THE NBN OPPORTUNITY

DAVID THODEY
CHIEF EXECUTIVE OFFICER

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• These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in Telstra’s Financial Report dated 11 August 2011 and 2011 Annual Debt Issuance Prospectus lodged with the ASX.

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• All amounts are in Australian Dollars unless otherwise stated.

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THE NBN FITS WITHIN OUR EXISTING STRATEGY

1. IMPROVE CUSTOMER SATISFACTION
2. RETAIN AND GROW CUSTOMER NUMBERS
3. SIMPLIFY THE BUSINESS
4. BUILD NEW GROWTH BUSINESSES

THE NBN ACCELERATES EXISTING TRENDS

- Move to an all data world
- Product bundling
- Demand for higher speed broadband
- Growth in the cloud
- Growth in video traffic
- Intelligent networks

Demand for higher speed broadband

Growth in the cloud

www

Mb/s

$
TELSTRA IS FOCUSED ON BEING NBN READY

- CUSTOMER TRANSITION
- NEW PRODUCTS AND PRICING
- SALES AND MARKETING
- ENGINEERING EXPERTISE

STRONG SHAREHOLDER PROTECTIONS

- LONG TERM CONTRACTUAL COMMITMENTS
- TERMINATION PAYMENT OF UP TO $500M
- GOVERNMENT PACKAGE & GOVERNMENT GUARANTEE
- NATURAL HEDGE
SUMMARY

- NBN FITS WITHIN OUR EXISTING STRATEGY
- NBN ACCELERATES EXISTING TRENDS
- NBN CREATES NEW OPPORTUNITIES
- WE ARE READY TO COMPETE IN THIS MARKET

CAPITAL MANAGEMENT STRATEGY

ANDREW PENN
CHIEF FINANCIAL OFFICER
AGENDA

1. CAPITAL MANAGEMENT STRATEGY

2. CURRENT CAPITAL POSITION

CAPITAL MANAGEMENT STRATEGIC FRAMEWORK

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>PRINCIPLES</th>
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<tbody>
<tr>
<td>Fiscal Discipline</td>
<td>Maximising returns for shareholders</td>
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<tr>
<td></td>
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<tr>
<td></td>
<td>Maintaining financial strength</td>
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<td></td>
<td>Retain financial flexibility</td>
</tr>
<tr>
<td>Excess Free Cashflow</td>
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* Any dividend is subject to the Board’s normal approval process for dividend declaration and there being no unexpected material events.
CAPITAL MANAGEMENT OBJECTIVES

- Maximising Returns for Shareholders
- Maintaining Financial Strength
- Retaining Financial Flexibility

CAPITAL MANAGEMENT PRINCIPLES

- Maintain balance sheet settings consistent with a single-A credit rating
- Ensure dividends remain fully franked and increase over time. FY12 and FY13 dividends will be 28 cps, fully-franked*
- Target medium-term capex/sales ratio ~14% subject to NBN roll-out, excluding spectrum payments
- Over a full year we will not borrow to pay the dividend or fund capital returns
- Retain financial flexibility for portfolio management and to invest in strategic areas

* Any dividend is subject to the Board’s normal approval process for dividend declaration and there being no unexpected material events.
### STRONG FINANCIAL SETTINGS

<table>
<thead>
<tr>
<th>Financial Parameters</th>
<th>Comfort Zones</th>
<th>Actual HY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Servicing</td>
<td>1.5 – 1.9x</td>
<td>1.48x</td>
</tr>
<tr>
<td>Gearing</td>
<td>50% to 70%</td>
<td>54.9%</td>
</tr>
<tr>
<td>Interest Cover</td>
<td>&gt;7x</td>
<td>9.3x</td>
</tr>
</tbody>
</table>

### TELSTRA’S DIVIDEND HISTORY (CPS)

- FY98: 0.14 (Ordinary), 0.17 (Special)
- FY99: 0.18 (Ordinary), 0.16 (Special)
- FY00: 0.19 (Ordinary), 0.18 (Special)
- FY01: 0.22 (Ordinary), 0.23 (Special)
- FY02: 0.24 (Ordinary), 0.24 (Special)
- FY03: 0.26 (Ordinary), 0.25 (Special)
- FY04: 0.28 (Ordinary), 0.27 (Special)
- FY05: 0.28 (Ordinary), 0.28 (Special)
- FY06: 0.28 (Ordinary), 0.28 (Special)
- FY07: 0.28 (Ordinary), 0.28 (Special)
- FY08: 0.28 (Ordinary), 0.28 (Special)
- FY09: 0.28 (Ordinary), 0.28 (Special)
- FY10: 0.28 (Ordinary), 0.28 (Special)
- FY11: 0.28 (Ordinary), 0.28 (Special)

Special (cps) | Ordinary (cps)

$17 billion returned in last 5 years in fully-franked dividends
INVESTMENT GUIDELINES

INVEST

ORGANIC ➔ RE-INVEST IN CORE ➔ 14% CAPEX/SALES

Subject to rate of implementation of NBN

EXPANSION ➔ EPS accretive in year 2 ➔ ROI above WACC by year 3

More accretive than buy-back of comparable size

INORGANIC ➔ PORTFOLIO MANAGEMENT

DEFINING EXCESS CASH

Calculation of excess cash

Reported cash flow for year (guidance basis)
ADD BACK spectrum payments (funded via debt)
ADD BACK cash items excluded from guidance (eg NBN residual payment)
LESS dividends and interest paid
LESS known commitments outside capex/sales ratio
LESS retaining financial flexibility
EXPECTED EXCESS CASH AT YEAR END
FINANCIAL IMPACT OF THE NBN AGREEMENTS

Illustrative FCF trend of Telstra fixed line business and NBN agreements*

<table>
<thead>
<tr>
<th>Free Cashflow</th>
<th>Other payments under Commonwealth Agreements</th>
<th>Incremental cashflow for TUSMA services</th>
<th>Incremental Infrastructure Access Payments</th>
<th>Disconnection Payments</th>
<th>Other Post-tax NPV of the agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>$4.9bn</td>
<td>$5.0bn</td>
<td>$0.7bn</td>
<td>$0.3bn</td>
<td>$1.0bn</td>
</tr>
<tr>
<td>FY15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$11.0bn</td>
</tr>
</tbody>
</table>

* Assumes NBN rollout proceeds as set out in NBN corporate plan

Approximate post-tax NPV of agreements

Value from Commonwealth Agreements and other Government policy commitments

Value from NBN Co Agreements

Disconnection Payments and sale of Lead-in Conduits

Infrastructure Access Payments

TUSMA services

Housing rebate from provision of services

Other Post-tax NPV of the agreements

CAPITAL MANAGEMENT STRATEGIC FRAMEWORK

OBJECTIVES

1. Maximising returns for shareholders
2. Maintaining financial strength
3. Retain financial flexibility

PRINCIPLES

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

Excess Free Cashflow ($2 to $3 billion over the next three years)

* Any dividend is subject to the Board’s normal approval process for dividend declaration and there being no unexpected material events.
NBN DEAL - P&L AND CASHFLOW TREATMENT

**INFRASTRUCTURE ACCESS**

- ~$5bn NPV post tax at June 2010
- Telstra bills NBN quarterly for access (rental) of infrastructure.
- Includes access to exchange rack spaces, dark fibre links and ducts.
- Booked as **OTHER FIXED SALES REVENUE**

**DISCONNECTION & SALE OF LEAD-IN CONDUITS**

- ~$4bn NPV post tax at June 2010
- Disconnection payments based on number of premises disconnected.
- Sale of lead-in conduits is an asset sale to NBN Co.
- Booked as **OTHER INCOME**

**COMMONWEALTH AGREEMENTS & OTHER GOVT POLICY COMMITMENTS**

- ~$2bn NPV post tax at June 2010 including:
  - Re-training ($100 million nominal value)
    - Received late FY12/early FY13. Booked as **UNEARNED REVENUE** (Balance Sheet), recognised as **OTHER INCOME** over next 8-10 years as training expenditure incurred.
  - Residual Agreement ($321m nominal value)
    - Received in FY12. Booked as **UNEARNED REVENUE** (Balance Sheet), to be recognised as **OTHER SALES REVENUE** to align with expenditure on transit network.
    - ~$60m (FY12) ~$170m (FY13) ~$90m (FY14)
  - TUSMA (~$700m post tax NPV at June 2010)
    - Recognised in P&L (commences in FY13) a year before receipts and payments flow through CF statement (FY14).
    - Revenue will continue to be booked as **OTHER INCOME**
THE NBN AGREEMENTS

TONY WARREN
GROUP MANAGING DIRECTOR CORPORATE AFFAIRS

AGREEMENTS WITH NBN CO

IMPLEMENTATION & INTERPRETATION DEED
Sets out the Conditions Precedent and various interim arrangements. It also contains common framework provisions, which apply across the various NBN Co Agreements.

SUBSCRIBER AGREEMENT
Deals with the disconnection of copper services and HFC broadband within the NBN fibre footprint as well as Telstra’s commitment, subject to limited exceptions, to exclusively use the NBN fibre network to provide fixed line connections to such premises.

INFRASTRUCTURE SERVICES AGREEMENT
Sets out the terms on which Telstra will provide access to infrastructure and related services to NBN Co.

ACCESS DEED
Sets out NBN Co’s high level commitments to Telstra in respect of terms of supply of NBN Co’s Basic Service Offering and the charging for certain wholesale supply services.
AGREEMENTS WITH THE COMMONWEALTH

TUSMA
Sets out the terms on which Telstra will perform, and be paid for performing, certain public interest services, including meeting the Universal Service Obligation.

RETRAINING FUND DEED
Sets out the arrangements under which the Commonwealth will provide funding to Telstra to enable Telstra to retrain certain employees.

INFORMATION CAMPAIGN AND MIGRATION DEED
Sets out the key residual commitments and payments to be met directly by the Commonwealth, including a commitment from the Commonwealth to arrange for NBN Co to conduct a public education campaign that informs end users about the migration process.

COMMONWEALTH GUARANTEE
A guarantee by the Commonwealth in favour of Telstra in relation to the NBN Co’s payment and performance obligations under the four NBN Co Agreements.

A GOOD DEAL FOR SHAREHOLDERS
SUSTAINABLE FREE CASHFLOW GENERATION IN THE MEDIUM TERM

Illustrative FCF trend of Telstra fixed line business and NBN agreements*

* Assumes NBN rollout proceeds as set out in NBN corporate plan
A GOOD DEAL FOR SHAREHOLDERS
A MORE STABLE REGULATORY ENVIRONMENT

TUSMA

Structural Separation

REGULATORY STABILITY

HFC/FOXTEL divestiture avoided

Spectrum Bar avoided

A GOOD DEAL FOR SHAREHOLDERS
GREATER STRATEGIC FLEXIBILITY

Strong customer relationships

Economic scale and geographic reach

STRATEGIC FLEXIBILITY

Broad product and service portfolio

Engineering and design capability

investor.relations@team.telstra.com
A GOOD DEAL FOR SHAREHOLDERS
STRONG SHAREHOLDER PROTECTIONS

- Long term contractual commitments
- Rollout termination payment
- Government package
- Natural hedge

FOUNDATION FOR FUTURE ENGAGEMENT

- Constructive approach to policy development
- Proven ability to negotiate
- Work with the government of the day
- Interest of shareholders, employees, customers
CHANGE THE CONVERSATION
TELSTRA IN A BROADBAND IP ENVIRONMENT

- Rollout is gaining scale with 450k households across 60+ local markets ready by July 2013*

- Awareness of the NBN is growing. Conversation is changing to how to unlock the potential for customers

- Telstra Connected Home and Telstra Digital Business core to the Telstra conversation on the NBN

- Our local presence and local service capability is key to our success in a Broadband IP environment

* Rollout numbers and locations based on NBN Co public announcements
OUR AMBITION
TO DELIVER THE BEST NBN EXPERIENCE

Critical to being successful in the NBN customer migration:

SIMPLIFYING OUR PRODUCTS TO IMPROVE USER EXPERIENCE AND TO DRIVE COST REDUCTION

PRODUCT MIGRATION STRATEGIES ALIGNED WITH CUSTOMER NEEDS

STREAMLINING END-TO-END PROCESSES

Enhancing customer experience and driving operational efficiency aligned to strategic objectives

CUSTOMER JOURNEY
THE PATH TO CONNECTION

The customer path to connection is involved and Telstra is committed to communicating and informing customers throughout each step of the journey.
UNLOCKING AMAZING FOR CUSTOMERS

SIMPLE AND COMPELLING OFFERS

- Value in our T-Bundles
- Telstra Connected Home and Telstra Digital Business
- Professional installation and in home/business set up

CLEAR AND SIMPLE CUSTOMER COMMUNICATION

- Helping customers prepare for the NBN
- Allowing customers to “experience Telstra” on the NBN
- Dedicated customer contact approach

BEING ACCESSIBLE FOR CUSTOMERS

- In person through our local sales and service staff
- Online through Telstra Digital
- On the phone 24x7

TELSTRA CUSTOMER EXPERIENCE

NBN is an amazing opportunity in the home and in the workplace.

Managing our customers through the change and delivering an outstanding customer experience requires:

- Simple application process
- Educating customers on what’s involved
- Manage customers through appointment setting
- Getting the customer up and running
- Post connection support
UNLOCKING AMAZING IN KIAMA

THE NBN RETAIL OPPORTUNITY

- Deliver an easy transition
- Simple and compelling offers
- Educate and communicate
- Local sales, service and support
- Deliver outstanding customer experience
1. NBN IS A GAME CHANGER

NEW INDUSTRY ARRANGEMENTS AND A COMMITMENT TO EQUIVALENCE

- TELSTRA SSU & MIGRATION PLAN
- NBN Co. SAU
- NBN Co. INTERIM WBA

PRICE EQUIVALENCE & TRANSPARENCY
- New Rate Card for Regulated Services, including TW DSL
- Transparency of Internal costs using the Telstra Economic Model
- Publication of Internal Wholesale Price and External Wholesale Price

NEW DISPUTE RESOLUTION PROCESSES
- New Telstra Accelerated Investigation Process
- New Independent Telecommunications Adjudicator regime
- New investigative and enforcement regime (ACCC and ITA)

3-BOX MODEL
- Ring fencing of Retail, Wholesale and Network Services Business Units
- Information security commitments for Wholesale Customer Protected Information

OPERATIONAL COMMITMENTS
- Enhanced service delivery metrics
- New commitments on availability of wholesale IT systems
- New wholesale Service Level Assurances

NEW EQUIVALENCE OF OUTPUT
- Overarching commitment to equivalence:
  - Technical & operational quality
  - Systems, processes and procedures in supply
  - Provision of information on these matters
  - Price

COMPLIANCE, REPORTING & DIRECT ACCC ENFORCEMENT
1. NBN IS A GAME CHANGER

WHAT DOES THIS MEAN IN PRACTICAL TERMS?

<table>
<thead>
<tr>
<th>PROFILE</th>
<th>OPTION 1</th>
<th>ACCESS NBN CO VIA A WHOLESALER</th>
<th>OPTION 2</th>
<th>PICK AND CHOOSE BY REGION</th>
<th>OPTION 3</th>
<th>ACCESS NBN CO DIRECT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Focus on marketing, sales and service</td>
<td>• Unevenly dispersed end customer base across different regions</td>
<td>• NBN accreditation</td>
<td>• Capacity to invest in new B2B interfaces and willingness to take on network and IT investment</td>
<td>• Aiming for either local or national coverage</td>
<td>• Possesses the scale in some regions to make direct connect to NBN commercially viable</td>
</tr>
<tr>
<td></td>
<td>• Seeking to minimise cost and risk associated with network and IT investment</td>
<td>• Will seek to connect to the NBN via a wholesaler in regions where scale is insufficient</td>
<td></td>
<td></td>
<td>• Limited scale in POIs where end users located</td>
<td></td>
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</tbody>
</table>

Telstra Wholesale has a solution to support all our customers, whatever NBN access strategy they choose.
2. IMPLICATIONS FOR TELSTRA WHOLESALE

Traditional copper access revenues are in decline but new revenue opportunities are emerging.

- NBN as a Customer
- 3G
- Foundation Products
- Bundled Solutions
- Backhaul
- Content & Other VAS

3. TELSTRA WHOLESALE’S STRATEGY

Supporting our customers to minimise transition uncertainty and maximise their opportunities.

- Minimising Complexity
- Tailored
- Support
- Continuity
- Expertise
- Experience
4. THE TELSTRA WHOLESALE APPROACH

LISTENING TO OUR CUSTOMERS
- "OVERALL SATISFACTION" MEASURE FOR TW STAFF
- YOY IMPROVEMENT SINCE 2009
- FY11/12 EXTENDED CUSTOMER FEEDBACK LOOPS

COMMITMENT TO SERVICE EXCELLENCE
- THIRD YEAR TRAINING IN CUSTOMER SERVICE
- FY11/12 FOUR SERVICE EXCELLENCE AWARDS
- FY11/12 ICSS ACCREDITATION

COMMITMENT TO OUR CUSTOMERS
- FY11/12 LAUNCH CUSTOMER CHARTER
- EMBED CUSTOMER CHARTER INTO CULTURE
- MEASURE ONGOING IMPROVEMENT

CUSTOMER ADVOCACY
- IMPLEMENT NET PROMOTER SCORE (NPS) BY JULY 2012
- CHANGE PROGRAM CURRENTLY BEING DEPLOYED

SUMMARY

SIGNIFICANT INDUSTRY CHANGE
NBN READY
GROWING NEW REVENUES
REMAIN CORE TO TELSTRA
WHOLESALER OF CHOICE
Questions?

STUART LEE
GROUP MANAGING DIRECTOR
TELSTRA WHOLESALE