand Becoming a provider of world-leading technology solutions</p> 


PAGE 13

Driving value



Over long term, the foundations we are laying today will open up new opportunities for growth



Market context

Stephen Elop, Group Executive
Technology, Innovation and Strategy

Telstra has capitalised on previous moments of disruption

We benchmarked ourselves against 16 telco peers on dimensions of market position, market performance, and levels of investment

		Our Peer Ranking	Result	Peer Group Average
Market position	Mobile Market share ¹	#3	~54%	~39%
	EBITDA Margin [*]	#1	~41%	~33%
Market Performance	Mobile ARPU (USD) ²	#9	~\$31.6	~\$29.1
	Capex/Sales ³	#7	~16%	~16%
Capex investment & returns	FCF/Sales ⁴	#1	~25%	~18%
	ROIC ⁵	#2	~16%	~10%

Note: Company filings, broker research, BoAML Global Wireless Matrix, GSMA, Factset and Ovum
Global peer group: AT&T, BCE (Bell), BT Group, Deutsche Telekom, NTT Docomo, Orange, Rogers, Singtel, Swisscom, Telecom Italia, Telefonica, Telenor, Telia, T-Mobile US, Verizon and Vodafone
Telstra reported on a continuing operations basis, with the exception of capex/sales, which are reported on a continuing and discontinued operations basis

* Three year average (2015-2017) based on annual figures calendarised to June year-end, or estimates

1. Mobile Market share (SIOs) as at end of calendar year 2016

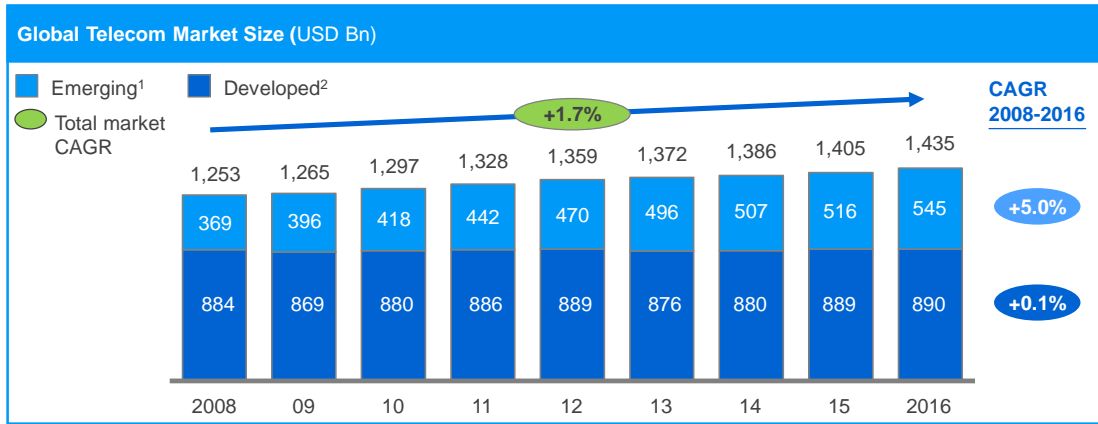
2. ARPU includes cellular M2M
3. Capex and sales not adjusted for spectrum or M&A spend
4. FCF calculated as EBITDA less capex over sales
5. ROIC is equal to NOPAT / average invested capital; NOPAT calculated as EBIT * (1 - effective tax rate), average invested capital calculated as net debt + shareholders equity averaged between the current and preceding fiscal year



Four key trends affecting the connectivity value chain

1 Changing consumer behaviour	2 Intensifying market dynamics	3 Ecosystem value shift	4 Technological developments
<ul style="list-style-type: none"> Rising demand and reliance on connectivity Rising standards for customer experience (e.g. self-service, best-of-breed offerings) Increased usages on IP platforms (e.g. WhatsApp, WeChat) 	<ul style="list-style-type: none"> Network differentiation narrowing Competition driving to convergence and bundling Global software players widening service offering and investing in their own networks Continued regulatory uncertainty 	<ul style="list-style-type: none"> Significant growth expected in content, IoT, and software Growth in the global telecom market has stagnated in recent years 	<ul style="list-style-type: none"> 5G era is a critical opportunity for Telcos to move beyond connectivity Data & Analytics are becoming table stakes IoT is gaining momentum eSIM: both an opportunity and a challenge Telcos face new entrants through alternative networks, and unlicensed spectrum

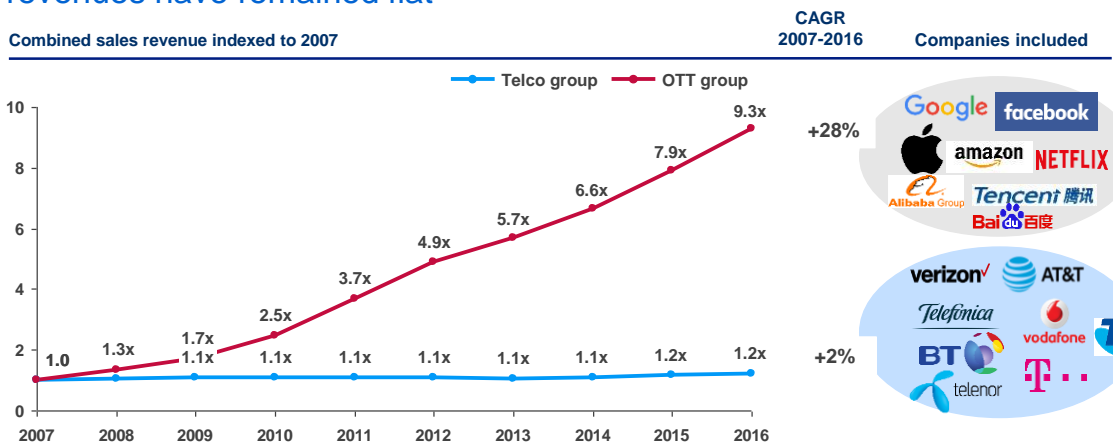
Global market growth has mainly come from emerging markets, with developed markets stagnating



1 Emerging includes Latin America, MENA, SSA, Emerging Asia Pacific; 2 Developed markets include North America, Developed Asia Pacific, Western Europe and Central and Eastern Europe

Source: Analysys Mason

OTT company revenue growth has accelerated since 2007, while telco revenues have remained flat



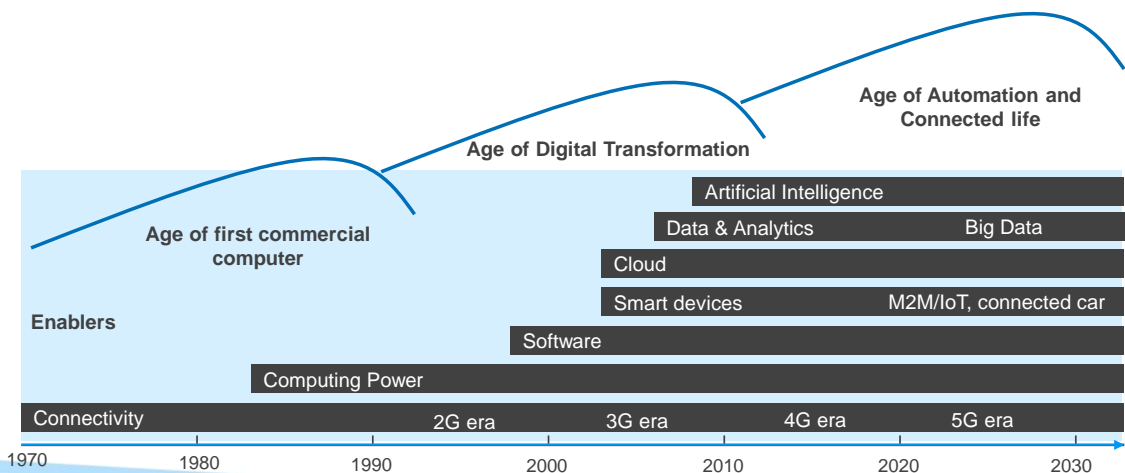
Source: company filing, annual report, factset
 Note: based on restated, calendarised sales revenue, converted into USD based on constant exchange rate consistent with benchmark exercise on page 2.

BYO plans are an example of a hotly contested battle fought with increased data and inclusions

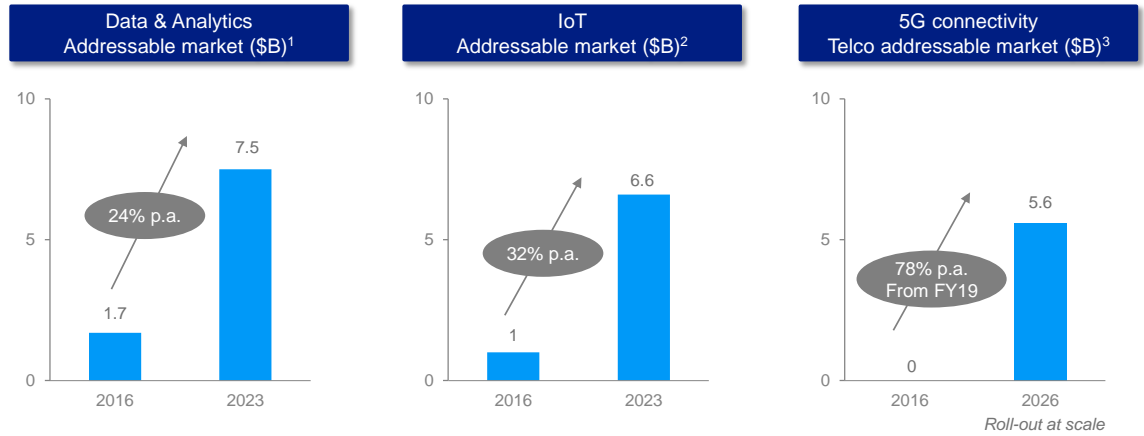
	2013 BYO \$50	2015 BYO \$50	2017 BYO \$49
Calls	\$600	\$1000	Unlimited
Data	1GB	2.5GB	10GB
Extra inclusions	N/A	Free 6 month presto or 12 month NRL digital pass or 12 month AFL live pass	Free live, data-free AFL, NRL and Netball on mobile Free WiFi with Telstra Air Free 6 months apple music Free 200GB with OneDrive
Mobile Network % cost reduction		45% reduction (vs. 2013)	49% reduction (vs. 2015)



The industry needs to capitalise on the shift to 5G and everything connected as it has with prior technology inflections



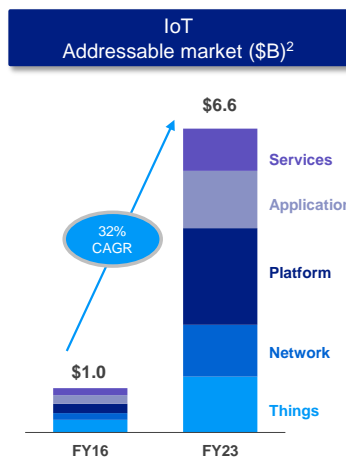
Beyond our core there are multiple trends to support new growth



Sources: 1) BCG, TeBIT 2016 Executive Report: Drilling for Digital Gold (2016), Telstra analysis 2) ABI Research, IDC, Telstra analysis; 3) Ericsson 5G telco operator revenue forecasts as at October 2017. New 5G ICT revenue forecast to be ~ 36.5B AUD of which Telco operators forecast to have access to up to \$17.2B AUD; around \$5.6bn is attributable to connectivity and infrastructure (note the rest of the opportunity is excluded here to avoid duplication with IoT and Data & Analytics)






Beyond our core there are multiple trends to support new growth



Sources: 1) BCG, TeBIT 2016 Executive Report: Drilling for Digital Gold (2016), Telstra analysis 2) ABI Research, IDC, Telstra analysis; 3) Ericsson 5G telco operator revenue forecasts as at October 2017. New 5G ICT revenue forecast to be ~ 36.5B AUD of which Telco operators forecast to have access to up to \$17.2B AUD; around \$5.6bn is attributable to connectivity and infrastructure (note the rest of the opportunity is excluded here to avoid duplication with IoT and Data & Analytics)

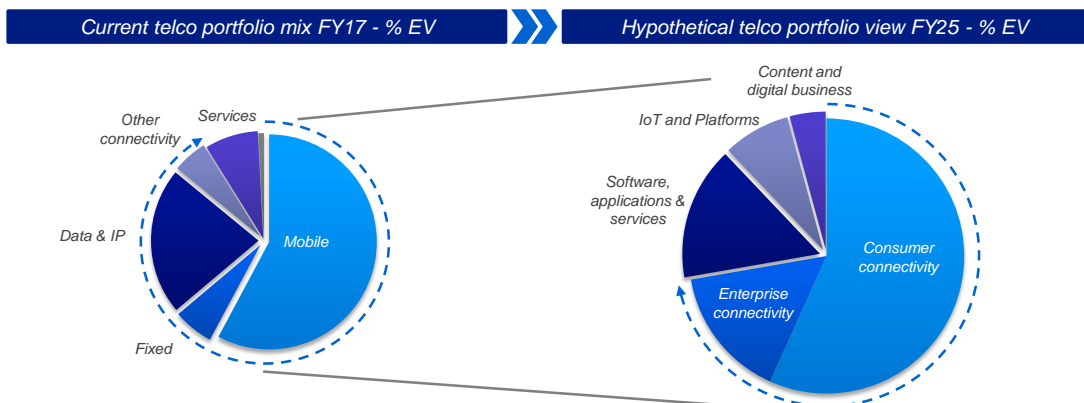


How are others responding to value shifts and technology developments?

<p>Invest in IoT / M2M</p>	 <ul style="list-style-type: none"> Develops solutions through partnerships, research centres and open platforms 	<p>verizon</p> <ul style="list-style-type: none"> Acquired Fleetmatics and Telogis to develop Telematics business
<p>Invest in Big Data</p>	 <ul style="list-style-type: none"> Developed Flux Vision, a geo-analytics platform to turn its mobile data into location insights for government and enterprise customers 	<p>Telefonica</p> <ul style="list-style-type: none"> Formed JV with China Unicom to bring 'Smart Steps' product to China.
<p>Invest in Media and Content</p>	<p>verizon</p> <ul style="list-style-type: none"> Verizon has ~10% stake in total display revenue, making it the third biggest player after Facebook and Google. 	 <ul style="list-style-type: none"> Acquired DirecTV in 2014, which enabled expansion to Latin America, and subscriber growth; in process of acquiring Time Warner

Page 25 Source: Telstra analysis, Factset, company filing

Telcos will look different in the future



- Connectivity makes up majority of value in a telco portfolio today
- By 2025, a hypothetical portfolio could have significantly higher contributions from software, platforms and content



Page 26 Source: Telstra Analysis



Investor Day

2 November 2017

Wi-Fi: @CIC
No password required.
Once connected, open a browser and click accept.

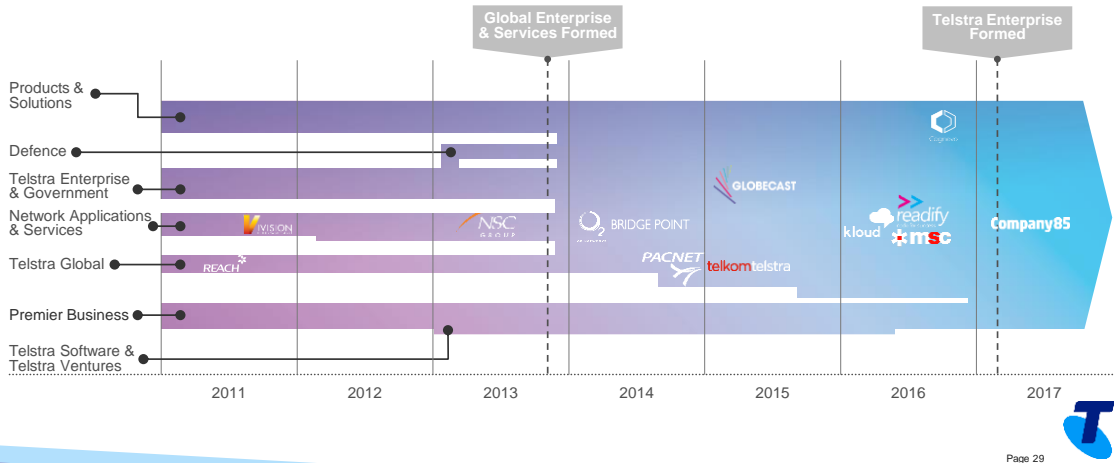
Telstra Enterprise

Brendon Riley, Group Executive



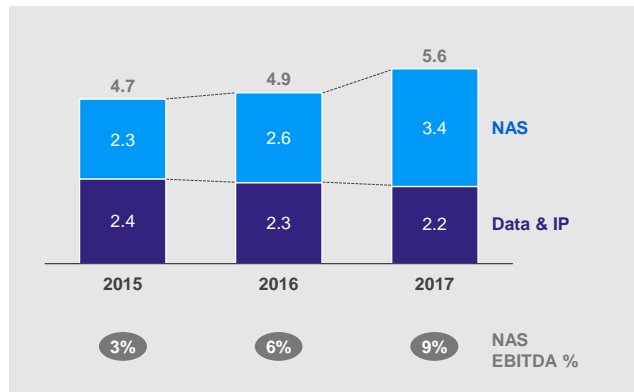
We have intensified our focus on the Enterprise segment and continue to transform our business model

Evolution of Telstra Enterprise 2011 - 2017



NAS growth continues to offset declines in Data & IP

Telstra Enterprise domestic Data & IP and NAS Revenue & Margin (A\$b)



- Continued growth in NAS across both Business and Enterprise segments
- Continued improvement in NAS EBITDA towards mid-teens goal
- Competition and nbn continues to drive Data & IP margins downwards

Rapidly evolving markets create challenges for our Enterprise customers and opportunities for Telstra



Non-traditional competitors & entrants



Disruptive technologies & innovation



New customer experience benchmarks



Regulatory & macro-economics



Telstra Enterprise creates better ways to empower business and government to thrive in a connected world

Better ways					
	Optimise your IT	Reach global markets	Secure your business	Liberate your workforce	Create transformative innovation
Business solutions	Telstra Programmable Network		Cyber security	Employee effectiveness and productivity	IoT
	Hybrid cloud	Global connectivity			
	Branch connectivity	Global managed network services	Electronic security	Customer engagement and insights	Innovation and design services



Telstra Enterprise is focussed on driving four strategic priorities

1 Product Leadership

- ▶ Simplify the portfolio
- ▶ Focus on fewer, bigger plays

2 Market Engagement

- ▶ Transform the Sales & Service model
- ▶ Accelerate indirect channels
- ▶ Capture industry whitespaces

3 International Growth

- ▶ Continue to globalise Services capabilities
- ▶ Maintain network leadership in Asia Pacific
- ▶ Deliver value adding services in targeted markets

4 Digitisation and Experience

- ▶ Execute B2B digitisation



Page 33

We have launched four market leading capabilities in the last six months

Telstra Programmable Network

- Network-as-a-Service – SDN, NFV and Cloud connectivity in a single platform
- Brings software-control to the Network

Telstra Dynamic Security

- Re-imagining managed security for the explosion of data and data security threats
- Open-source, Cloud-based and cutting-edge Security Operations Centres

Liberate

- Unifying the desk phone and mobile phone
- An Australian first, network-integrated solution

Telstra IoT Network

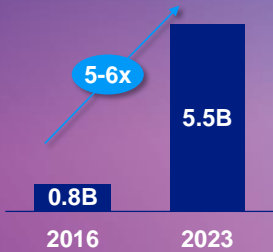
- Australia's largest IoT network
- Early focus on Enterprise use cases: Location of Things, Intelligent Transport, Smart Metering



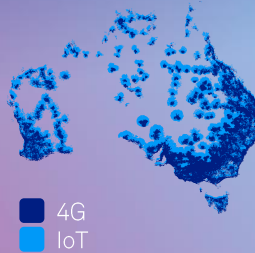
Page 34

We see significant potential in Enterprise IoT

Rapid Enterprise IoT market growth



Australia's largest IoT network

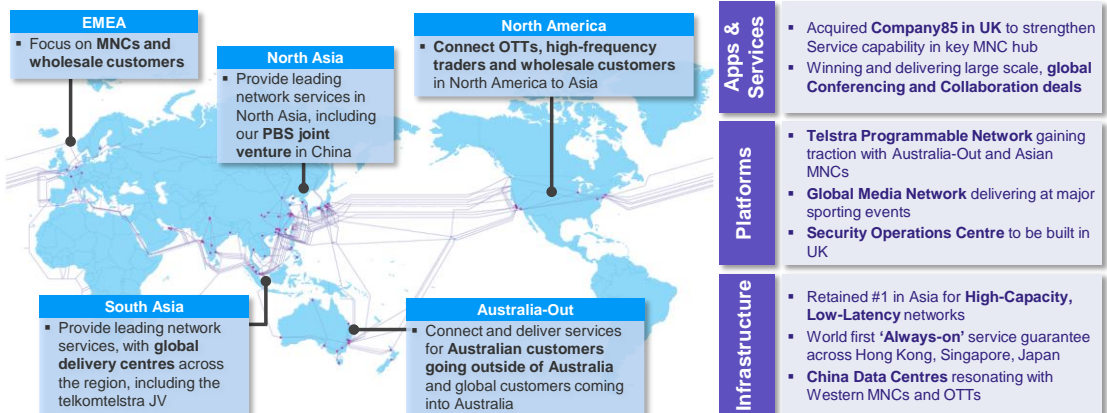


Enterprise use-cases in focus

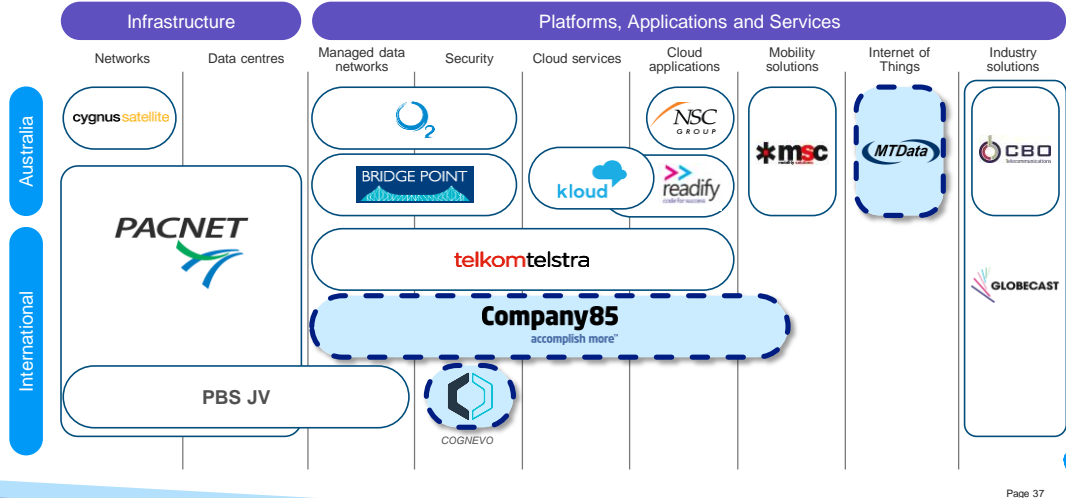
- Intelligent Transport
- Location of Things
- Smart Metering



We continue to grow internationally and expand our capabilities beyond the network across five regions



Acquisitions continue to accelerate our business offerings and growth in Australia and globally

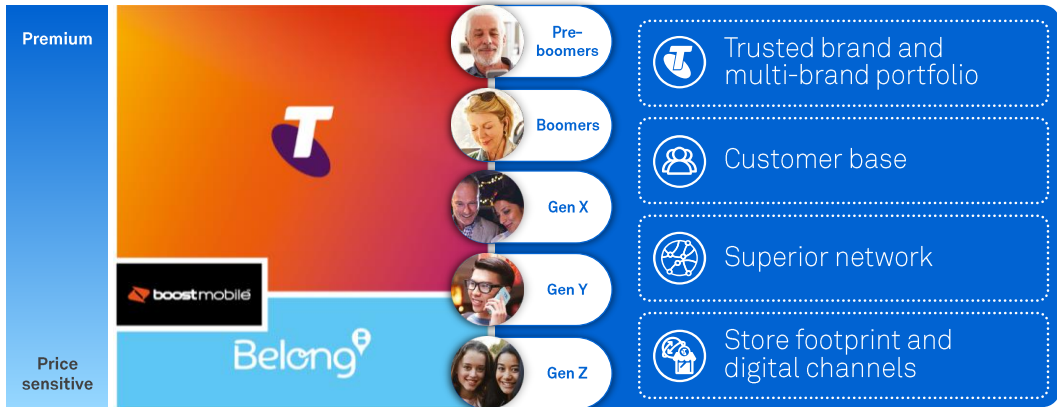


Consumer and Small Business

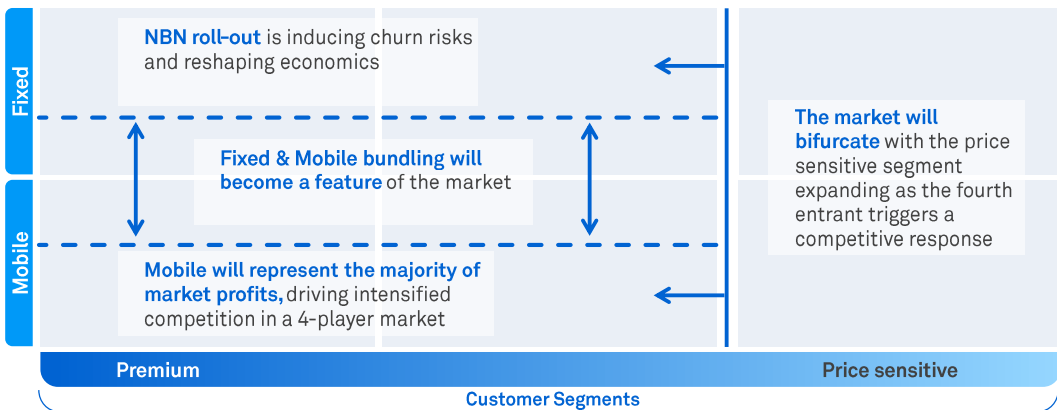
Vicki Brady, Group Executive



We have a powerful combination of unique assets



The market is fundamentally changing



Our strategy is to shape the market, outperform in key segments and reset our cost base



Shaping the market with our multi-brand strategy

			
Positioning	Telstra creates better ways to enable everyone to thrive in a connected world.	Belong strives to be the best way for savvy shoppers to get all the data they need.	Boost Mobile gives Australia's young people the connectivity for adventure.
Core brand differentiator	Network Superiority: Speed, Coverage, Reliability, Security.	A singular focus on providing loads of data at a great price.	Youth focus: Associated with music and lifestyle sports such as surfing and skateboarding.
Target audience	Consumers and businesses who value superior connectivity from a trusted brand.	'Price sensitive' consumers regardless of demographic.	16 to 26 years old: School leavers, university students and consumers in their first job.



Bringing our Whole of Household proposition to life

Better Ways		Customer proposition				
Superior connectivity in and out of the home		Faster 4G and improved in-building coverage		99% 4G population coverage and 1M Wi-Fi hotspots		Hybrid modem
The best loyalty rewards for your whole household		Telstra Databank		Telstra Thanks		Device protection and replacement
The best entertainment experiences, in and out of the home		Telstra TV®		Premium content, live, fast and data free		Sharable content
Connected technology that puts you in control and gives you peace of mind		Telstra Protect		Home Dashboard		SmartHome
Expert advice and support that is easy to access when you need it most		Personalised advice and service regardless of channel		Platinum service		Telstra 24/7 App. Effortless digital




We will focus on growth in IoT and Digital Entertainment

Internet of Things

Our ambition: Lead the market with Smart Home and Security.

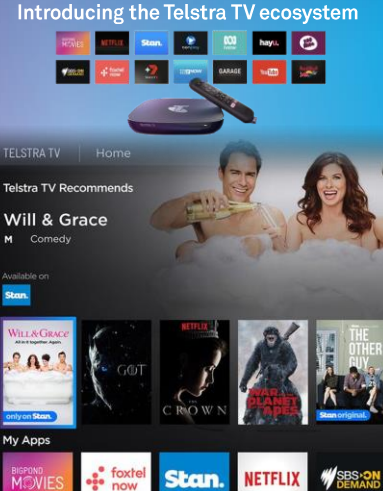
Home is where Smart lives
Check in on your home when you're away



Digital entertainment

Our ambition: Provide the most compelling media experiences that connect customers with their passions.

Introducing the Telstra TV ecosystem



Bringing our Whole of Business propositions to life

Better Ways		Customer proposition		
Best service, advice & support	Communities to help small business thrive	Business solutions & skills in all channels	Personalised & ongoing support	
Business grade connectivity	Hybrid solution with mobile backup	4G network Quality of Service	Telstra Internet Direct / Mid-tier Internet	
Mobilise your workforce	2-in-1 mobile computing plans	0365 & productivity apps	Seamless call convergence with UC	
Secure your business	Endpoint device & network security	Mobile Device Management	Cloud backup of all lease devices	
Grow your customers	Telstra Air Merchant	Online Essentials	Neto eCommerce	
Rewarding customers	Data Bonus Awards	Business Loyalty Growth fund	Telstra Thanks Business	



In Small Business we will capture growth in NAS via simple, relevant solutions

Mobilise your workforce



- "0365" Cloud based Office products
- "SKYPE FOR BUSINESS" virtual team rooms
- "LIBERATE" unifying desk phone and mobile¹

¹In market for customers on IP solutions, primarily in the Business Plus segment

Secure your business



- "BUSINESS PROTECT" alarm monitoring
- "MCAFFEE" endpoint security
- "SECURE INTERNET" data protection

Find new customers



- "ONLINE ESSENTIALS" creating online presence
- "AIR MERCHANT" WiFi hotspot for businesses

Deliver a great experience on the NBN

Key Initiatives				
Transformed service model		Online order tracker		Dedicated service teams
Set clear expectations		Speed expectations		Simplified communications
Simplify experiences		Self install kits		Simplified fees
Reduce time to connect		Hybrid modem		Appointment management



Deliver an exceptional customer experience



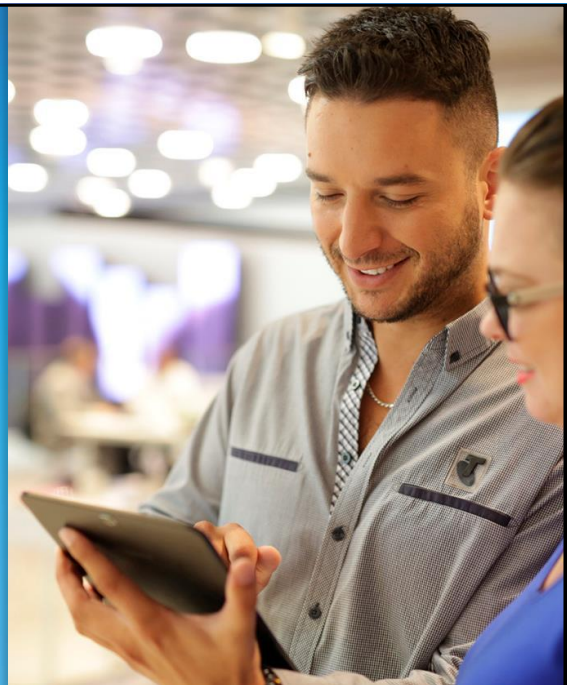
Personalising and transforming our service model

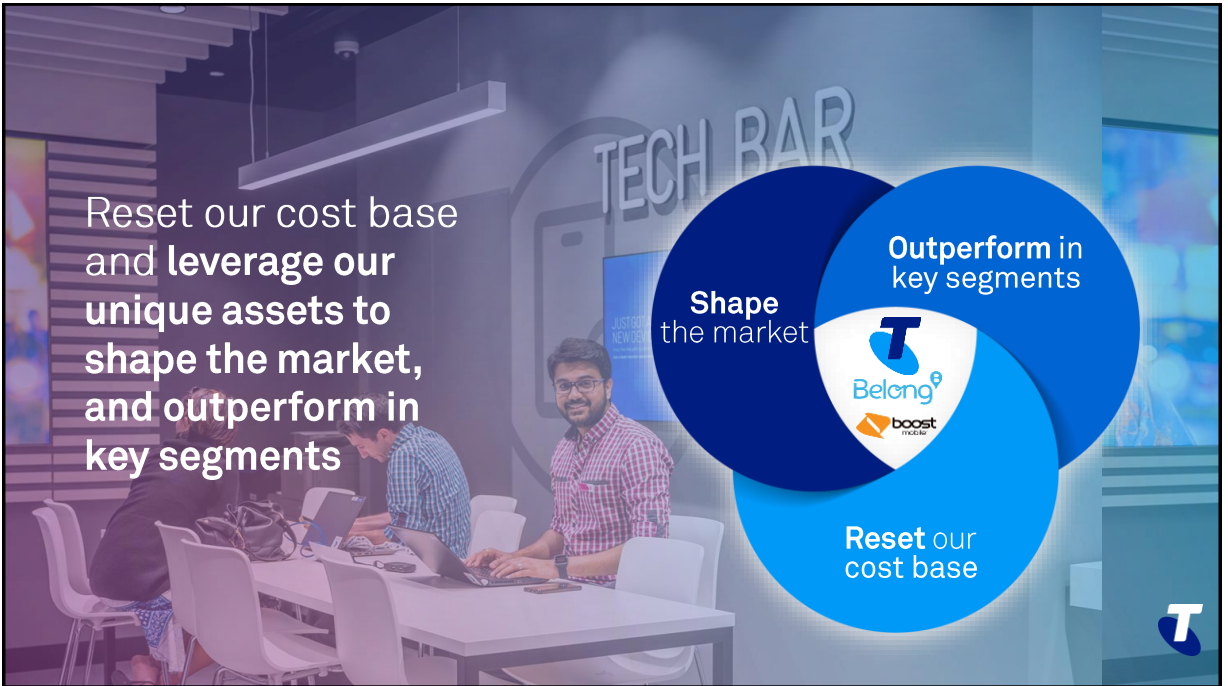
- Telstra Branded Experience
- Personalised offers & agent tools
- Premium support



Enabling effortless digital experiences

- Redesigned 24/7 & telstra.com
- Virtual agent powered by artificial intelligence



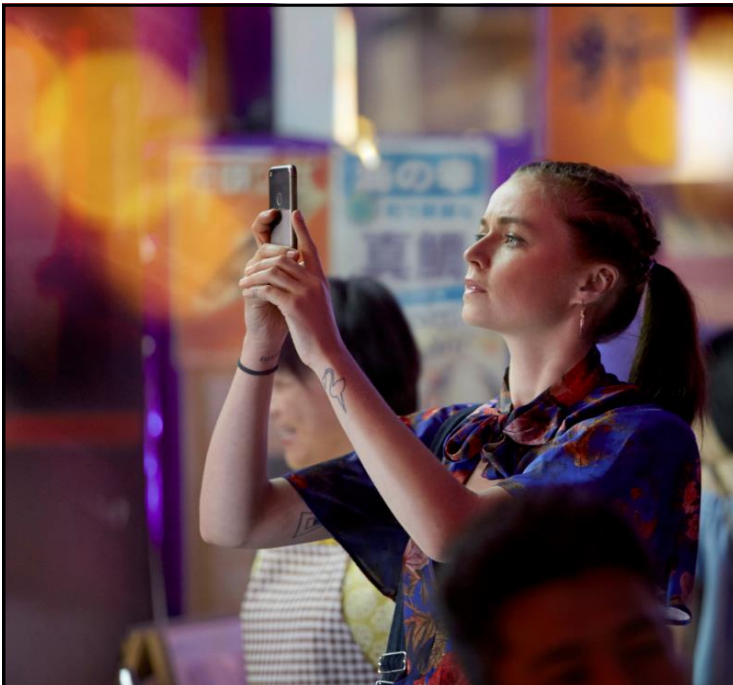





Reset our cost base and leverage our unique assets to shape the market, and outperform in key segments

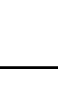
Shape the market

Outperform in key segments

Reset our cost base



Q&A





Investor Day

2 November 2017

Wi-Fi: @CIC
No password required.
Once connected, open a browser and click accept.

Transformation update: Networks for the Future and Digitisation

Robyn Denholm, Chief Operations Officer
Mike Wright, Group Managing Director, Networks



Key Telstra network assets



Optical transport network

230,000km of fibre across Australia, plus 400,000km of subsea cables and 50+ integrated data centres globally



People

World renowned expertise and experience in designing, building and operating networks



Mobile sites – 3G/4G/4GX

Over 9,000 mobile sites nationally, >50% Telstra-owned



Spectrum

Invested over \$3.4 billion over the past 15 years in wireless spectrum portfolio



Exchanges and data centres

Network of 5,300 exchanges across Australia



Ducts, pits and pipes

500,000km of ducts and pipes and 6.8 million pits



Page 53

Demand for our networks

5x the data
in 5 years

4x the
connected
devices in 5
years

Everything
always on

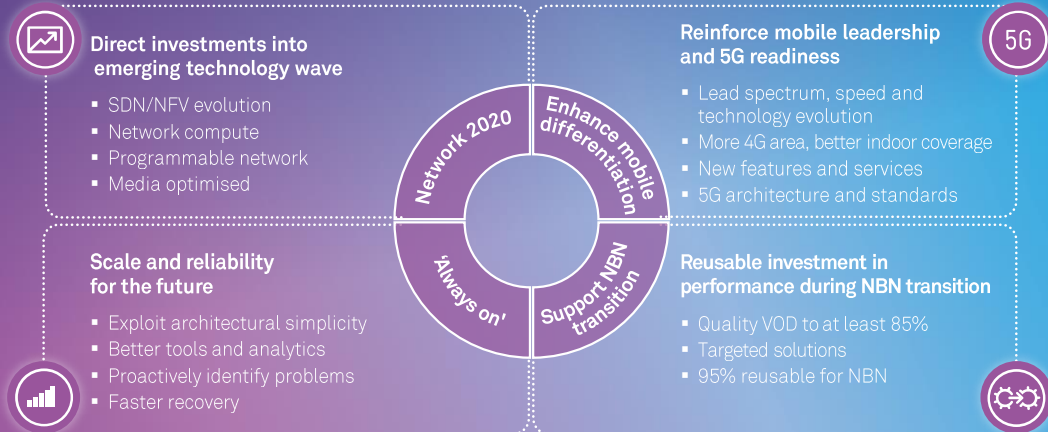
70% of
mobile traffic
will be video

Millions of
customers on
the NBN

New
technology –
5G, IoT,
SDN/NFV



Networks for the Future update



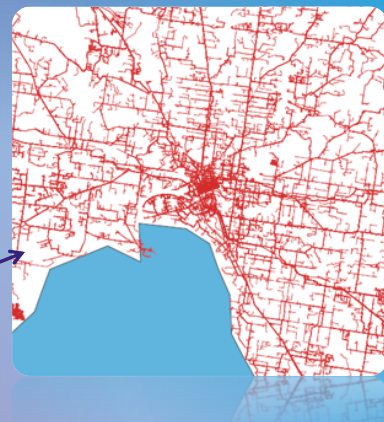
Page 55



Australia's largest optical transport network



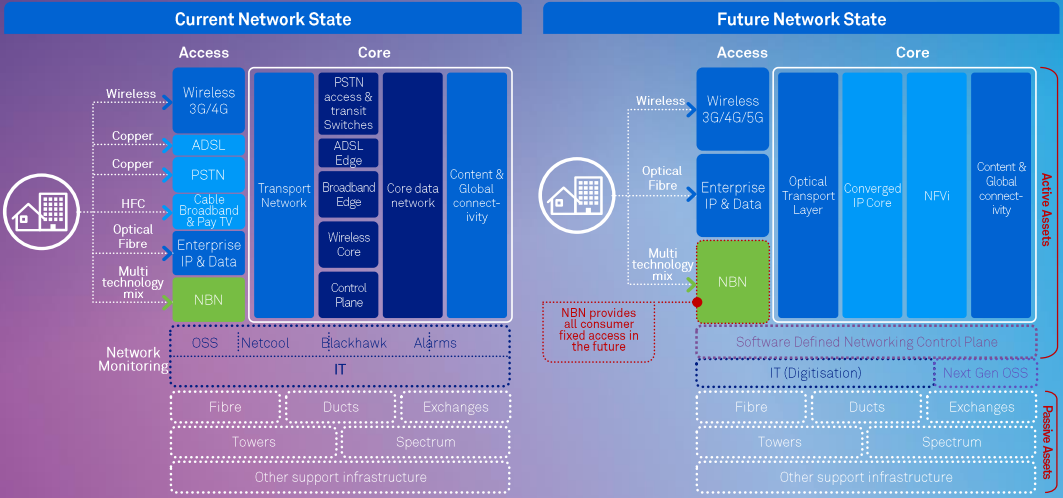
Telstra's fibre in Melbourne



Page 56



Post NBN and Networks for the Future

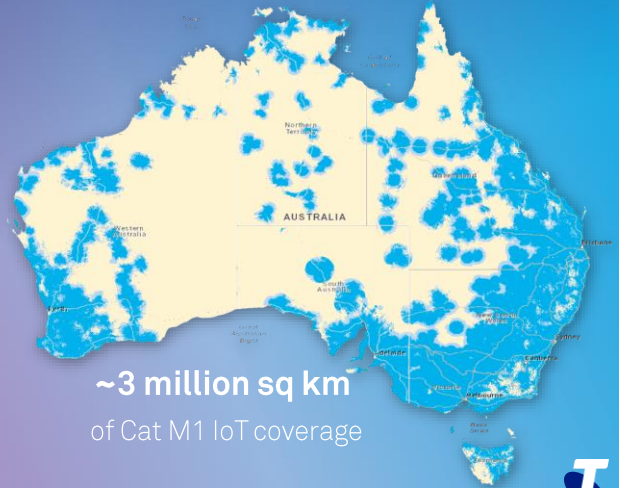


Progress since FY17 Investor Day: Supporting NBN transition

- 90% of ADSL customers now have quality video on demand
- Met the growing demand for ADSL traffic on our network
- New products with improved experience – Telstra TV2 and Hybrid modems
- Improved customer experience as reliability of streaming has improved
- Built on reusable network components – Next Gen Optical Network
- Proactive management of CVC for NBN customers

Progress since FY17 Investor Day: Enhance mobile differentiation

- 4G to 99% of the population
- Up to double the speed of original 4G to 90% of the population
- Gigabit enabled LTE in CBD locations and high traffic areas*
- Enhanced calling (e.g. Voice over LTE and WiFi, Video over LTE)
- Rich Communications Standard Telstra Messaging
- Internet of Things – Cat M1 deployed, NarrowBand available soon

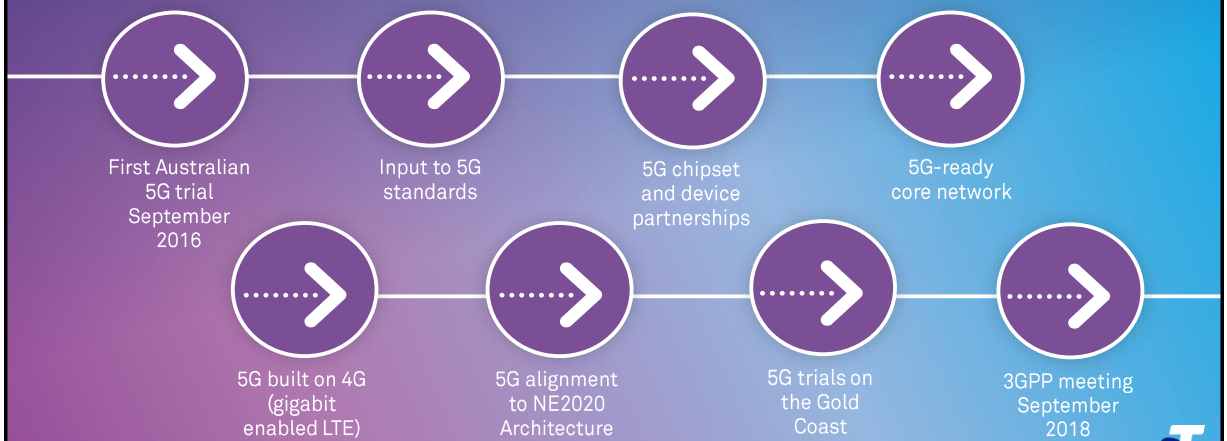


Page 59

* In Sydney and Melbourne CBDs plus ~2km, Brisbane CBD plus ~1.5km and a number of other sites in the three cities. Typical speeds for Cat 16 devices are in the range of 5 to 300 Mbps in 4GX areas.



Evolution of 4G and preparing for 5G



Page 60



Networks for the Future journey

Foundations for the transformational years ahead



Coverage



Optical transmission



SDN/NFV



Cat M1 and Narrowband



5G readiness



Built in resiliency and scalability



Automation



Received customer experience



Fibre bypass and site exits



Digitisation focus areas



Helping our customers better serve themselves

- Transactions digitised
- Self service tools accessible 24x7
- Consumer order capture in 4 minutes
- Automated notifications



Helping our people better serve our customers

- Manual hours saved through automation
- Improve speed to market by 90%
- Increase digital service transactions



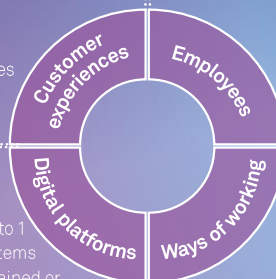
Simplifying and consolidating our IT systems

- Retail frontline tools reduced from 15 to 1
- Decommission outdated legacy systems
- Half of all applications retired, contained or moved to the cloud
- Reduce delivery times from months to days



Changing the way we work to empower our people

- Scaling Agile teams across the enterprise
- Building out DevOps capability



Pipeline of digitisation initiatives



200+ initiatives to improve customer experience, simplify operations and drive efficiencies.

'Promise'



New tablets for field technicians plus workforce planning system delivering improved scheduling, work optimisation and dispatch. Currently in trial across Tasmania, will be rolled out nationally in Q2 FY18.



Reduces rescheduling, optimises resources, provides better service through improved appointment time performance and 'Where's my Tech' online map. Saves around half an hour per day per tech.

'Get Help'



Suite of new tools and automation for fault assurance contact centres complemented by better self-help online tools. Currently active with 400 agents and to be scaled to 1,000 by end of calendar year.



Automates processes and reduces screens for agents from 9 to 1, resulting in a significant reduction in call handling time, 70% fewer truck rolls.

Next Gen OSS



New operating support system providing big data capability to analyse 8 terabytes of data generated by our network every day.

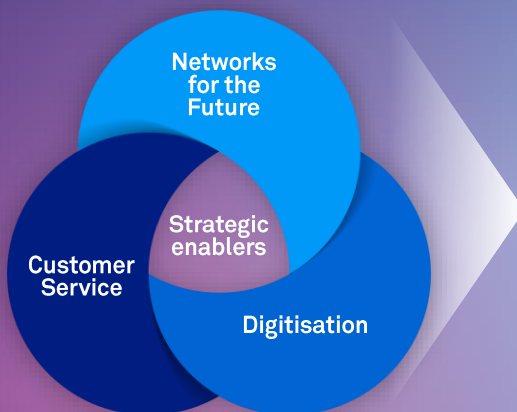


Anomaly detection identifies rural 'hot spots' and potential issues in our network before they affect customers, reduces time to identify impact of a service disruption by 80%.



Page 63

Investing in customer experience, growth and efficiencies



Customer experience – step change in customer experience by digitising service channels



Reinforce market leadership – continue to offer the largest, fastest and most reliable set of networks to our customers



Growth – support new revenue streams from emerging technologies and use cases, including Internet of Things and 5G



Cost reduction – utilise new technologies and digitise systems and processes to reduce cost per unit of data, cost to serve and cost to connect

Page 64

Financial strategy

Warwick Bray, Chief Financial Officer



Our financial strategy supports our corporate strategy

Financial strategy



Grow our underlying businesses

- Mobile
- Fixed and nbn reseller
- NAS and Data & IP



Reset the cost base

- We are committed to >\$1.5bn reduction in core fixed costs
- Manage other costs through margins
- Manage efficiency of capital



Deliver returns on our capital investments

- Spectrum auctions
- Achieve >\$500m EBITDA benefits from strategic capex
- Manage business for ROIC



Manage timing and conversion of cash

- We continue to manage the efficiency and timing of converting EBITDA to cash and EPS



Fiscal discipline – Capital Management Framework

- Maximising returns for shareholders
- Maintaining financial strength
- Retain financial flexibility



Page 66

Achieving growth by major product Influences



FY17 Income and growth¹

	FY17 Income \$b	FY17 Income Growth
Mobile	\$10.2b	0.8% ↗
Fixed excl. nbn connection	\$6.5b	-5.1% ↘
NAS	\$3.4b	30.6% ↗
Data & IP	\$2.7b	-4.1% ↘
One-off nbn DA	\$1.8b	130% ↗
Global connectivity	\$1.4b	4.4% ↗
Recurring nbn DA	\$0.5b	20.5% ↗
New businesses	\$0.2b	-18.8% ↘

Influences

- Mobile**
 - FY19-20 Opportunities – MMC growth through plan updates
 - Post nbn rollout - 5G and IOT
 - Risks – competition, price sensitive mix
- nbn reseller and legacy fixed**
 - FY19-20 Opportunities – product differentiation; further reduce nbn cost to connect and cost to serve
 - Post nbn rollout – industry dynamics
 - Risks – competition, retention of voice
- NAS and Data & IP**
 - FY19-20 Opportunities – Domestic NAS market expected to grow 10% CAGR out to FY20², NAS margin towards mid teens, NAS EBITDA dollar growth to offset Data & IP
 - Risks – competition, replace nbn commercial works contracts

1. Source: Full year 2017 results. Growth ex-MTAS & FAD
2. Source: Gartner



Future growth and likely mix shift to technology is dilutive to percentage margins

Mix effects on percentage margins



Relative margin

Lower margin products	Higher margin products
NAS	Mobile
Global connectivity	Data & IP
New businesses	Fixed excl. nbn reseller
Fixed nbn reseller	Recurring nbn DA
	One-off nbn DA ¹

Influences

- EBITDA percentage margin**
 - FY15 41.6%
 - FY17 41.2%
- Aim to:**
 - Grow overall EBITDA dollars
 - Achieve appropriate percentage margins and ROIC for each product



1. One-off nbn DA is accretive to percentage margin until peak of nbn receipts, then dilutive



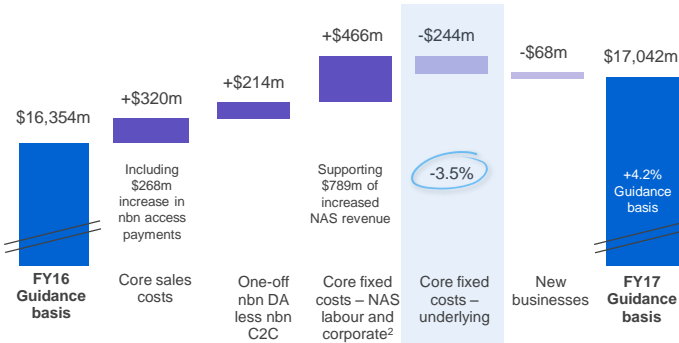
We are committed to >\$1.5bn reduction in core fixed costs and manage other lines through margins

Cost management approach



FY16-17 operating costs¹

Influences

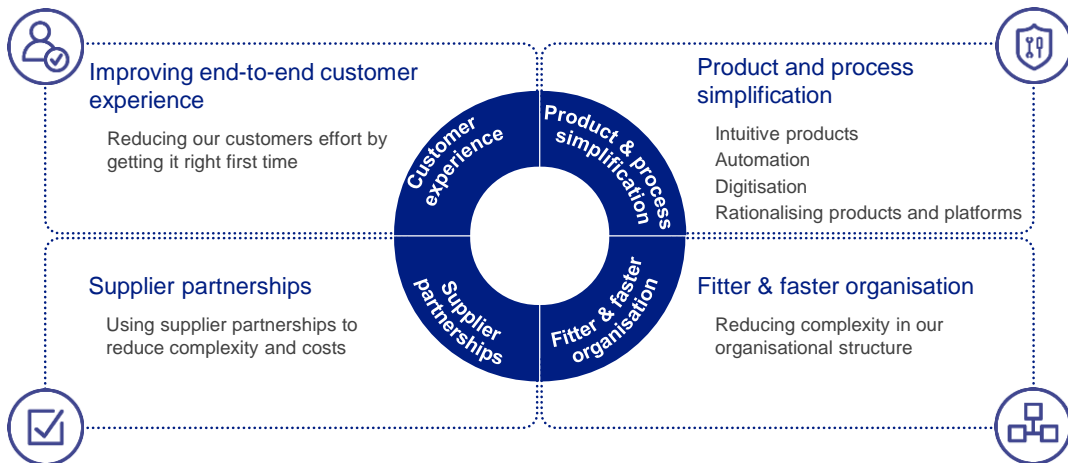


- Core sales costs** - we manage by efficiency. These costs include handset costs, NAS CPE and nbn access payments.
- Post nbn rollout, reported core sales costs expected to be ~\$2bn higher due to nbn access payments
- Core fixed costs** – include NAS labour which supported significant revenue increases in FY17. We manage these costs through the NAS margin
- We expect a new core fixed cost category for lease expense associated with Go Mobile swap. This will have offsetting revenue
- Underlying** – \$244m reduction in FY17 underlying core fixed costs against target of >\$1.5bn by FY22. We manage these costs through net productivity
- Opportunity to further improve unit costs and eliminate costs associated with legacy business

1. Source: Full year 2017 results
 2. NAS labour and corporate costs include significant transactions and events associated with NAS commercial works and labour, global connectivity costs including FX, Go mobile lease costs and bond rate impacts



Our productivity program has four approaches



Cost out of \$244m delivered in FY17

Productivity example initiatives



Productivity focus	Example initiatives	Outcomes
Improve customer call resolution speed	<ul style="list-style-type: none"> Reduced call scripts for most frequent call types e.g. international roaming travel pass Work led by experienced agents Trained agents with a focus on increasing speed of resolution 	<ul style="list-style-type: none"> Customer benefits: 20-30% faster resolution or 700,000 less hours on the phone (when fully rolled out) Productivity: \$15m p.a.
Automate repetitive tasks	<ul style="list-style-type: none"> Created in house automation technology capability 75 'bots' deployed in billing, credit and accounting 100s more processes identified across the business Increasing skills 	<ul style="list-style-type: none"> Processes brought back from outsource partners to automate onshore The outcomes are great financially and also better for customers – for example secondary credit checks are now processed by "a bot" meaning customers don't have to wait in store for an agent to answer the phone and complete the check
Increase field job productivity	<ul style="list-style-type: none"> Great outcomes in the field require strong alignment between front of house, dispatch and field work force Through root cause analysis we found that some KPIs were more important than others We have prioritised "start time" as an example and have a focus on the correct spares being in vans the night before and have improved our inventory management to do so 	<ul style="list-style-type: none"> Productivity: average jobs completed per worker per day has increased 13% (from 4.6 to 5.2) Customer experience: appointments met on time has increased from 93% to 97% (350 more per day)



Page 71

Cost out of \$244m delivered in FY17

Productivity example initiatives



Productivity focus	Example initiatives	Outcomes
Innovative Small Cell Design	<ul style="list-style-type: none"> Use of small cells to provide in-fill coverage in high demand regions Increased coverage cells implies fewer cells, capex, rent and power 	<ul style="list-style-type: none"> Repurposed existing equipment to increase the coverage by 2.2 times Worked with vendors to reduce the cost per deployment \$20m of capital savings this year Future benefits for small cell roll outs
Better IT procurement outcomes	<ul style="list-style-type: none"> Increased rigour on "statement of work" <ul style="list-style-type: none"> Specificity on task Review of internal vs external options more systematically Fact based challenge or resources required to complete Stopped unnecessary work through prioritisation 	<ul style="list-style-type: none"> \$25m of annual savings to date Improving the capability and engagement of our IT workforce



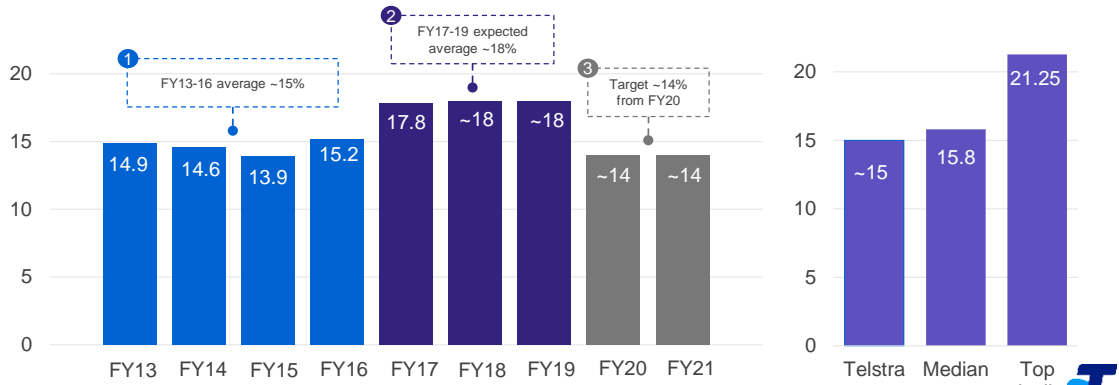
Page 72

Manage capex to sales down to 14% or below over time



Capex to sales ratio (%) – Telstra

Relative to global peers¹



1. Source: Capex to sales ratio comparison against 45 global telco peers (FY13-16)

Spectrum is important to our competitive position and to providing an outstanding customer experience

Spectrum auctions¹



Band	Multi-band residual spectrum	3.6 GHz (3575 – 3700 MHz)	26 GHz (24.25 – 27.5 GHz)	900 MHz	850 MHz expansion ²	1500 MHz
Spectrum quantity	Various	125 MHz	3250 MHz ³	2x25 MHz	2x15 MHz	91 MHz
Use	3G/4G/5G	5G	5G	3G/4G/5G	4G/5G and possible PPDR band ⁴	4G/5G
Current ACMA timing	Nov 2017	2H CY18	2H CY19	CY19	CY19	TBC ⁵

1. Source: based on ACMA's 'Five Year Spectrum Outlook 2017-21', released 26 October 2017
 2. The ACMA has indicated an intent to auction 850 MHz expansion and 900 MHz spectrum at the same time in calendar year 2019. However the amount of 850 MHz expansion spectrum which may be offered to mobile network operators is dependent on government decisions on whether to allocate any of the 850 MHz expansion band to PPDR services
 3. The 27.0-27.5 GHz portion of the band may be auctioned later depending on when technical studies are completed to confirm the arrangements for sharing with incumbent NBN satellite services in this spectrum.
 4. PPDR = Public Protection and Disaster Relief (emergency and public safety services)
 5. The ACMA indicates that the 1500 MHz band is "currently regarded as a lower priority for allocation"

Strategic investment program

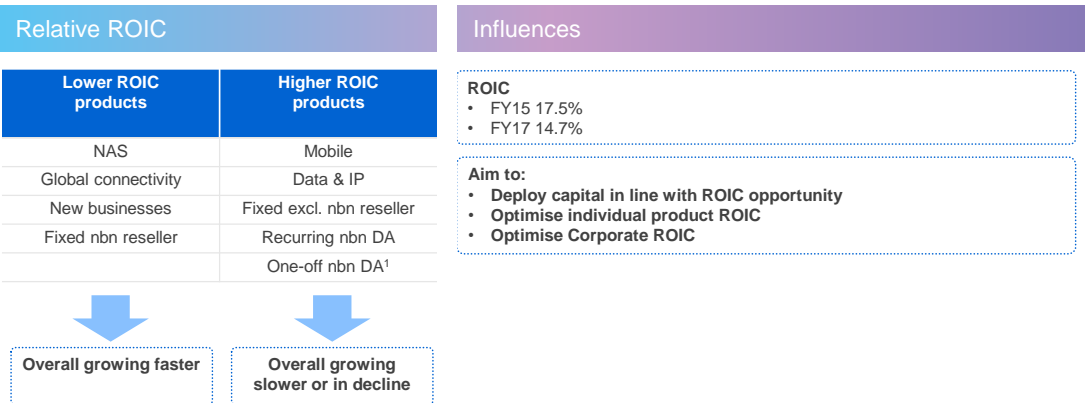


- Investing up to \$3bn incremental capex to achieve a step change in Customer Experience
- Total capex (including spectrum) over 3 years to FY19 to exceed \$15bn
- Financial benefit of >\$500 million per annum realised by FY21



Future growth and likely mix shift to technology is dilutive to ROIC

Mix effects on ROIC



1. One-off nbn DA is accretive to percentage margin until peak of nbn receipts, then dilutive



We continue to manage the efficiency and timing of converting EBITDA to cash and EPS

Cash vs accounting and timing



Conversion	Timing expectations	
Manage efficiency of converting EBITDA to cash and EPS <ul style="list-style-type: none"> Capital efficiency as per previous section Working capital improvements including mobile handsets leasing 3.9% average interest rate on last three new capital market bond issues 	Manage timing of cash vs accounting FY19-20... <ul style="list-style-type: none"> 18% capex to sales vs depreciation reflecting lower historical rates Spectrum vs amortisation nbn still consuming working capital 	... and post nbn rollout completion <ul style="list-style-type: none"> 14% capex to sales vs depreciation reflecting higher historical rates Amortisation reflects additional spectrum purchases FY18-20 (if any) nbn no longer consuming substantial working capital
	↓	↓
	Implication: Accounting EPS superior to cash equivalent¹	Implication: Cash superior to accounting EPS¹

1. Subject to timing of spectrum payments and other cash flows



Capital Management Framework



FISCAL DISCIPLINE			
OBJECTIVES	1 MAXIMISING RETURNS FOR SHAREHOLDERS	2 MAINTAINING FINANCIAL STRENGTH	3 RETAIN FINANCIAL FLEXIBILITY
PRINCIPLES	1. We remain committed to retain balance sheet settings consistent with an A band credit rating 2. Pay fully-franked ordinary dividend of 70-90% of underlying earnings ^{1,2} 3. Target capex/sales ratio of ~14% excluding spectrum from FY20 ^{4,5} 4. Maintain flexibility for portfolio management and to make strategic investments		
Return in the order of 75% of net one-off nbn™ receipts to shareholders over time via fully-franked special dividends ^{2,3}			
Capex/sales ratio ^{4,5} of ~18% in FY18 and FY19			

1. Underlying earnings is defined as NPAT from continuing operations excluding net one-off nbn receipts (as defined in footnote 2).
 2. "net one-off nbn receipts" is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.
 3. Return subject to no unexpected material events, assumes nbn™ rollout is broadly in accordance with the nbn Corporate Plan 2017 and receipt of associated one-offs, and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.
 4. Capex excludes expenditure on spectrum, measured on an accrued basis. Capex excludes externally funded capex.
 5. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout is broadly in accordance with the nbn Corporate Plan 2017.



Key Telstra network assets



Optical transport network
230,000 km of fibre across Australia, plus 400,000km of subsea cables and 50+ integrated data centres globally



People
World renowned expertise and experience in designing, building and operating networks



Mobile sites – 3G/4G/4GX
Over 9,000 mobile sites nationally, >50% Telstra-owned



Spectrum
Invested over \$3.4 billion over the past 15 years in wireless spectrum portfolio



Exchanges and data centres
Network of 5,300 exchanges across Australia

Including up to ~2,500 redundant exchanges



Ducts, pits and pipes
500,000km of ducts and pipes and 6.8 million pits



Page 79

FY18 guidance¹

Measure	FY17	FY18 GUIDANCE
Total income	\$28.2b	\$28.3b to \$30.2b
EBITDA	\$10.7b	\$10.7b to \$11.2b
Net one-off nbn DA receipts less nbn net C2C	\$1.3b	\$2.0b to \$2.5b
Capex	\$4.6b	\$4.4b to \$4.8b
Free cashflow	\$4.3b	\$4.4b to \$4.9b

1. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout is broadly in accordance with the nbn Corporate Plan 2017. Capex excludes externally funded capex.



Page 80

Summary

Growth from existing and future businesses

Reset the cost base

Capital, cash and fiscal discipline

Capture option value

- Industry structure
- Infrastructure
- Future opportunities



Page 81



Q&A

