11 October 2016

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Chairman and Chief Executive Officer - Annual General Meeting presentations

In accordance with Listing Rules, I enclose the presentations of the Chairman, Chief Executive Officer and the Chairman's introductory comments to the items of business relating to the grant of Performance Rights to the CEO and the Remuneration Report, which will be delivered today at the Telstra Corporation Limited 2016 Annual General Meeting.

Yours faithfully

Damien Coleman
Company Secretary

TELSTRA ANNUAL GENERAL MEETING 11 OCTOBER 2016
CHAIRMAN'S SPEECH

Welcome

Good morning ladies and gentlemen.

My name is John Mullen and it is my honour to be the new Chairman of your company.

On behalf of my fellow directors, it is my pleasure to welcome you all this morning to Telstra's 2016 Annual General Meeting.

Can I also extend a very warm welcome to the many shareholders joining us today online.

I would like to begin by acknowledging the traditional owners of the land on which we are meeting, the Cadigal people of the Eora Nation and pay my respects to their Elders, past and present.

We have a quorum and I therefore declare the meeting open.

A Notice of Meeting was distributed earlier setting out the business and resolutions to be considered at this meeting and I will take the Notice as read.

Process outline

There are 5 items of business on today's agenda:

- Presentations by myself and your Chief Executive Officer, Andrew Penn;
- Discussion of our 2016 financial statements and reports;
- Consideration of the election and re-election of Directors;
- Consideration of the proposed grant of Performance Rights to the CEO; and,
- Consideration of the Remuneration Report.

Voting on items three to five will be conducted by a poll, and that poll is now open.

If you need to leave the meeting early, you can vote by completing your voting card, and place it in one of the ballot boxes near the exits.

I would now like to introduce my colleagues who are here today;

Firstly, joining us today from our auditors EY is Steve Ferguson who is available to answer any questions you may have on the conduct of the audit, or on the auditor's report.

This will be Steve's final AGM as Telstra's Auditor and I would like to acknowledge his service over the past six years. He will be succeeded by Andrew Price, also from EY, for the 2017 Financial Year.

Then with me here on the stage are:

- Andrew Penn, our Chief Executive Officer;
- Damien Coleman, our Company Secretary;
- Warwick Bray, our Chief Financial Officer; and

- My fellow directors on the Board.

Shareholders would also be aware this year Director Nora Scheinkestel is standing for re-election and Craig Dunn and Jane Hemstritch, who joined the Board earlier this year, are standing for election.

I will shortly invite those Directors standing for election and re-election to introduce themselves individually.

But first I would like to acknowledge the contribution of Chin Hu Lim who has notified the Board that he intends to retire as a Telstra director at the conclusion of today's meeting.

Chin Hu has been a Director since 2013 and a member of the Board's Nomination Committee from earlier this year. He has made a valuable contribution and, on behalf of the Board, I would like to express our sincere thanks and wish him all the best for the future.

I would like to invite Mr Lim to address the meeting.

[Chin Hu Lim addresses the meeting]

Thank you Chin Hu, and again best wishes for the future.

I would now like to invite the Directors standing for election to introduce themselves.

[Craig Dunn, Jane Hemstritch and Nora Scheinkestel address the meeting.]

Thank you and can I take this opportunity to thank all of my fellow Directors for their contribution, their support and their commitment during the past year.

Ongoing focus on board renewal

Before addressing progress over the last 12 months, I would like to say a few quick words about the Board and the governance framework of Telstra.

The Board's role is to provide a robust structure through which our business objectives are set, the performance of our management team is monitored, the risks that we face are managed, and shareholders' interests are protected.

We seek at all times to ensure that the Board has an appropriate mix of skills, diversity, experience and expertise to enable it to effectively fulfil its responsibilities to help your company navigate the opportunities and the challenges we face.

In this regard, there were a number of changes to the Board during the year.

In particular, shareholders would be aware that in February this year Catherine Livingstone announced she would be retiring as Chairman and as a Director. She ceased to hold office as Chairman and as a Director in April.

While she is unable to join us today can I say Catherine has been an exceptional Chairman and her contribution to Telstra through times of great change has been absolutely enormous.

A Director for nearly 16 years and Chairman for the past seven, Catherine has helped ensure Telstra is very well placed to capitalise on the enormous opportunities of the digital age and that your company continues to build the expertise, capabilities and customer focus we need to succeed in the future.

Through many fora she has showed her passion for technology, science, reform and innovation and has earned the deep respect of stakeholders around the world.

On behalf of the Telstra Board, the leadership team and I am sure many shareholders, I would like to express our sincere thanks to Catherine for her great contribution to our company and to extend our best wishes to her for the future.

I now have the honour and the privilege of succeeding Catherine in the role of Chairman - large shoes indeed to fill but my focus and that of my Board colleagues is on maintaining the exciting strategic course we have set and helping take the company to new levels of performance.

A year of solid progress

So let me now make some comments about Telstra's performance in the 2016 financial year.

In a year of increasing external change, we were pleased to deliver another solid outcome for shareholders, growing revenue and EBITDA on a guidance basis, and again providing consistent shareholder returns.

Net profit after tax from continuing and discontinued operations was up 35.9 per cent to $5.8bn, including the $1.8bn realised from the sale of Autohome shares.

Earnings per share for the year rose to 31.6 cents per share on a continuing basis and the Board declared a final dividend for FY16 of 15.5 cents per share, which takes the total dividend for the year to 31 cents, up 1.6 per cent on last financial year.

While the results are solid, competitive intensity increased across all our segments and products as the pace of technology innovation continued to accelerate and the rollout of the NBN network progressed.

Demand for connectivity growing exponentially

2016 was a year where ongoing advances in technology and constant innovation continued to reshape the telecommunications and technology markets where Telstra operates.

2016 saw more and more people, and businesses large and small, take advantage of the exciting, empowering possibilities of new connective technologies.

Today there is virtually no technology innovation that does not fundamentally rely on a network, and collectively Telstra's networks are Australia's best.

To give you a sense for the scope of Telstra's operations, on average, 55 million calls and 365 million data connections are made over our network every day; connecting friends, connecting families and connecting businesses and essential services around Australia and around the world.

And to give you a sense for the demand we are seeing, a single 4G wireless broadband modem on the network today can deliver more than the total combined network data throughput of 10 years ago and data traffic on our wireless network continues to double every two years.

I am not sure that anyone predicted this level of change or the speed of change even a few years ago.

Customers are expecting more and more capacity at a lower and lower price. I cannot think of many other large, established businesses in Australia where usage of its core products and services are increasing at such a pace.

It is for this reason we were disappointed to let customer down through the network interruptions we experienced in the second half of this financial year.

We are sorry for the impact this had on our customers and Andy Penn will take you through the steps we are taking to mitigate the risk of this happening again in the future, particularly as reliance on smart devices grows.

This said, there is nothing, I repeat nothing, inherently wrong with Telstra's core networks.

An assessment of Telstra's networks by independent global experts has told us that we have world class network infrastructure.

But we need to keep investing, to stay ahead of demand by simplifying our products and platforms, retiring old technology and legacy systems that slow down and complicate how customers are served, and investing in materially greater capacity growth and speed.

We anticipate demand for our services will only continue to grow and so, to meet this demand and to extend our network leadership, in August this year we committed to invest up to an extra $3 billion over three years on a far reaching network of the future and digitisation program.

Telstra has always sought to be a leader and has demonstrated this many times. The launch of the Next G 3G service in 2006 established Telstra as a clear market leader and saw us distance ourselves from the competition. Today the competition has narrowed that gap somewhat. While we still have the best set of networks in Australia, it is time for us to distance ourselves again.

This wave of new investment will digitise many of our core legacy processes to deliver significant customer benefits, reinforce our market differentiation over the longer term, and usher in a range of business benefits including capital efficiency, reduced operating cost and increased revenue.

It is an exciting and transformational program about which Andy Penn will provide more detail in his presentation to you shortly.

I would now like to make some additional comments about the three pillars of Telstra's strategy which are to focus on improving the customer experience, drive value and growth from our core, and build pathways toward future, sustainable long-term growth.

Improving customer advocacy

Improving customer advocacy remains our most important priority and the new investment that we will be making will be in large part be focused on this critical initiative.

Over recent years we have been successful in our customer advocacy programme in that there is not a single employee in Telstra who does not now understand the importance of the customer. However, we still do not always give our employees the tools they need at their fingertips to fix the customer's problem.

The new investment that I have mentioned will address this through the digitisation of legacy platforms and enable our employees to deliver an exceptional customer experience that will differentiate us from our competitors.

Driving value and growth from our core business

The second pillar of our strategy is driving value and growth from our core business, which is built around our networks.

Over the past year we invested $4 billion in capital expenditure into our fixed and mobile networks and we have now achieved 98 per cent population coverage with 4G and are on track to reach 99 per cent population coverage by June 2017, if the regulatory settings for such investment remain favourable.

Our Telstra Air WiFi network now has over 650,000 hotspots nationally including over 4,500 public hotspots, and over 1.1 million customers activated to use the Telstra Air Network.

In relation to the national broadband network, Telstra is Australia's leading provider of services on the NBN with a market share of 50 per cent and we are seeing continuing strong demand from customers as this rollout scales up.

We are also helping NBN Co with the rollout of the NBN network through a number of commercial agreements, including a $1.6 billion contract signed in April to provide planning, design, construction and construction management services within the Telstra HFC footprint until the expected end of the NBN network build in 2020.

Of course, the NBN network will have one off and recurring impacts on our earnings.

As shareholders will recall, while the definitive agreements we have signed with NBN Co and the Government partially compensate us for the effect of the NBN network , the impact of the NBN network goes well beyond those agreements through the impact of transitioning costs and ongoing operational access costs.

Overall, the forecast net effect on our business is a reduction of $2-3 billion in EBITDA per annum at the conclusion of the NBN network build.

Our task is to offset these impacts over the next few years through a number of strategic initiatives including driving value and growth from our core by reducing our fixed costs, enhancing share through digitisation, simplification and process improvements, and building new growth businesses.

This is perhaps an appropriate moment to mention that as we all know, Telstra operates in a complex regulatory environment. The formation of the NBN Co highlighted this but while the NBN Co relationship is now strong and transparent, we still face regulatory risks on a regular basis.

One of these is the current declaration inquiry into domestic mobile roaming by the ACCC. For those of you not aware, the declaration of domestic mobile roaming would allow our competitors to utilize the Telstra network in areas where we have invested and provide coverage and they have not.

Since privatisation, Telstra has spent many billions of shareholder's dollars building one of the world's largest and best networks. Customers in the cities and in the bush value the extra coverage very highly and it is one of the main reasons they buy our mobile services.

One of our competitors is seeking regulation to close this competitive gap by cheaply riding on our network to avoid spending their own money.

Simplistically, this is the equivalent of an airline wanting to provide services in regional Australia and instead of investing in its own business to make seats available, it pushes for regulation to force another airline to reserve half the seats on its planes for its own customers.

One can understand why some competitors would lobby for this – it would be a free Christmas present. Just as in the airline example, Telstra has carefully invested billions of dollars over many years building the best networks and we do not think it is right that others be given a free ride on our networks.

If the ACCC decides to declare mobile roaming it would absolutely be at the expense of you the Telstra shareholders. It would also be very bad for Australians that live and work in regional areas. Why would anyone invest in maintaining or upgrading their regional networks when they can hitch a ride on someone else's network and there is no longer any competitive differentiation from greater network coverage?

Your Board and Management are carefully explaining these effects to the ACCC. An increasing number of regional stakeholders and policy makers are also making their concerns with the proposal clear. We remain hopeful that sense will prevail and will keep shareholders informed on any material developments.

We are building new growth businesses

This leads me to our third strategic pillar, building new growth businesses, which is about realising new opportunities that leverage Telstra's core strengths.

In this we are working on innovations that create new opportunities and possibilities in areas including digital media, eHealth, applications, services and software.

The successful integration of Pacnet over the past 15 months means Telstra is now a leader in international connectivity with one of the largest submarine cable network in the Asia-Pacific region.

Our joint ventures in China through Telstra PBS, and in Indonesia through telkomtelstra, both enjoyed strong demand for services this year and we also signed a Memorandum of Understanding with the Shanghai Institute of Medical Quality to make Telstra Health's hospital data tools available in China.

Our Network Applications and Services business has seen double digit growth each year for the last few years and now generates annual revenues in excess of $2.7bn.

Telstra Health is now one of Australia's leading providers of eHealth solutions and in May was selected by the Commonwealth Department of Health to deliver the National Cancer Screening Register under a five year contract.

This year we also announced the sale of most of our stake in Chinese online car sales site Autohome for what was a $1.8bn profit on sale.

Autohome has been an incredibly successful investment for Telstra and we remain very proud of the role we played in its rapid growth since we first invested in 2008 and believed the time was right for us to realise significant value for shareholders. We do however retain a 6.5 per cent interest and a Board seat.

Long-term value creation in the community

I would like to make some comments on Telstra's ongoing work in the community.

We are continually seeking to identify ways that we can use our technology, skills and scale to operate more responsibly, better serve vulnerable customers and help safeguard the environment to create long term value for our company and our community.

For example, this year:

- We helped more than one million vulnerable customers stay connected;
- We reached more than 59,000 people through our digital literacy programs which includes Tech Savvy Seniors, Telstra Digital Ambassadors and our Cyber Safety Awareness programs; and,
- We also provided $175m of value through our social and community investment programs which includes sponsorship and disaster relief, employee volunteering and giving and our customer and community digital inclusion programs.

Under the Federal Government mobile blackspots program, we are deploying 429 new 3G/4G base stations over 3 years to improve mobile coverage for over 400 communities across Australia. Last month we activated the 60th mobile base station under the program.

Capital management

Turning now to our capital management strategy, this continues to be underpinned by a clear focus on maximising returns to shareholders, maintaining financial strength and retaining financial flexibility.

On the back of our results we announced we would return up to approximately $1.5bn of capital to shareholders, comprising a $1.25bn off-market share buy-back, which has recently been completed, and $250m on-market share buy-back.

The buy-backs are being funded from Telstra's surplus cash and continued strong free cashflow generation, including that from the recent sale of Autohome shares. The advantage of a buy-back program over a special dividend is that earnings per share is expected to increase for all shareholders as there are less shares on issue.

In addition, shareholders can now also elect to participate in our Dividend Reinvestment Plan, which we re-introduced in response to earlier shareholder feedback.

In conclusion

In conclusion then, 2016 was a good year for Telstra and its shareholders. It has been a year of increased change and competition and has seen challenges from the outages to regulatory imposts and capacity growth. Despite these challenges we delivered on our financial and other objectives for the year and Telstra remains Australia's best telecommunications and technology company - indeed we continue to be held in the highest regard around the world.

I would like to take this opportunity to sincerely thank Andy Penn, his senior executives, and the entire 33,000 strong Telstra team for their efforts in delivering the many achievements I have described this morning.

Looking forward, there is no doubt connected digital technologies will continue to drive change and increasingly we will see most people and most things connected through smart technologies, smart devices and smart networks.

We can't even imagine what the world will look like in another ten years and the challenge for Telstra is to harness the fantastic people, assets, and opportunities that we have to stay ahead of our competition and realise our vision to become a world class technology company that empowers people to connect. I am very confident that this is exactly what we will do.

With that I will now hand over to your Chief Executive Officer Andrew Penn to comment on our operations for the year in more detail.

CEO SPEECH NOTES

TELSTRA AGM - SYDNEY

11 October 2016

WELCOME AND INTRODUCTION

Thank you Chairman and good morning everybody.

Thank you for taking the time to join us today.

As our shareholders, we value this opportunity to meet with so many of you, hear your thoughts and address your questions.

I would like to cover three things in my presentation to you this morning:

Firstly, I will provide an overview of how the Company performed in 2016.

Secondly, as many of you would be aware, and as the Chairman has mentioned, we had some network service interruptions in the first half of this calendar year.

I will discuss our response to these issues and our work to ensure we continue to have the best networks in the country.

Thirdly, I will comment on our announcement w the Full Year results to make a significant investment in our core business. A program that will transform customer experience and position Telstra strongly for the future as we see technology innovation accelerating and the growth of data on our network continuing.

I will conclude by confirming guidance.

FY2016 HIGHLIGHTS

I would like to start with an overview of 2016.

2016 was a year of strong performance for Telstra in an increasingly competitive market.

We delivered against guidance in our three key measures of Income; EBITDA; and free cash flow.

Net profit after tax from continuing and discontinued operations was up 35.9 per cent to $5.8bn.

Importantly given the competitive dynamics, we continued to attract new customers.

We added 560,000 net new domestic retail mobile services and 235,000 net new domestic retail fixed broadband services.

We also saw another 322,000 customers taking one of our bundled offerings.

On the NBN we added 289,000 net new customers, including our 500,000th new customer since the rollout started. This event coincided with NBN's announcement of its 1 millionth connected home so we are pleased with our share in this key market.

In fact the monthly connection volumes of Telstra services on the NBN have doubled since February this year.

That means Telstra is now connecting about one new customer every minute to our NBN services.

During the year we also signed a number of significant contracts with NBN to both build and maintain their network. These contracts are worth over $1.6bn over the next few years.

Encouragingly Global Enterprise and Services continued to grow strongly with income up 11.5 per cent.

We are particularly pleased with our performance internationally with GES revenues up 55.5 per cent following the successful integration of Pacnet.

Our fixed broadband business, performed strongly with the good customer wins leading to solid revenue growth.

We saw a particularly strong performance from our challenger brand, Belong, which is now in its third year since launch.

In mobile, there is no doubt the market has been very competitive, despite this, we have performed well, growing EBITDA and margins even though underlying revenue was flat.

Our mobiles performance in the business sector was strong and reflecting the increasing use of mobile technologies to drive new solutions for industries, mobile workers and connected devices.

This year we upgraded more than 2000 network sites to 4GX, we achieved 98 per cent population coverage for 4G and our customers experienced a 25 per cent increase in the average download speed of their 4G devices.

We also launched Australia's first Voice Over LTE – or VOLTE - service and more than 1 million customers now have access to high definition calling over 4G.

5G is the next generation of wireless technology and we are actively engaged in setting new international 5G standards and getting ourselves ready to bring this technology to Australia.

Only three weeks ago, and in partnership with Ericsson, we completed a successful real-world trial of 5G in our Global Operations Centre in Melbourne.

The tests saw downloaded speeds greater than 20Gbps and confirmed 5G will be a quantum leap in terms of speed, latency and overall capability and we intend to be at the forefront of this technology.

2016 was also an important year for our Media business.

We signed long term agreements for exclusive mobile digital rights for the AFL, NRL and Netball, Australia's biggest broadcast and grass roots sports.

These agreements underpin the huge and growing popularity of watching live sport on smartphones and tablets.

Already more than 750,000 mobile customers are enjoying premium sport and music content experiences through their Telstra mobile plans.

We are also using our media assets to enhance the value of our fixed services to customers and we now have more than 400,000 Telstra TVs in Australian homes only one year after launch.

During the year we took the next step in the evolution of our brand in line with our vision to become a world class technology company that empowers people to connect.

We launched the new brand in July and we are extremely pleased with the way it has been received.

The financial results included the $1.8bn profit on the sale of the majority of our shareholding in Autohome. This transaction realised significant value for shareholders.

Autohome has been an incredibly successful investment for Telstra. Our decision to sell the majority of our shares reflects the opportunity to underpin the next phase of its growth through a significant strategic partnership between Autohome and the Ping An Insurance Group.

We retain a 6.5 per cent shareholding and a seat on the Autohome board.

This year's results also included a $246m impairment of Ooyala reflecting the changing dynamics in the intelligent video market and the business performance.

Overall earnings per share for the year was up 37.4 per cent to 47.4 cents per share or 31.6 cents per share on a continuing basis.

As the Chairman mentioned earlier, the Board declared a fully franked final dividend for FY16 of 15.5 cents per share taking the total dividend for the year to 31 cents, up 1.6 per cent on last financial year.

Despite these strong results we were disappointed our customer advocacy result, which we measure using the Net Promoter Score, fell 4 points.

What that means is we did not always deliver the service experience we should for our customers. As a consequence the NPS portion of executive and staff remuneration was not paid.

NETWORK RESILIENCE

There were a number of factors which influenced this including the network service interruptions we experienced in the second half of the year.

Telstra's network in Australia includes approximately 230,000kms of optical fibre cabling, 170,000 routers and switches, over 8,500 mobile network sites and more than 5,000 exchanges. With this level of complexity, occasionally issues do occur.

However, these interruptions had a wider impact than is acceptable and we have apologised for that. Our energies since have been firmly focussed on fixing the issues. This has included an extensive network review with input from international and independent experts.

As a result, in June we announced a $250m program of investment and initiatives from within our current capital budgets.

These include:

- A $50m investment in mobiles to improve recovery times and network monitoring;
- A $100m investment in the core network to improve resilience and reliability; and,
- A further $100m investment to increase ADSL capacity to meet the very significant growth in customer demand from increased video streaming.

We are well progressed with this program and have already substantially improved our mobile network recovery times.

In parallel we have continued to build our network capabilities.

This work is critical because all of us are relying more and more on smart devices, smart technologies and fast connectivity every day.

In 2013, mobile banking represented 24 per cent of all banking transactions in Australia. In less than 2 years that number nearly doubled to 38 per cent.

Mobile video consumption has increased eight fold since 2011, with twice as many people now watching four times as much video on a mobile device.

At the recent Rio Olympics, the Seven Telstra Olympic app simultaneously streamed 36 channels and over the 2 weeks of the Games the app was downloaded 1.5 million times and there were more than 37 million live streams of coverage.

We are seeing the same dynamic with the AFL and NRL.

Just over a week ago at the AFL Grand Final, 1.85 million minutes of action was watched on the Official AFL app, up 134 per cent on the previous year.

It was a similar story at the NRL Grand Final the following day where 1.1 million minutes were viewed, up 107 per cent on last year.

If we have seen this much change in the last five years just imagine what 2020 will look like as the rate and pace of technology innovation accelerates.

Over the next five years, our network traffic will grow enormously, driven by an explosion of media, digitisation and the use of cloud computing.

We have thought deeply about what that means for our business, for our customers and for what our network needs to look like.

We have thought deeply about how we will differentiate Telstra from others in the market.

Telstra has a history of making investments ahead of the curve to create strategic differentiation and the time is right to do that again now.

In August this year we committed to invest up to $3b in extra capital over the next three years, lifting our capex to sales ratio to 18 per cent.

We will be investing in our network in a way that delivers new customer experiences, reduces our time to market, increases flexibility and reduces costs.

This means we will be able to do things faster and with lower latency and offer products and services that can move seamlessly between fixed and wireless networks.

Our network will be smart, adaptable and scalable.

That is the world of the future. And that is the world we are investing in, so our customers can enjoy brilliant connected experiences.

INVESTING FOR THE FUTURE

The investments will be made in three key areas:

- Firstly in building the network of the future the foundation of the program;
- Secondly in accelerating the digitisation of our business; and,
- Thirdly, in improving our customers experience.

Let me comment briefly on each area in turn.

We will also be discussing the programme in more detail at our upcoming investor day next month.

BUILDING THE NETWORK OF THE FUTURE

To deliver the future network experiences, we will use software defined networking architecture to build a more programmable, flexible and resilient network that we can scale easier and at lower cost.

We will build the foundation for the next generation of wireless services, 5G.

In the very near term we will further improve service levels on our ADSL Fixed Broadband network to deliver faster speeds to more of our customers.

From a mobile perspective we will further enhance depth and breadth of the network.

In metro areas this will mean greater in-building coverage in homes and in offices.

We will also extend 4G coverage in regional areas provided the regulatory settings remains conducive to investment.

You have already heard our concerns from the Chairman regarding the ACCC's inquiry into domestic roaming.

Australia has one of the best mobile industries in the world. Despite our dispersed population, approximately 99.3% of the population enjoys mobile coverage.

This is because to win in a highly competitive market, Telstra has disproportionately invested in regional areas to cement our place as the number one network for coverage and quality in Australia.

This competitive dynamic, that has benefited people in regional Australia, would be put at risk if roaming were to proceed. For example we are very pleased to be actively participating in round 2 of the Government's mobile black spots programme. However, future rounds of this programme would be threatened by roaming.

The principle advocate for mobile roaming is a foreign company that has chosen not to invest to the extent Telstra has. A foreign company that is very capable of investing and a foreign company that has argued against roaming in other markets where it suits it to do so.

We are hopeful, for the benefit of all Australians that this foreign company's regulatory campaign will not succeed.

DIGITIZING OUR BUSINESS

The second area we are investing in is the digital enablement of our sales, service, and product experiences.

The focus here includes purging complexity from our legacy systems and creating a world where customers can interact with Telstra on their terms.

We are accelerating the move of apps and services to the cloud and overhauling systems such as billing and order-to-activate.

We expect these changes will deliver customers a fundamentally better experience when they interact with Telstra as well as create financial benefits for all shareholders.

Underpinning these initiatives will be an adaptable digital core IT architecture that will deliver a single access point to our underlying systems and move away from the complex systems we have today.

IMPROVING OUR CUSTOMERS EXPERIENCE

Ultimately all these investments are focussed on delivering better experiences for customers.

Customers will experience new rich communication services with capabilities such as Voice over LTE, integrated messaging and video.

Sporting events and other media will be greatly enhanced through the use of broadcast services and video streaming based on LTE-Broadcast technology.

The program will also open up the world of augmented reality, autonomous driving and robotics.

For our business customers, new opportunities in productivity and business insight will be offered as industries such as agriculture, banking, health care, logistics and transportation services are enhanced by the millions of sensors and devices that are arriving with the internet of things.

Similarly, applications in areas like drone technology and remote healthcare diagnostics will explode over the next 4 years.

For business and enterprise customers both domestically and internationally, we will invest in our enterprise technologies and capabilities, particularly in cloud, in collaboration and in security.
Finally we will also be investing to deliver greater reliability, greater resilience, and greater security for all our customers as the growth in data volumes continues.

In summary this is a significant program of investment that will position Telstra strongly for the future.

Before closing, let me reconfirm our guidance for the year.

GUIDANCE

In FY17, we expect to deliver mid to high-single digit income growth and low to mid-single digit EBITDA growth.

We expect capex, excluding externally funded capex, to be approximately 18% of sales and we expect free cash flow to be in the range of $3.5bn – $4.0bn.

Our guidance assumes wholesale product price stability and excludes any proceeds on the sale of businesses, excludes mergers and acquisitions and purchase of spectrum.

The guidance also assumes the NBN rollout is in accordance with the NBN 2016 Corporate Plan.

The FY17 guidance excludes the $246m Ooyala impairment in FY16; and excludes restructuring costs in FY17 of $300-$500m.

Finally our FY17 income and EBITDA growth on a reported and guidance basis will be impacted by the wholesale pricing decisions implemented in FY16. There will therefore be a full 12 month impact from the Mobile Terminating Access Service and Final Access Determination decisions.

In conclusion, I would like to thank the Telstra management team for their dedication, hard work and willingness to step up to the challenge this year.

I would also like to thank the Chairman and the Board for their support and guidance during the year.

This is an exciting time for Telstra – we see a great future for your company as accelerating technology innovation drives a world of rapid change and new opportunities.

We need to take advantage of these opportunities at the same time as addressing the very considerable challenge of the $2 – 3bn negative impact on our EBITDA from the migration to NBN.

The ultimate mark of our success will be the quality of the experiences we provide for our customers – above all else that is what underpins our strategy, guides our actions, and will define our future.

We are working to take Telstra to the next level, to set a new standard of excellence and to become a world class technology company that empowers people to connect.

Thank you again for your time this morning and I will now hand back to the Chairman.

[ENDS]

TELSTRA ANNUAL GENERAL MEETING - 11 OCTOBER 2016
CHAIRMAN'S INTRODUCTORY REMARKS FOR ITEMS 4 AND 5

I now turn to item 4 on today's agenda, which is to consider the grant of Performance Rights to the CEO, Andrew Penn, under Telstra's FY17 Long Term Incentive Plan as outlined on the screen behind me.

Details of the proposed grant are set out in the Explanatory Notes to the Notice of Meeting.

In summary, if shareholder approval is obtained, each Performance Right will entitle Andy to one fully paid ordinary Telstra share at the end of the three year performance period subject to satisfaction of two separate performance measures.

These are:

- first, Telstra's relative Total Shareholder Return (or RTSR) performance; and
- second, our Free Cash Flow Return on Investment (or FCF ROI) performance.

Half of the Performance Rights are subject to the RTSR measure, and the other half are subject to the FCF ROI measure.

As explained in the Notice of Meeting, the targets set for the FCF ROI measure do not yet take into account two things:

- First, the investments and resulting returns from our three year strategic investment program announced in August, as the phasing of the program has not been finalised at this time.

  The program is expected to increase our capex to sales ratio in each year of the FY17 to FY19 performance period to approximately 18 per cent.

  As the details of the investment program and the resulting benefits will be progressively confirmed during this period, the targets have been set on the basis of Telstra's pre-existing plans that did not reflect the program.

- Second, the impacts of certain new accounting standards applicable in future reporting periods (namely new revenue recognition and lease accounting rules).

Importantly, although necessarily Andy's initial targets were set based upon our pre-existing plans, I would like to reiterate that as soon as the new investment plans are finalised then the Board will fully take these into account when determining the outcome for the FCF ROI measure. Management's performance will be measured against the planned outcomes of those investments.

The Board will also consider the impact of new accounting standards, and will exercise its discretion to ensure that the overall vesting outcomes are appropriate.

The number of Performance Rights, being 853,210, represents the maximum potential number of shares that may be earned by the CEO under the FY17 LTI Plan.

The actual number of shares he may receive in 2019 will be determined based on Telstra's performance over the three year period.

If any Performance Rights vest, the shares earned will be subject to a further one year service condition and trading restriction.

The Board (other than Andrew Penn) considers the grant of Performance Rights to the CEO to be appropriate in all the circumstances and recommends shareholders vote in favour of item 4.

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I now turn to item 5 on today's agenda, which is to consider Telstra's Remuneration Report for the year ended 30 June 2016 as outlined on the screen behind me.

Before inviting questions from the floor, I would like to provide some introductory comments about this year's Remuneration Report and our remuneration outcomes for FY16.

Our aim in preparing our Remuneration Report is to enable you, our shareholders and interested stakeholders, to understand the links between remuneration, company strategy and Telstra's performance, and the framework that we have in place to provide effective governance over remuneration at Telstra.

The overall structure and philosophy of our approach to remuneration, as well as the structure of the Remuneration Report, remained consistent throughout the 2016 financial year.

Our remuneration philosophy is based on linking financial rewards directly to employee contributions and company performance.

As you have heard this morning, overall in 2016 Telstra delivered solid results for shareholders, however we did not make enough progress on improving customer experience. The remuneration outcomes for the 2016 financial year therefore reflect this underperformance and, as a result, no incentive payments were made to senior management in respect of customer service performance. This meant that senior executives received an average of 40.5% of the maximum opportunity under the FY16 STI Plan.

Separately, 53% of the maximum opportunity vested for senior executives under the FY14 LTI Plan.

In response to feedback we received in the lead up to last year's meeting, we have also provided more information about how the Board determined the outcome under the cashflow performance measure of the FY14 LTI plan in preparing this year's report.

The Board determines remuneration outcomes under both the STI and LTI plans to ensure that there are no windfall gains or losses due to the timing of the NBN roll out, and by adjusting reported results for non-recurring items such as spectrum purchases and unplanned material acquisitions and divestments, as well as any other significant unplanned business development or material regulatory or legislative change where relevant.

As I summarise the key outcomes under our STI and LTI plans this year, therefore, I will highlight what the Board considered to include or exclude when it determined the plan outcomes.

- For the FY16 Short Term Incentive (or STI), all Senior Executives participated in the same STI Plan, with the exception of the Group Executive - Telstra Wholesale who, for regulatory reasons, participated in a standalone plan.

  The performance measures of the plan were Free Cashflow, EBITDA, Total Income, our strategic customer advocacy Net Promoter Score (or NPS) and individual performance objectives.

  The Board selected these performance measures as it believes they are a critical link between achieving the outcomes of our business strategy and increasing shareholder value.

  Senior Executives received an average of 40.5% of the maximum opportunity available based on the assessment of financial, customer advocacy and individual performance. We did not achieve our Total Income and NPS gateways and as a result, no payment was made for those components.

  The Board included the Ooyala impairment as this was a negative for the company and the impact was therefore included in determining the final outcome to management's detriment. Conversely, the Board included the profit on sale of Autohome in determining the final outcome as this was a tremendous success for the company and management benefitted accordingly.

- For the Long Term Incentive (or LTI), the performance period for the FY14 LTI Plan concluded on 30 June 2016. The outcome was that 53% of the maximum opportunity vested as Restricted Shares.

  Performance Rights form the basis of the reward under the LTI plan. For any Performance Rights to vest as Restricted Shares, a minimum threshold performance against the relevant measure must be satisfied.
  The FY14 LTI plan had two separate performance measures – Relative Total Shareholder Return (or RTSR) and Free Cashflow Return on Investment (or FCF ROI.

Half of the Performance Rights were subject to each separate measure.

The results of the two plan measures were that the RTSR ranked at the 52nd percentile of the comparator group and Telstra achieved an FCF ROI outcome of 15.9%, which exceeded the target of 15.1% for the FY14 LTI Plan.

The Board therefore determined the FCF ROI outcome of the FY14 LTI Plan as described in our Remuneration Report.

The most significant items that affected the outcome were:

- the exclusion of cash proceeds from the Autohome divestment, however the profit on sale was included which had the effect of reducing the outcome for management
- the exclusion of spectrum purchases and the purchase price and trading cashflows of acquisitions (for example Ooyala, Pacnet and Videoplaza), and
- lastly, for divestments, the exclusion of sale proceeds but trading cashflows were included as if they continued to contribute to our results (mainly CSL and the Sensis advertising and directories business).

The Board also took into account certain regulatory decisions and the NBN transaction, but these aspects did not have a significant impact to the outcome.

Overall, the FCF ROI outcome reduced from 16.3% to 15.9% against the target of 15.1%, and the FY14 LTI plan vesting outcome decreased from 59.25% to 53%.

Finally, I would remind shareholders that the shares allocated to executives under this plan are subject to a further one year restriction period ending on 30 June 2017.

In closing, I would like to highlight two other important aspects about remuneration at Telstra which are outlined in the report:

- Firstly, there have been no changes to senior executive remuneration during the 2016 financial year except at the time of promotion to a senior executive role. There have also been no changes to non-executive Director or Committee fees.

- Secondly, in the FY16 STI Plan, strategic NPS was the sole metric for the customer measure. Strategic NPS, or the overall impression of Telstra as a company, was chosen as it helps us understand how our customers feel about Telstra and whether they would recommend us to others.

  In FY17, we also want to increase the focus on how our customers feel about their direct interactions with us on a daily basis. To do this we are introducing an additional metric known as the Service Experience Index (or SEI). This is a measure of the experience that our customers receive each time they actually use us or are in contact with us to fix a problem. We already measure these experiences as part of our NPS program so this is not hard to include.

  The overall quantum of the customer metric will remain unchanged but going forward the existing strategic NPS and new SEI metrics will now each contribute half of the total customer measure.

  This change will therefore mean that the customer measure going forward will not only reflect the broader perception customers have of Telstra, but also the end-to-end customer experiences we are delivering on a daily basis.

  Other than this change to the customer measure, we do not anticipate any other changes in our approach to Senior Executive remuneration in FY17. In particular, for FY17 there will be no fixed remuneration increases and no changes to the STI and the LTI opportunities as a percentage of fixed remuneration for the Senior Executives (including the CEO).

The Board recommends that shareholders vote in favour of the adoption of the Remuneration Report.