

## THE NBN OPPORTUNITY

DAVID THODEY  
CHIEF EXECUTIVE OFFICER



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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



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

## TELSTRA IS FOCUSED ON BEING NBN READY



CUSTOMER TRANSITION

NEW PRODUCTS AND PRICING

SALES AND MARKETING

ENGINEERING EXPERTISE

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## STRONG SHAREHOLDER PROTECTIONS



LONG TERM CONTRACTUAL COMMITMENTS

TERMINATION PAYMENT OF UP TO \$500M

GOVERNMENT PACKAGE & GOVERNMENT GUARANTEE

NATURAL HEDGE

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## SUMMARY



NBN FITS WITHIN OUR EXISTING STRATEGY

NBN ACCELERATES EXISTING TRENDS

NBN CREATES NEW OPPORTUNITIES

WE ARE READY TO COMPETE IN THIS MARKET

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## CAPITAL MANAGEMENT STRATEGY

ANDREW PENN  
CHIEF FINANCIAL OFFICER



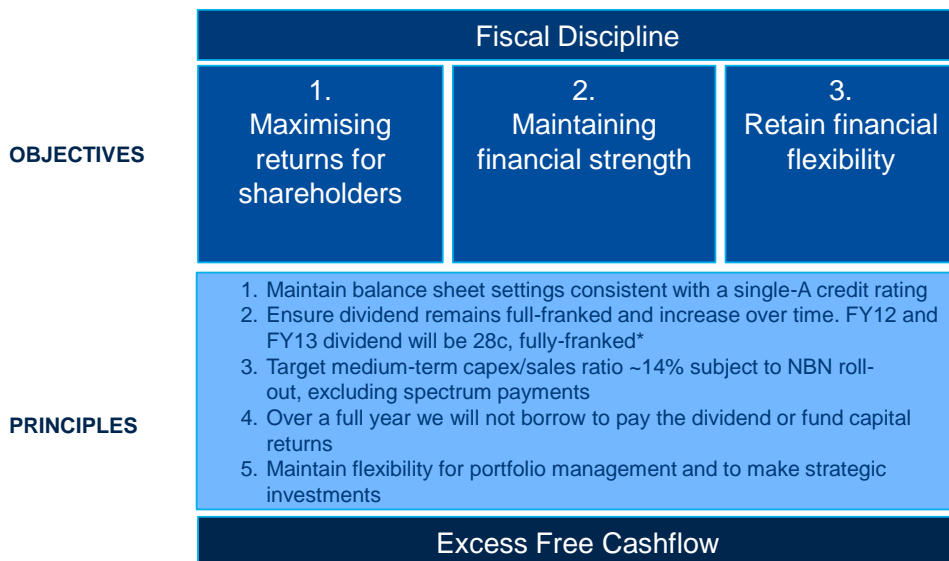
# AGENDA



1. CAPITAL MANAGEMENT STRATEGY

2. CURRENT CAPITAL POSITION

# CAPITAL MANAGEMENT STRATEGIC FRAMEWORK



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

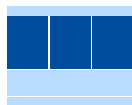
## CAPITAL MANAGEMENT OBJECTIVES



MAXIMISING RETURNS FOR SHAREHOLDERS

MAINTAINING FINANCIAL STRENGTH

RETAINING FINANCIAL FLEXIBILITY



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## CAPITAL MANAGEMENT PRINCIPLES



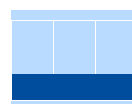
Maintain balance sheet settings consistent with a single-A credit rating

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



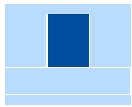
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## STRONG FINANCIAL SETTINGS

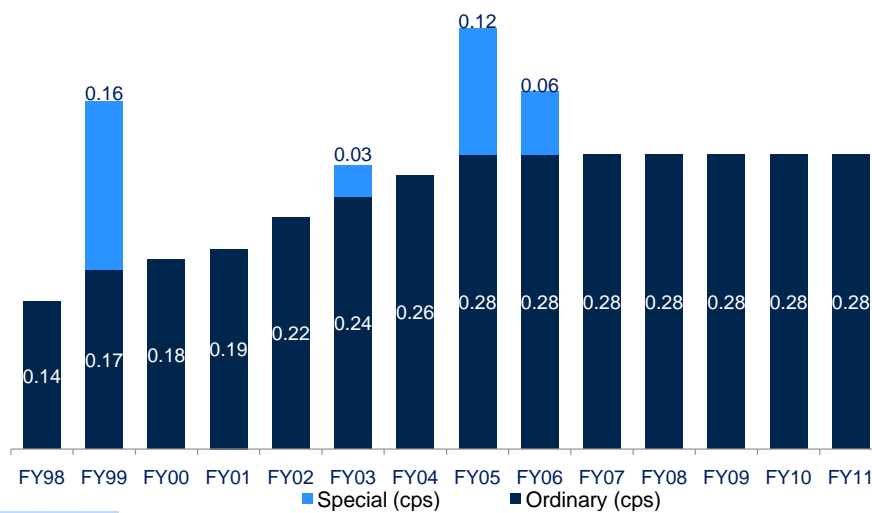


Financial Parameters	Comfort Zones	Actual HY12
Debt Servicing	1.5 – 1.9x	1.48x
Gearing	50% to 70%	54.9%
Interest Cover	>7x	9.3x



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## TELSTRA'S DIVIDEND HISTORY (CPS)

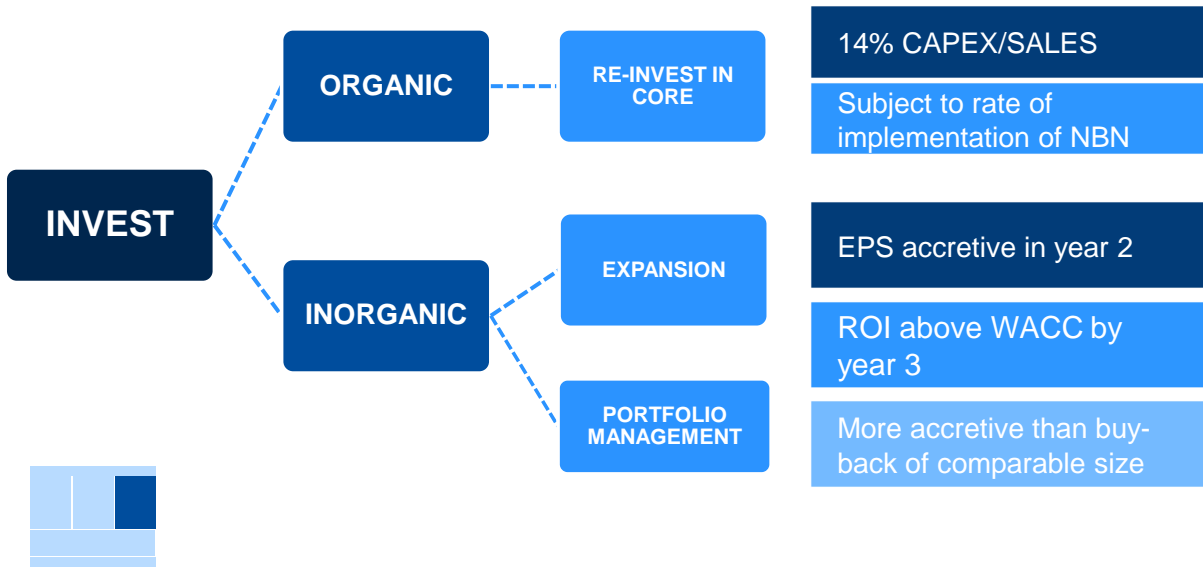


\$17 billion returned in last 5 years in fully-franked dividends



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## INVESTMENT GUIDELINES



## 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

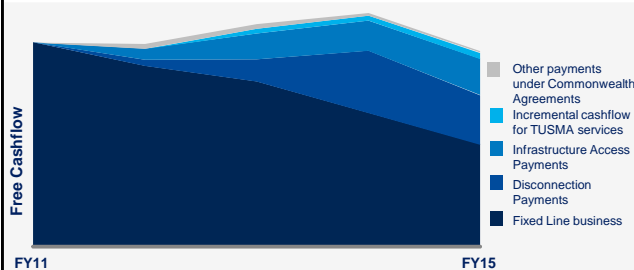
**EXPECTED EXCESS CASH AT YEAR END**



# FINANCIAL IMPACT OF THE NBN AGREEMENTS

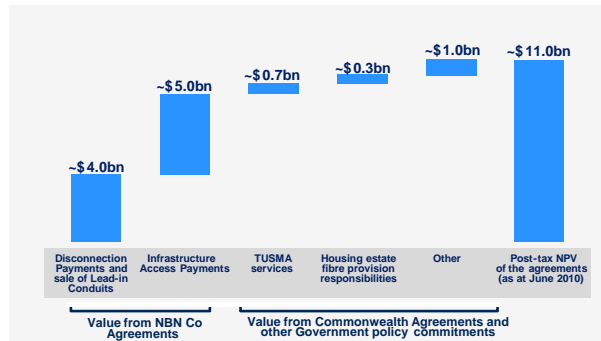


## Illustrative FCF trend of Telstra fixed line business and NBN agreements\*



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

## Approximate post-tax NPV of agreements



# CAPITAL MANAGEMENT STRATEGIC FRAMEWORK



## OBJECTIVES

**Fiscal Discipline**

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

# APPENDIX



## 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

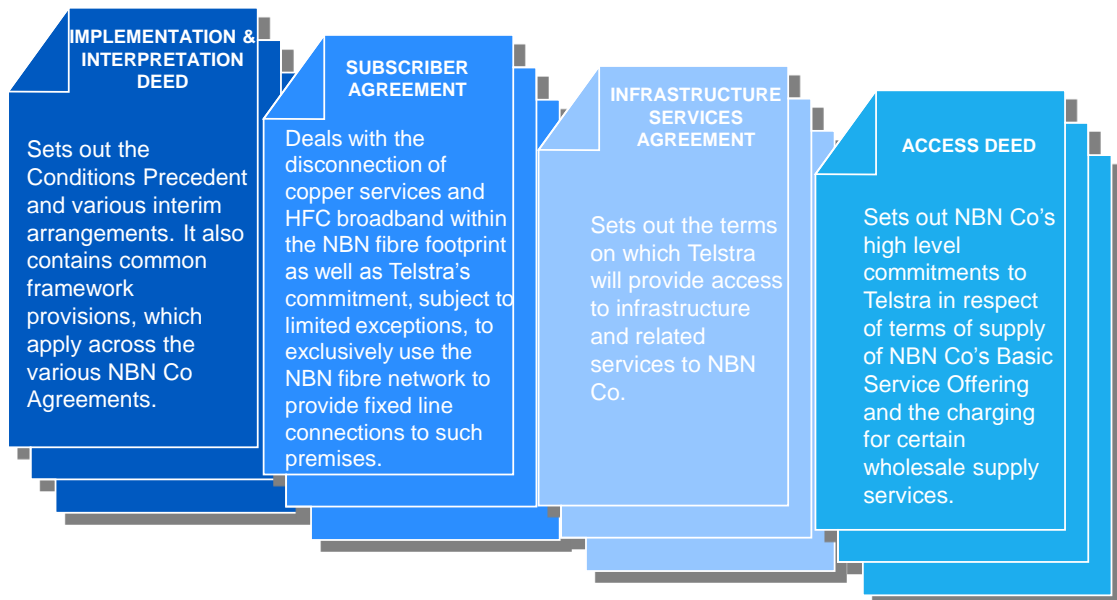
- ~\$2bn NPV post tax at June 2010 including:
  - Re-training (\$100 million nominal value)**
    - Received late FY12/early FY13. Booked as **UNEARNED REVENUE** (Balance Sheet), recognised as **OTHER INCOME** over next 8-10 years as training expenditure incurred.
  - Residual Agreement (\$321m nominal 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

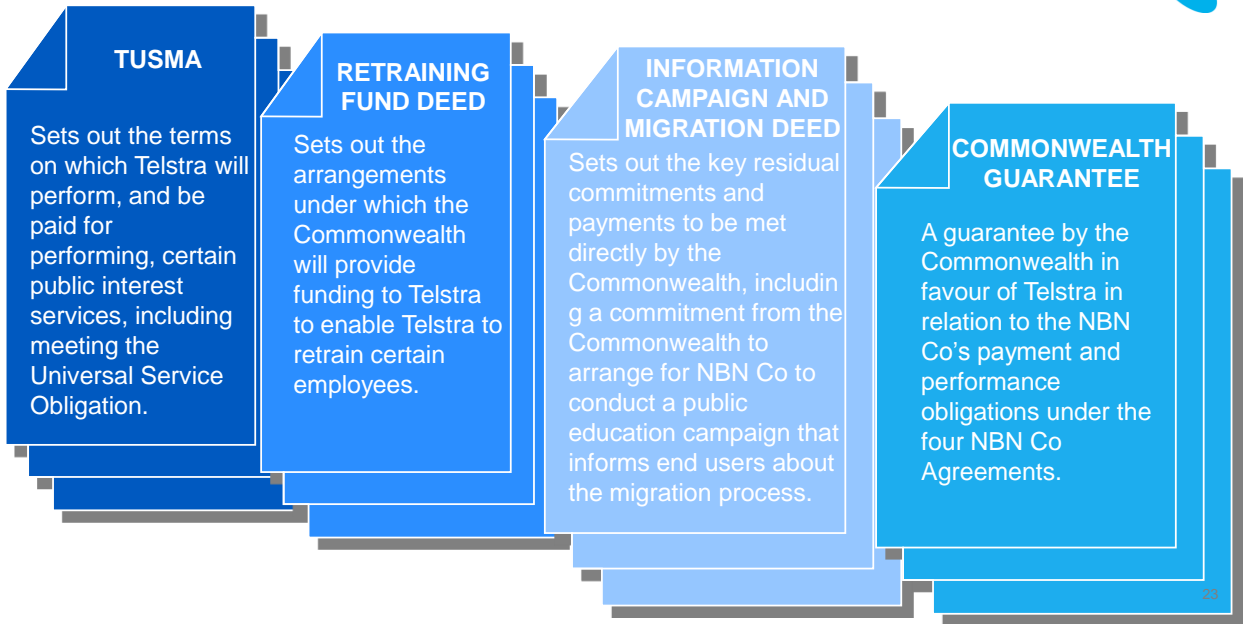


## AGREEMENTS WITH NBN CO



# AGREEMENTS WITH THE COMMONWEALTH

IT'S HOW WE CONNECT



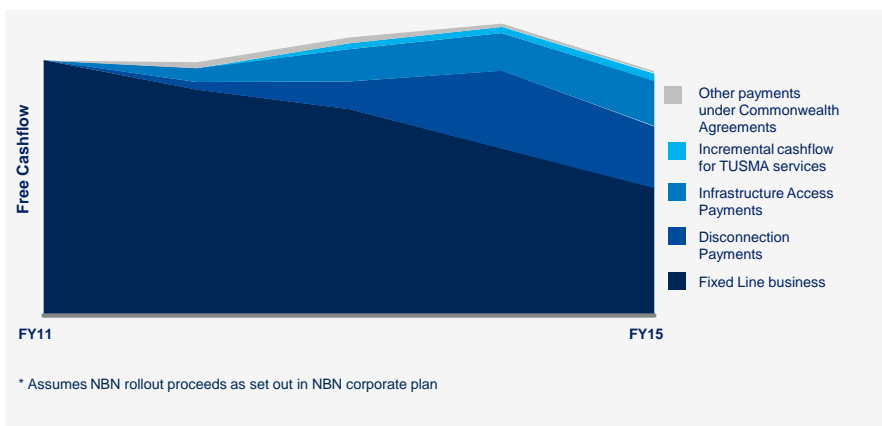
# A GOOD DEAL FOR SHAREHOLDERS

## SUSTAINABLE FREE CASHFLOW GENERATION IN THE MEDIUM TERM

IT'S HOW WE CONNECT



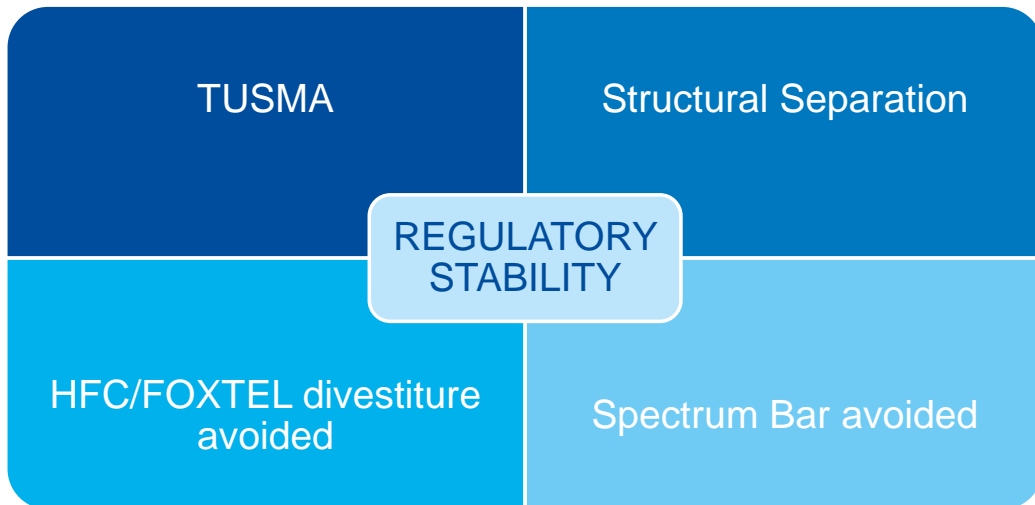
Illustrative FCF trend of Telstra fixed line business and NBN agreements\*



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

# A GOOD DEAL FOR SHAREHOLDERS A MORE STABLE REGULATORY ENVIRONMENT

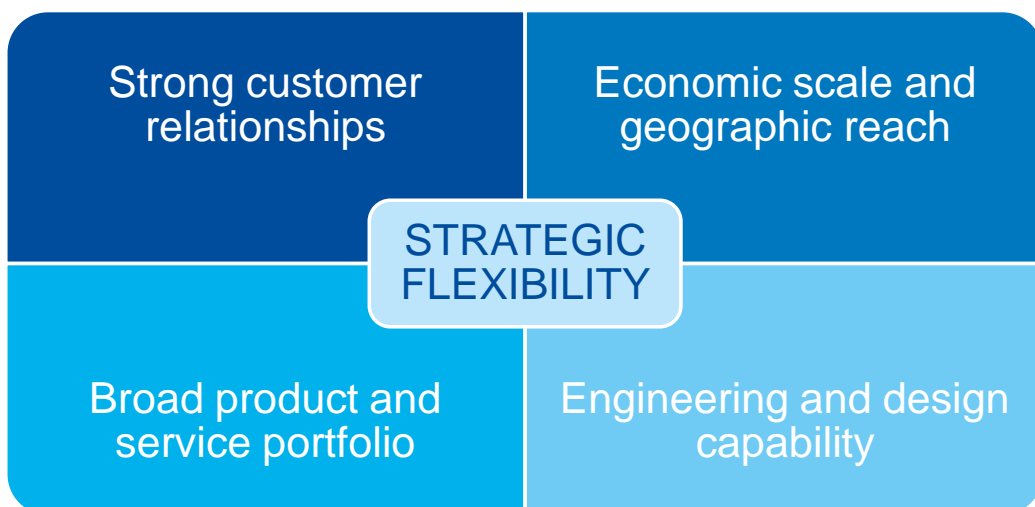
IT'S HOW  
WE CONNECT



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# A GOOD DEAL FOR SHAREHOLDERS GREATER STRATEGIC FLEXIBILITY

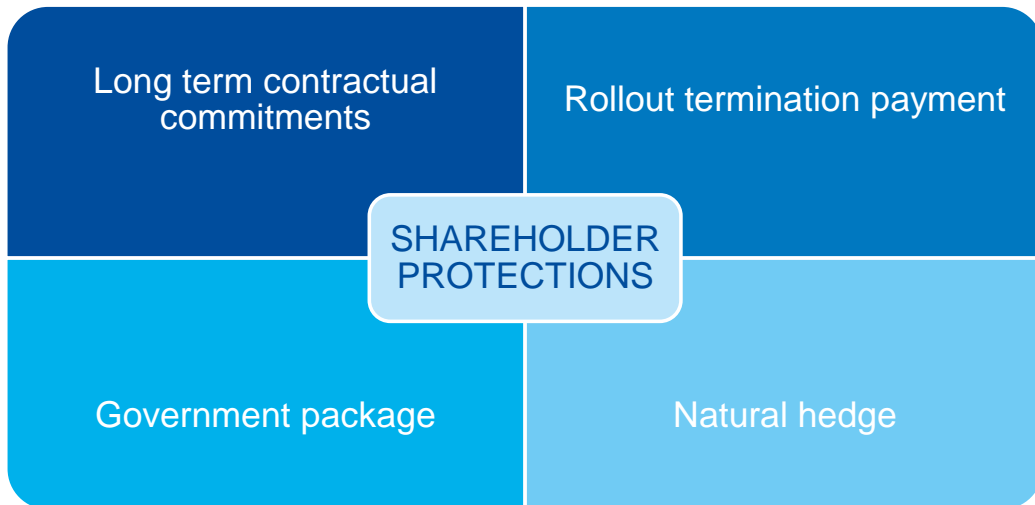
IT'S HOW  
WE CONNECT



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## A GOOD DEAL FOR SHAREHOLDERS STRONG SHAREHOLDER PROTECTIONS

IT'S HOW  
WE CONNECT



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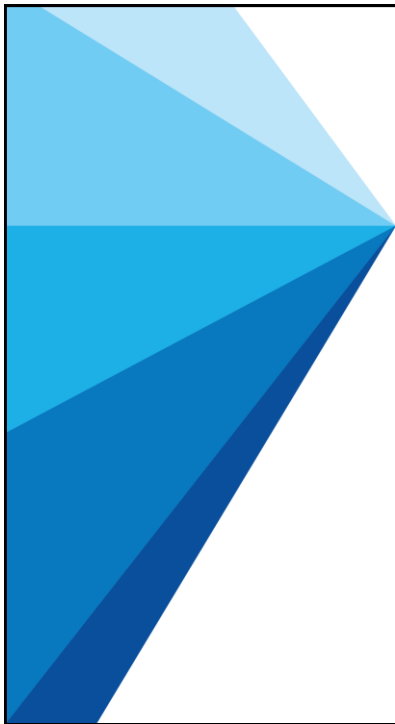
## FOUNDATION FOR FUTURE ENGAGEMENT

IT'S HOW  
WE CONNECT



- CONSTRUCTIVE APPROACH TO POLICY DEVELOPMENT
- PROVEN ABILITY TO NEGOTIATE
- WORK WITH THE GOVERNMENT OF THE DAY
- INTEREST OF SHAREHOLDERS, EMPLOYEES, CUSTOMERS

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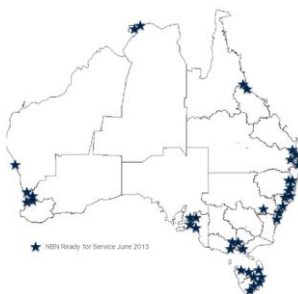


## THE RETAIL OPPORTUNITY

GORDON BALLANTYNE  
CHIEF CUSTOMER OFFICER



## CHANGING 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

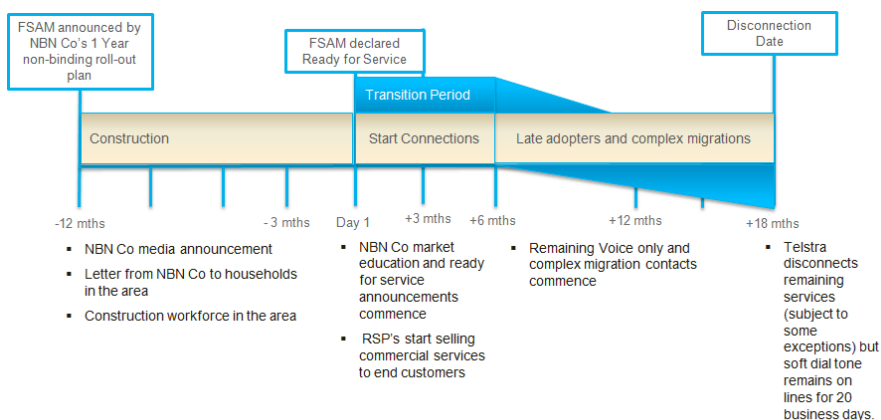
STREAMLINING END-TO-END PROCESSES



CARS 2 © Disney/Pixar. All rights reserved

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



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## 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



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## UNLOCKING AMAZING IN KIAMA

IT'S HOW  
WE CONNECT



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## THE NBN RETAIL OPPORTUNITY

IT'S HOW  
WE CONNECT



DELIVER AN EASY TRANSITION

SIMPLE AND COMPELLING OFFERS

EDUCATE AND COMMUNICATE

LOCAL SALES, SERVICE AND SUPPORT

DELIVER OUTSTANDING CUSTOMER EXPERIENCE



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# TELSTRA UNLOCK AMAZING



## THE WHOLESALE OPPORTUNITY

STUART LEE  
GROUP MANAGING DIRECTOR  
TELSTRA WHOLESALE



## TODAY'S FOCUS

1. NBN IS A GAME CHANGER

2. IMPLICATIONS FOR TELSTRA WHOLESAL

3. TELSTRA WHOLESAL'S STRATEGY

4. THE TELSTRA WHOLESAL APPROACH

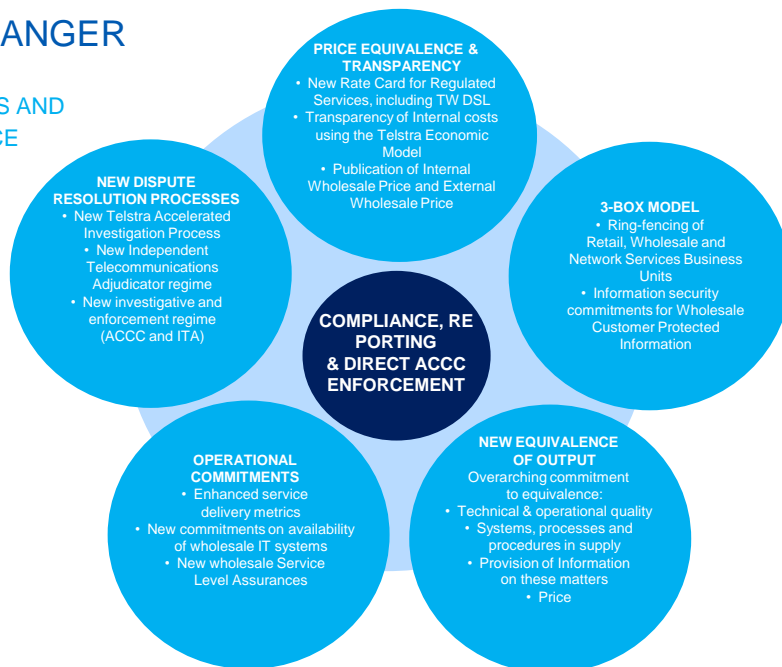
## 1. NBN IS A GAME CHANGER

NEW INDUSTRY ARRANGEMENTS AND  
A COMMITMENT TO EQUIVALENCE

TELSTRA SSU &  
MIGRATION PLAN

NBN Co. SAU

NBN Co. INTERIM  
WBA



# 1. NBN IS A GAME CHANGER

## WHAT DOES THIS MEAN IN PRACTICAL TERMS?

	OPTION 1 ACCESS NBN CO VIA A WHOLESALER	OPTION 2 PICK AND CHOOSE BY REGION	OPTION 3 ACCESS NBN CO DIRECT
PROFILE	<ul style="list-style-type: none"><li>• Focus on marketing, sales and service</li><li>• Seeking to minimise cost and risk associated with network and IT investment</li><li>• Aiming for either local or national coverage</li><li>• Limited scale in POIs where end users located</li></ul>	<ul style="list-style-type: none"><li>• Unevenly dispersed end customer base across different regions</li><li>• Possesses the scale in some regions to make direct connect to NBN commercially viable</li><li>• Will seek to connect to the NBN via a wholesaler in regions where scale is insufficient</li></ul>	<ul style="list-style-type: none"><li>• NBN accreditation</li><li>• Capacity to invest in new B2B interfaces and willingness to take on network and IT investment</li><li>• Expertise required to manage increased technical complexity</li><li>• Scale required to achieve viability</li></ul>

Telstra Wholesale has a solution to support all our customers, whatever NBN access strategy they choose.

## 2. IMPLICATIONS FOR TELSTRA WHOLESAL

TRADITIONAL COPPER ACCESS REVENUES ARE IN DECLINE BUT  
NEW REVENUE OPPORTUNITIES ARE EMERGING

NBN AS A  
CUSTOMER

FOUNDATION  
PRODUCTS

BACKHAUL

3G

BUNDLED  
SOLUTIONS

CONTENT &  
OTHER VAS

## 3. TELSTRA WHOLESAL'S STRATEGY

MINIMISING  
COMPLEXITY

SUPPORT

CONTINUITY

SUPPORTING  
OUR CUSTOMERS  
TO MINIMISE TRANSITION  
UNCERTAINTY AND MAXIMISE  
THEIR OPPORTUNITIES

TAILORED

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

WHOLESALE OF CHOICE

# Questions?

STUART LEE  
GROUP MANAGING DIRECTOR  
TELSTRA WHOLESALE

Telstra Wholesale  
The Wholesale Opportunity  
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WHOLESALE 