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All amounts are in Australian Dollars unless otherwise stated.

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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

Will Irving  
Group Executive Wholesale

Joe Pollard  
Group Executive  
Media & Marketing

Stephen Elop  
Group Executive  
Technology, Strategy & Innovation

Mike Wright  
Group Managing Director,  
Networks

* Also speaking today

Agenda

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<th>Agenda and Strategy Update</th>
<th>Andrew Penn</th>
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<td>Lunch &amp; Customer Immersion Sessions</td>
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<tr>
<td>Q&amp;A</td>
<td>Andrew Penn, Robyn Denholm, Mike Wright, Warwick Bray</td>
</tr>
</tbody>
</table>
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

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

Two critical decisions:
1. Strategic investment program; investing up to $3bn incremental capex over 3 years to 30 June 2019
2. New dividend policy
nbn

Service
- Activation
- Assurance

Speed
- nbn technology choice
- CVCs
- In home experience
- Other network

Affordability
- 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 experience
- Drive value and growth from the core
- Build new growth businesses close to the core

Strategic enablers
- Networks for the future
- Digitisation
- Culture & capabilities

Deliver a seamless end to end usage experience across our networks and build the network 2020 architecture

Digitise our systems and processes to enable brilliant customer experiences and simplify our ways of working

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 Platforms
Digital Experiences (Employee)
Digital Ways of Working

$750m of strategic investment deployed at 30 June

KEY METRICS UPDATE:
Networks for the future
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 to Sydney & Melbourne CBDs plus ~2km, Brisbane 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 AOSL customers during nbn transition can experience equal quality video streaming experience and the other 15% are provided tailored solutions for the best possible experience
90% of AOSL customers now have AOSL, supporting quality video streaming. New HEVC technology in Telstra TV reduces data consumption for streaming 4K video.
Deliver 6 times data growth/holding overall network costs flat by FY20
Optical transport layers 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
Applications retired, contained or moved to cloud: FY20: 50% or 800 applications
156 additional applications retired, contained or virtualised in FY17.
Strategic NPI’s: Annual increase of 36 points each year from FY17 to FY20
+6 points over 8 months to June 2017 (6 points compared to June 2016)
IT delivery capability applying Agile/DevOps capabilities: FY20: 70%
26% with over 100 teams implementing Agile/DevOps delivery through some of our major programs.
Epicode NPI’s: Annual increase of 36 points each year from FY17 to FY20
+2 points over 8 months to June 2017 (3 points compared to June 2016)
Automated processing of consumer nbn orders: FY20: 95%
65% initial volumes now provisioned leveraging new digital platforms. On track for 95% by end of financial year.
We are making good progress

Innovation
Initiatives aimed at lifting the level of innovation

Simplified business
Refocused our strategy on new growth and adjacencies closer to the core

Building capability for the future
Creating new customer-inspired culture & capabilities

Networks
Completed major network resiliency & redundancy program

Applications & services
Delivering world-leading digital experiences for our customers

Repositioning the Telstra brand
Becoming a provider of world-leading technology solutions

Driving value

• Mobile gross contribution margin
• nbn reseller margins
• Cost out
• NAS > Data & IP
• Strategic benefits from capex program

• New business opportunities
• New revenue capabilities
  • IoT
  • 5G
  • Big Data
• Improved market dynamics
Over long term, the foundations we are laying today will open up new opportunities for growth

Horizon 1
“Value and growth from the core”

Horizon 2
“Growth from adjacencies”

Horizon 3
“Growth from emerging opportunities”

- Ventures, M&As
- New 5G use cases
- Media/digital advertising
- Data & Analytics: Internal (next gen OSS), data exchanges
- IoT enabling capabilities: e.g., network build, platforms
- 5G: Capacity improvements, mobile broadband, ultra-low latency use cases

Telstra Enterprise: domestic and international organic; IoT, international inorganic

Consumer & Small business: Fixed, Mobile, Smart Home

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

<table>
<thead>
<tr>
<th>Market position</th>
<th>Our Peer Ranking</th>
<th>Result</th>
<th>Peer Group Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Market share¹</td>
<td>#3</td>
<td>~54%</td>
<td>~39%</td>
</tr>
<tr>
<td>EBITDA Margin¹</td>
<td>#1</td>
<td>~41%</td>
<td>~33%</td>
</tr>
<tr>
<td>Mobile ARPU (USD)²</td>
<td>#9</td>
<td>~$31.6</td>
<td>~$29.1</td>
</tr>
<tr>
<td>Capex/Sales³</td>
<td>#7</td>
<td>~16%</td>
<td>~16%</td>
</tr>
<tr>
<td>FCF/Sales⁴</td>
<td>#1</td>
<td>~25%</td>
<td>~18%</td>
</tr>
<tr>
<td>ROIC⁵</td>
<td>#2</td>
<td>~16%</td>
<td>~10%</td>
</tr>
</tbody>
</table>

Source: Company filings, broker research, BoAML Global Wireless Matrix, GSDMA, Factset and Own

Note: 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 capital spending 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
   - 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)

2. Intensifying market dynamics
   - Network differentiation narrowing
   - Competition driving to convergence and bundling
   - Global software players widening service offering and investing in their own networks
   - Continued regulatory uncertainty

3. Ecosystem value shift
   - Significant growth expected in content, IoT, and software
   - Growth in the global telecom market has stagnated in recent years

4. Technological developments
   - 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.

Global Telecom Market Size (USD Bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emerging¹</th>
<th>Developed²</th>
<th>Total Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,253</td>
<td>369</td>
<td>1,622</td>
</tr>
<tr>
<td>2009</td>
<td>1,265</td>
<td>396</td>
<td>1,661</td>
</tr>
<tr>
<td>2010</td>
<td>1,297</td>
<td>418</td>
<td>1,715</td>
</tr>
<tr>
<td>2011</td>
<td>1,328</td>
<td>442</td>
<td>1,770</td>
</tr>
<tr>
<td>2012</td>
<td>1,359</td>
<td>470</td>
<td>1,829</td>
</tr>
<tr>
<td>2013</td>
<td>1,372</td>
<td>496</td>
<td>1,868</td>
</tr>
<tr>
<td>2014</td>
<td>1,386</td>
<td>507</td>
<td>1,893</td>
</tr>
<tr>
<td>2015</td>
<td>1,405</td>
<td>516</td>
<td>1,921</td>
</tr>
<tr>
<td>2016</td>
<td>1,435</td>
<td>545</td>
<td>1,980</td>
</tr>
</tbody>
</table>

CAGR 2008-2016

<table>
<thead>
<tr>
<th>CAGR</th>
<th>Emerging¹</th>
<th>Developed²</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1.7%</td>
<td>1.1x</td>
<td>1.1x</td>
</tr>
<tr>
<td>+5.0%</td>
<td>1.1x</td>
<td>1.1x</td>
</tr>
<tr>
<td>+0.1%</td>
<td>1.1x</td>
<td>1.1x</td>
</tr>
</tbody>
</table>

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.

Combined sales revenue indexed to 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Telco group</th>
<th>OTT group</th>
<th>CAGR 2007-2016</th>
<th>Companies included</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1.0</td>
<td>1.0</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2008</td>
<td>1.3x</td>
<td>1.3x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2009</td>
<td>1.7x</td>
<td>1.7x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2010</td>
<td>2.5x</td>
<td>2.5x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2011</td>
<td>3.7x</td>
<td>3.7x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2012</td>
<td>4.9x</td>
<td>4.9x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2013</td>
<td>5.7x</td>
<td>5.7x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2014</td>
<td>6.6x</td>
<td>6.6x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2015</td>
<td>7.9x</td>
<td>7.9x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
<tr>
<td>2016</td>
<td>9.3x</td>
<td>9.3x</td>
<td>+2%</td>
<td>Google, Facebook, Netflix</td>
</tr>
</tbody>
</table>

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

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

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

Enablers
- Age of first commercial computer
- Computing Power
- Software
- Enablers
- Artificial Intelligence
- Data & Analytics
- Big Data
- Cloud
- Smart devices
- M2M/IoT, connected car
- Connectivity
- 2G era
- 3G era
- 4G era
- 5G era
- Age of Digital Transformation
- Age of Automation and Connected life

Source: Telstra Analysis

GSMA

Page 21

Page 22
Beyond our core there are multiple trends to support new growth

Data & Analytics
Addressable market ($B)¹

IoT
Addressable market ($B)²

5G connectivity
Telco addressable market ($B)³

Sources: 1) BCG, TelBIT 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 ~ $53.5B 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

IoT
Addressable market ($B)²

Sources: 1) BCG, TelBIT 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 ~ $53.5B 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?

**Invest in IoT / M2M**

- Develops solutions through partnerships, research centres and open platforms
- Acquired Fleetmatics and Telogis to develop Telematics business

**Invest in Big Data**

- Developed Flux Vision, a geo-analytics platform to turn its mobile data into location insights for government and enterprise customers
- Formed JV with China Unicom to bring ‘Smart Steps’ product to China.

**Invest in Media and Content**

- Verizon has ~10% stake in total display revenue, making it the third biggest player after Facebook and Google.
- Acquired DirecTV in 2014, which enabled expansion to Latin America, and subscriber growth; in process of acquiring Time Warner

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**Telcos will look different in the future**

**Current telco portfolio mix FY17 - % EV**

- Mobile
- Data & IP
- Fixed
- Services
- Other connectivity

**Hypothetical telco portfolio view FY25 - % EV**

- Mobile
- Data & IP
- Fixed
- Services
- Other connectivity
- IoT and Platforms
- Software, applications & services
- Content and digital business
- Consumer connectivity
- Enterprise connectivity

- 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
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$bn)

- 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

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

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Page 32
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

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
We see significant potential in Enterprise IoT

Rapid Enterprise IoT market growth

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.8B</td>
<td>5.5B</td>
<td></td>
</tr>
</tbody>
</table>

5-6x 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

**EMEA**
- Focus on MNCs and wholesale customers

**North Asia**
- Provide leading network services in North Asia, including our PBS joint venture in China

**North America**
- Connect OTTs, high-frequency traders and wholesale customers in North America to Asia

**South Asia**
- Provide leading network services, with global delivery centres across the region, including the telkomtelstra JV

**Australia-Out**
- Connect and deliver services for Australian customers going outside of Australia and global customers coming into Australia

**Apps & Services**
- Acquired Company85 in UK to strengthen service capability in key MNC hub
- Winning and delivering large scale, global Conferencing and Collaboration deals

**Platforms**
- Telstra Programmable Network gaining traction with Australia-Out and Asian MNCs
- Global Media Network delivering at major sporting events
- Security Operations Centre to be built in UK

**Infrastructure**
- Retained #1 in Asia for High-Capacity, Low-Latency networks
- World first ‘Always-on’ service guarantee across Hong Kong, Singapore, Japan
- China Data Centres resonating with Western MNCs and OTTs
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

- Trusted brand and multi-brand portfolio
- Customer base
- Superior network
- Store footprint and digital channels

The market is fundamentally changing

- NBN roll-out is inducing churn risks and reshaping economics
- Fixed & Mobile bundling will become a feature of the market
- Mobile will represent the majority of market profits, driving intensified competition in a 4-player market
- The market will bifurcate with the price sensitive segment expanding as the fourth entrant triggers a competitive response
Our strategy is to shape the market, outperform in key segments and reset our cost base

1. Execute on a multi-brand strategy in Consumer
2. Sustain our leadership on the NBN
3. Drive adjacent sources of growth in IoT and NAS
4. Strengthen our network differentiation supported by ‘Better Ways’
5. Grow share of wallet with ‘Whole of Household’ and ‘Whole of Business’ bundles that offer more-for-more
6. Targeted local market execution
7. Deliver exceptional customer experience
8. Rebase Fixed Broadband cost structure through digitisation and network optimisation

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 28 years old: School leavers, university students and consumers in their first job.
Bringing our Whole of Household proposition to life

Better Ways

Customer proposition

Faster 4G and improved in-building coverage

99% 4G population coverage and 1M Wi-Fi hotspots

Hybrid modem

Telstra Database

Telstra Thanks

Device protection and replacement

Premium content, live, fast and data free

Sharable content

Home Dashboard

Platinum service

Smarthome

Personalised advice and service regardless of channel

Telstra 24/7 App. Effortless digital

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

We will focus on growth in IoT and Digital Entertainment
Deliver a great experience on the NBN

<table>
<thead>
<tr>
<th>Key Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformed service model</td>
</tr>
<tr>
<td>Set clear expectations</td>
</tr>
<tr>
<td>Simplify experiences</td>
</tr>
<tr>
<td>Reduce time to connect</td>
</tr>
<tr>
<td>Online order tracker</td>
</tr>
<tr>
<td>Speed expectations</td>
</tr>
<tr>
<td>Self install kits</td>
</tr>
<tr>
<td>Hybrid modem</td>
</tr>
<tr>
<td>Dedicated service teams</td>
</tr>
<tr>
<td>Simplified communications</td>
</tr>
<tr>
<td>Simplified fees</td>
</tr>
<tr>
<td>Appointment management</td>
</tr>
</tbody>
</table>

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.

Q&A
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.
- **Mobile sites – 3G/4G/4GX**: Over 9,000 mobile sites nationally, >50% Telstra-owned.
- **Exchanges and data centres**: Network of 5,300 exchanges across Australia.
- **People**: World renowned expertise and experience in designing, building and operating networks.
- **Spectrum**: Invested over $3.4 billion over the past 15 years in wireless spectrum portfolio.
- **Ducts, pits and pipes**: 500,000km of ducts and pipes and 6.8 million pits.

---

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

Direct investments into emerging technology wave
- SDN/NFV evolution
- Network compute
- Programmable network
- Media optimised

Scale and reliability for the future
- Exploit architectural simplicity
- Better tools and analytics
- Proactively identify problems
- Faster recovery

Reinforce mobile leadership and 5G readiness
- Lead spectrum, speed and technology evolution
- More 4G area, better indoor coverage
- New features and services
- 5G architecture and standards

Reusable investment in performance during NBN transition
- Quality: VOD: at least 85%
- Targeted solutions
- 95% reusable for NBN

Australia’s largest optical transport network

Telstra’s fibre in Melbourne
Post NBN and Networks for the Future

Current Network State

Future Network State

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

~3 million sq km of Cat M1 IoT coverage

*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 11 devices are in the range of 5 to 30 Mbps in 4K OA areas.

Evolution of 4G and preparing for 5G

First Australian 5G trial September 2016

Input to 5G standards

5G chipsets and device partnerships

5G-ready core network

5G built on 4G (gigabit enabled LTE)

5G alignment to NE2020 Architecture

5G trials on the Gold Coast

3GPP meeting September 2018
Networks for the Future journey
Foundations for the transformational years ahead

- Coverage
- Optical transmission
- SDN/NFV
- IoT
- Cat M1 and Narrowband
- 5G readiness
- Built in resiliency and scaleability
- 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

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

Helping our people better serve our customers
- Manual hours saved through automation
- Improve speed to market by 90%
- Increase digital service transactions

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%.

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
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
## Achieving growth by major product

### FY17 Income and growth

<table>
<thead>
<tr>
<th></th>
<th>FY17 Income $b</th>
<th>FY17 Income Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>$10.2b</td>
<td>0.8%</td>
</tr>
<tr>
<td>Fixed excl. nbn connection</td>
<td>$6.5b</td>
<td>-5.1%</td>
</tr>
<tr>
<td>NAS</td>
<td>$3.4b</td>
<td>30.6%</td>
</tr>
<tr>
<td>Data &amp; IP</td>
<td>$2.7b</td>
<td>-4.1%</td>
</tr>
<tr>
<td>One-off nbn DA</td>
<td>$1.8b</td>
<td>130%</td>
</tr>
<tr>
<td>Global connectivity</td>
<td>$1.4b</td>
<td>4.4%</td>
</tr>
<tr>
<td>Recurring nbn DA</td>
<td>$0.5b</td>
<td>20.5%</td>
</tr>
<tr>
<td>New businesses</td>
<td>$0.2b</td>
<td>-18.8%</td>
</tr>
</tbody>
</table>

### 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 FY20, NAS margin towards mid teens, NAS EBITDA dollar growth to offset Data & IP
  - Risks – competition, replace nbn commercial works contracts

---

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

### Mix effects on percentage margins

<table>
<thead>
<tr>
<th>Relative margin</th>
<th>Influences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower margin products</strong></td>
<td>EBITDA percentage margin</td>
</tr>
<tr>
<td>NAS</td>
<td>• FY15 41.6%</td>
</tr>
<tr>
<td>Global connectivity</td>
<td>• FY17 41.2%</td>
</tr>
<tr>
<td>New businesses</td>
<td>Aim to:</td>
</tr>
<tr>
<td>Fixed reseller</td>
<td>• Grow overall EBITDA dollars</td>
</tr>
<tr>
<td>Recurring nbn DA</td>
<td>• Achieve appropriate percentage margins and ROIC for each product</td>
</tr>
</tbody>
</table>

### EBITDA percentage margin

- FY15 41.6%
- FY17 41.2%

- **Aim to:**
  - Grow overall EBITDA dollars
  - Achieve appropriate percentage margins and ROIC for each product

### Overall growing faster

- Overall growing slower or in decline

---

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

<table>
<thead>
<tr>
<th>FY16 Guidance basis</th>
<th>Core sales costs</th>
<th>One-off nbn DA less nbn C2C</th>
<th>Core fixed costs – NAS labour and corporate</th>
<th>New businesses</th>
<th>FY17 Guidance basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>$16,354m</td>
<td>+$320m</td>
<td></td>
<td>+$466m</td>
<td></td>
<td>$17,042m</td>
</tr>
</tbody>
</table>

#### 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 ~$2.5bn higher due to nbn access payments**

- **Core fixed costs** - it includes 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**

---

Our productivity program has four approaches

- **Improving end-to-end customer experience**
  - Reducing our customers' effort by getting it right first time

- **Product and process simplification**
  - Intuitive products
  - Automation
  - Digitisation
  - Rationalising products and platforms

- **Supplier partnerships**
  - Using supplier partnerships to reduce complexity and costs

- **Fitter & faster organisation**
  - Reducing complexity in our organisational structure
## Cost out of $244m delivered in FY17

### Productivity example initiatives

<table>
<thead>
<tr>
<th>Productivity focus</th>
<th>Example initiatives</th>
<th>Outcomes</th>
</tr>
</thead>
</table>
| Improve customer call resolution speed | • 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 | • 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           | • Created in house automation technology capability  
• 75 ‘bots’ deployed in billing, credit and accounting  
• 100s more processes identified across the business  
• Increasing skills | • Processes brought back from outsourcers 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     | • Great outcomes in the field require strong alignment between front of house, dispatch and field workforce  
• 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 | • 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) |
| **Innovative Small Cell Design**    | • Use of small cells to provide in-fill coverage in high demand regions  
• Increased coverage cells implies fewer cells, capex, rent and power | • 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      | • Increased rigour on “statement of work”  
  - Specificity on task  
  - Review of internal vs external options more systematically  
  - Fact-based challenge or resources required to complete  
  - Stopped unnecessary work through prioritisation | • $25m of annual savings to date  
• Improving the capability and engagement of our IT workforce |
Manage capex to sales down to 14% or below over time

Capex to sales ratio (%) – Telstra

Relative to global peers

<table>
<thead>
<tr>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.9</td>
<td>14.6</td>
<td>13.9</td>
<td>15.2</td>
<td>17.8</td>
<td>~18</td>
<td>~18</td>
<td>~14</td>
<td>~14</td>
</tr>
</tbody>
</table>

1. FY13-16 average ~15%
2. FY17-19 expected average ~15%
3. Target ~14% (from FY20)
4. Telstra Median
5. Top decile

~15 15.8 21.25

<table>
<thead>
<tr>
<th>Telstra</th>
<th>Median</th>
<th>Top decile</th>
</tr>
</thead>
<tbody>
<tr>
<td>-15</td>
<td>15.8</td>
<td>21.25</td>
</tr>
</tbody>
</table>

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

Deliver returns on our capital investments

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

Spectrum auctions

<table>
<thead>
<tr>
<th>Band</th>
<th>Multi-band residual spectrum</th>
<th>3.6 GHz (3578 – 3700 MHz)</th>
<th>26 GHz (24.25 – 27.5 GHz)</th>
<th>900 MHz</th>
<th>850 MHz expansion2</th>
<th>1500 MHz</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spectrum quantity</td>
<td>Various</td>
<td>125 MHz</td>
<td>3250 MHz2</td>
<td>2x25 MHz</td>
<td>2x15 MHz</td>
<td>91 MHz</td>
</tr>
<tr>
<td>Use</td>
<td>3G/4G/5G</td>
<td>5G</td>
<td>5G</td>
<td>3G/4G/5G</td>
<td>4G/5G and possible PPDR band4</td>
<td>4G/5G</td>
</tr>
<tr>
<td>Current ACMA timing</td>
<td>Nov 2017</td>
<td>2H CY18</td>
<td>2H CY19</td>
<td>CY19</td>
<td>CY19</td>
<td>TBC5</td>
</tr>
</tbody>
</table>

1. Source: based on ACMA’s “Five Year Spectrum Outlook 2017-22”, released 26 October 2017
2. The ACMA has a allocation intent for auction 850 MHz expansion and 900 MHz spectrum for the same time in calendar year 2018. However the amount of 850 MHz expansion spectrum which can 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 allocations”
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

<table>
<thead>
<tr>
<th>The New Generation Network</th>
<th>Mobile Leadership</th>
<th>Digitisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always On Network</td>
<td></td>
<td>Digital Experiences (Customer)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Services</th>
<th>Digital Platforms</th>
<th>Digital Experiences (Employee)</th>
<th>Digital Ways of Working</th>
</tr>
</thead>
</table>

Digitisation

- The New Generation Network
- Mobile Leadership
- New Services
- Digital Experiences (Customer)
- Digital Platforms
- Digital Experiences (Employee)
- Digital Ways of Working

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

Mix effects on ROIC

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<tr>
<td>Fixed nbn reseller</td>
<td>Recurring nbn DA</td>
</tr>
<tr>
<td>One-off nbn DA1</td>
<td></td>
</tr>
</tbody>
</table>

- Overall growing faster
- Overall growing slower or in decline

Aim to:
- Deploy capital in line with ROIC opportunity
- Optimise individual product ROIC
- Optimise Corporate 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**

- Manage efficiency of converting EBITDA to cash and EPS
  - 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

**Timing expectations**

- Manage timing of cash vs accounting and EPS ...
- ... and post nbn rollout completion
  - 18% capex to sales vs depreciation reflecting lower historical rates
  - Spectrum vs amortisation
  - nbn still consuming working capital

**Implication:** Accounting EPS superior to cash equivalent

**Implication:** Cash superior to accounting EPS

---

**Capital Management Framework**

**FISCAL DISCIPLINE**

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
3. Target capex/sales ratio of ~14% excluding spectrum from FY20
4. Maintain flexibility for portfolio management and to make strategic investments

**MAXIMISING RETURNS FOR SHAREHOLDERS**

Return in the order of 75% of net one-off nbn™ receipts to shareholders over time via fully-franked special dividends

**MAINTAINING FINANCIAL STRENGTH**

**RETAIN FINANCIAL FLEXIBILITY**

Capex/sales ratio 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 PSA, 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 table assumes the nbn™ rollout is broadly in accordance with the nbn Corporate Plan 2017.

---

Page 77
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FY18 guidance

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY17</th>
<th>FY18 GUIDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>$28.2b</td>
<td>$28.3b to $30.2b</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$10.7b</td>
<td>$10.7b to $11.2b</td>
</tr>
<tr>
<td>Net one-off nbn DA receipts less nbn net C2C</td>
<td>$1.3b</td>
<td>$2.0b to $2.5b</td>
</tr>
<tr>
<td>Capex</td>
<td>$4.6b</td>
<td>$4.4b to $4.8b</td>
</tr>
<tr>
<td>Free cashflow</td>
<td>$4.3b</td>
<td>$4.4b to $4.9b</td>
</tr>
</tbody>
</table>

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.
Summary

Growth from existing and future businesses
Reset the cost base
Capital, cash and fiscal discipline
Capture option value
  • Industry structure
  • Infrastructure
  • Future opportunities

Q&A