

12 August 2010

The Manager

Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Office of the Company Secretary

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

General Enquiries 08 8308 1721
Facsimile 03 9632 3215

ELECTRONIC LODGEMENT

Dear Sir or Madam

Full Year 2010 Financial Results – CEO/CFO Analyst briefing presentation

In accordance with the Listing Rules, I enclose a presentation for release to the market.

Regards



Carmel Mulhern
Company Secretary



2010 FULL YEAR RESULTS

12 August 2010

DISCLAIMER



- These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in Telstra's Financial Report dated 12 August 2010 and 2009 Annual Debt Issuance Prospectus lodged with the ASX.
- All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences. All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.
- All amounts are in Australian Dollars unless otherwise stated.

® ™ Registered trademark and trademark of Telstra Corporation Ltd. Apple® is a trademark of Apple Inc, registered in the US and other countries. iPhone™ is a trademark of Apple Inc. Other trademarks are the property of their respective owners.



2010 FULL YEAR RESULTS

John Stanhope, CFO

12 August 2010



\$6.2 BILLION FREE CASHFLOW



REPORTED FINANCIAL RESULTS

\$ Billions (inc CSL impairment)	FY09	FY10	% Growth
Sales Revenue	25.37	24.81	-2.2
EBITDA	10.95	10.85	-0.9
EBIT	6.56	6.50	-0.9
Attributable NPAT	4.07	3.88	-4.7
Accrued Capex	4.60	3.47	-24.5
Free Cash Flow	4.37	6.23	42.6
Ordinary DPS (cents)	28	28	-
Financial results on guidance basis (ex CSL impairment)			
	FY10		
Sales Revenue growth	-2.2%	✓	
EBITDA growth	0.6%	✓	
EBITDA Margin	44.4%	✓	
EBIT growth	1.7%	✓	
Free Cash Flow	\$6.2b	✓	



* Excluding CSL New World impairment

5

ADJUSTED FINANCIAL RESULTS TO SHOW UNDERLYING BUSINESS PERFORMANCE



	FY10 change	2H10 change
Sales Revenue	-0.2%	0.3%
Total Revenue	-0.4%	0.4%
Operating Expenses	-1.6%	-1.1%
EBITDA	1.3%	2.4%
EBITDA Margin	44.2%	45.3%
EBIT	2.4%	2.7%
Attributable NPAT	7.6%	3.3%

ADJUSTMENTS (FY10 impact compared to FY09)

SALE OF KAZ

- Revenue -\$227m
- EBIT -\$5m

FX CHANGES

- Revenue +\$273m
- EBIT +\$39m

FAIR VALUE ADJUSTMENT

- FY09 \$284m gain
- FY10 \$5m gain

CSL NEW WORLD IMPAIRMENT

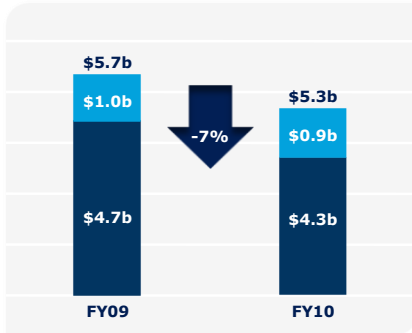
- FY10 -\$168m

6

CHALLENGING CONDITIONS AT CSL NEW WORLD IN HONG KONG



Sales Revenue (HK\$)



■ Services & other revenue
■ Handset revenue

CHALLENGING MARKET CONDITIONS

- Improving economic conditions expected in FY11
- \$168m impairment

STRONG DATA & PREPAID GROWTH IN FY10

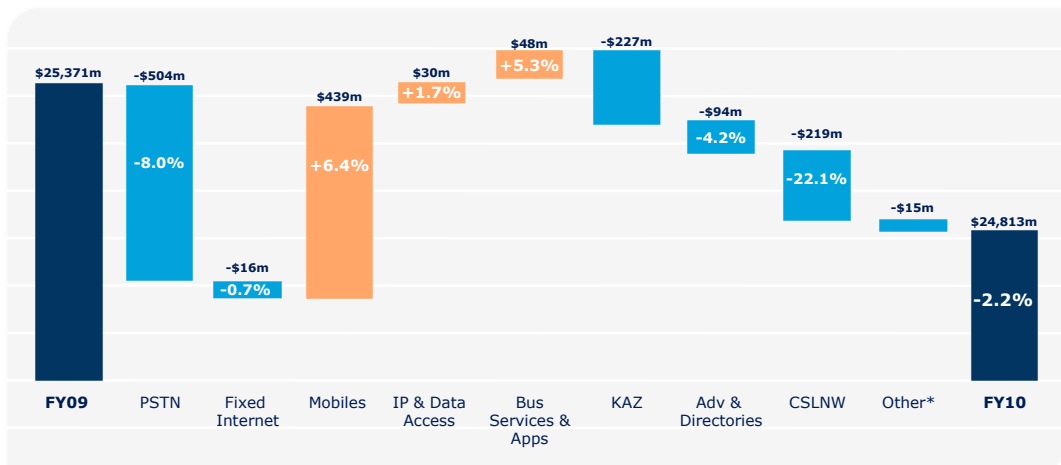
- Data revenue +8%
- Prepaid revenue +18%

FUTURE STRATEGY

- Leveraging superior Next G™ network
- Apple® iPhone™4 launched in early FY11

7

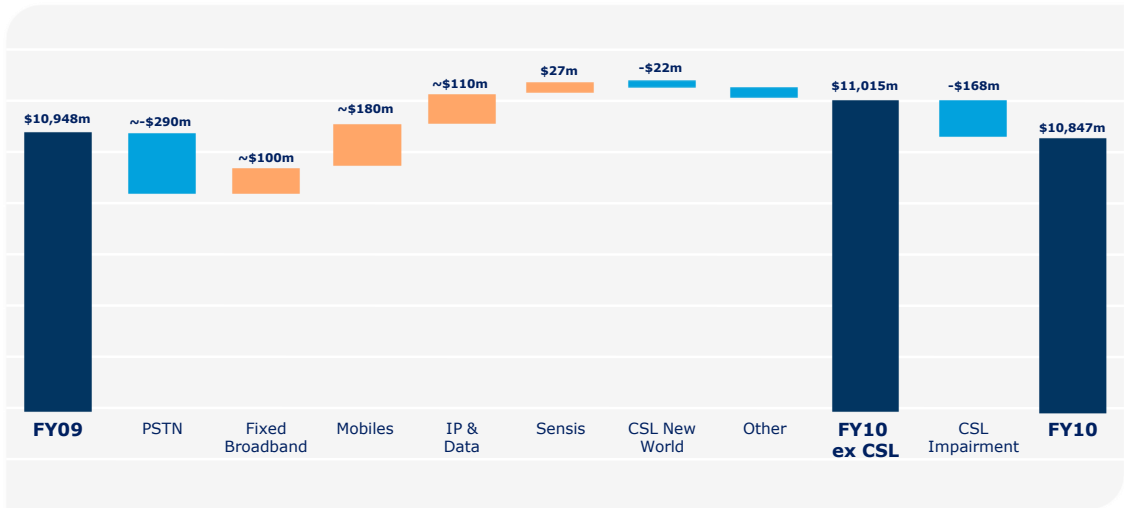
SALES REVENUE MIX CONTINUES TO CHANGE



* Other includes Other Fixed (-\$56m), Other Offshore (-\$41m), Pay TV (\$44m) and Other (\$38m)

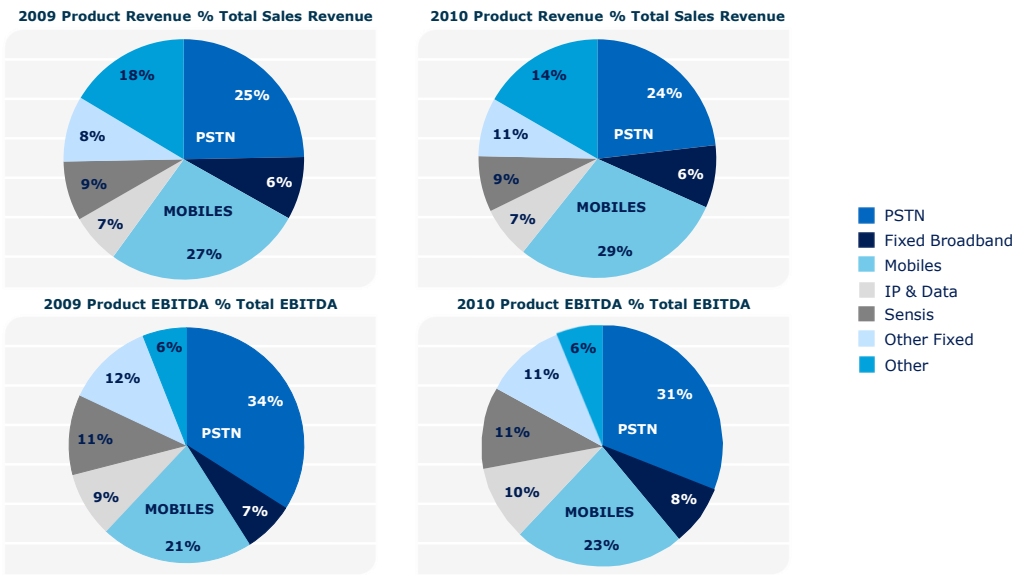
8

CHANGING TELSTRA EBITDA MIX*



* Based on Telstra management estimates

PRODUCT REVENUE AND EBITDA MIX CHANGE

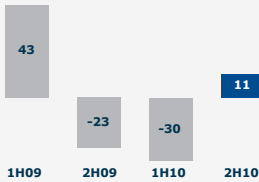


IMPROVING PERFORMANCE IN SECOND HALF



FIXED RETAIL BROADBAND

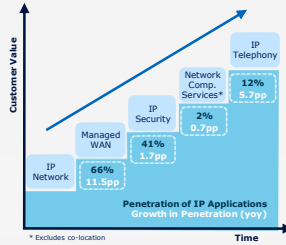
SIO Growth ('000)



New pricing and bundles drives customer growth

ARPU growth in FY10

IP ACCESS

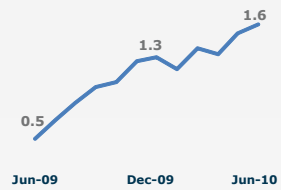


Transition from legacy to Telstra Next IP™ network continues

IP Access revenue growth accelerates 26% in H2

SENSIS

Yellow™ and White® Pages Monthly Mobile Visits (m)



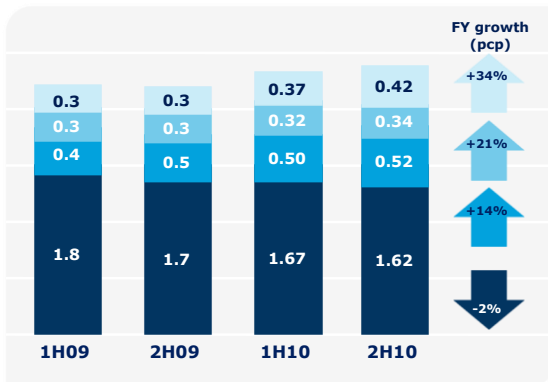
Continued growth in online directories revenue

Digital Media usage growth boosting advertiser ROI

DATA IS THE MOBILE GROWTH STORY



Mobile revenue (\$bn)

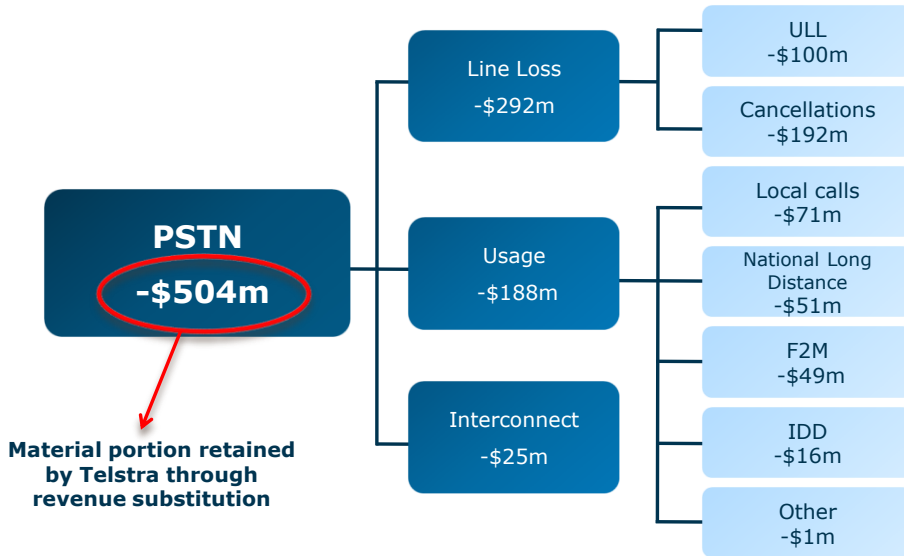


- Calling and access charges
- Messaging
- Non-messaging (handheld)
- WBB

Subscribers (k)	Dec-09	Jun-10	Δ
Postpaid	6,738	7,016	+278
Prepaid	3,649	3,546	-103
Total Retail	10,387	10,562	+175

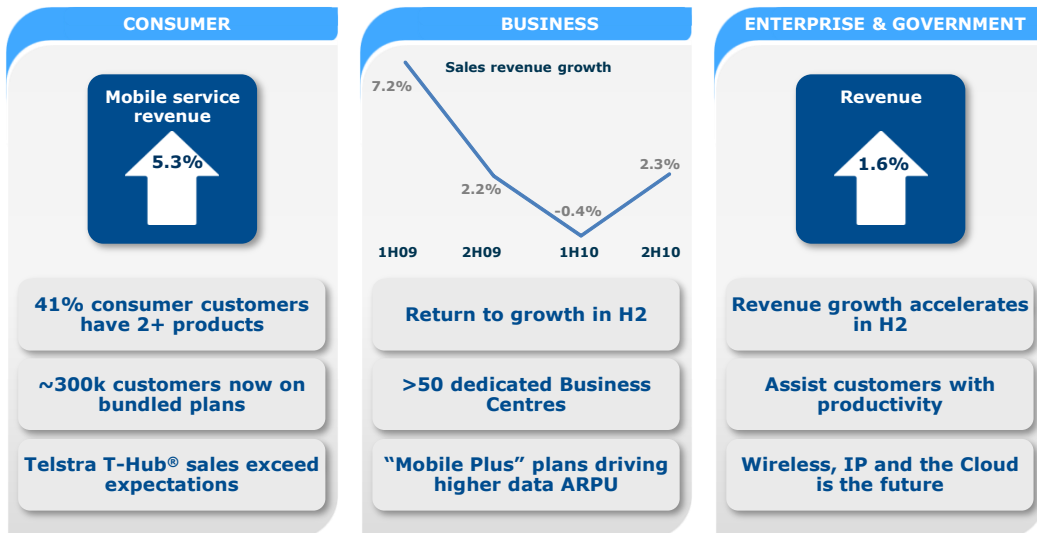
Subscribers (k)	Dec-09	Jun-10	Δ
Wireless Broadband	1,325	1,654	+329k
Prepaid handheld unique users (3mth rolling average)	1,921	1,889	-32k

PSTN – DRIVERS OF REVENUE DECLINE (FY10 v FY09, INDICATIVE)



13

RETAIL BUSINESS UNITS

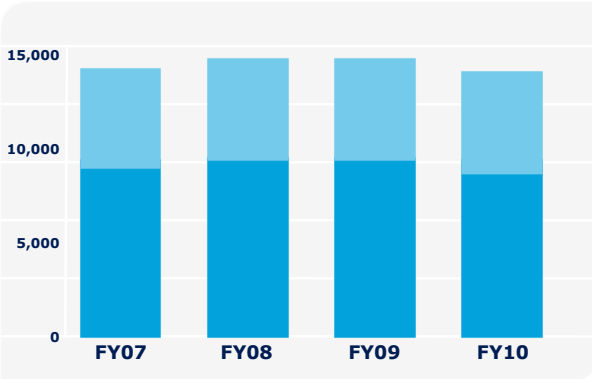


14

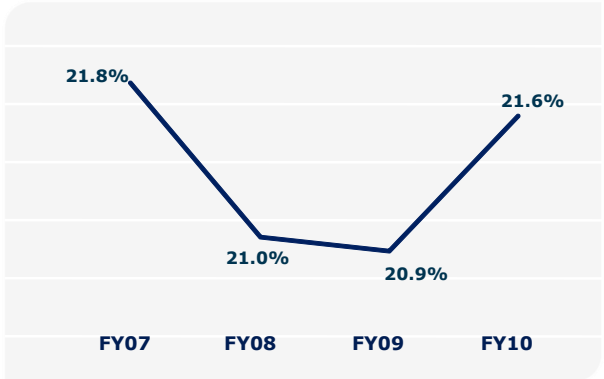
OPERATING EXPENSES DECLINED \$653 MILLION



Fixed vs Variable Costs*



Variable Costs as % Sales



■ Fixed Costs
■ Variable Costs

* Excludes CSL Impairment

OPERATING EXPENSES UNDER CONTROL IN FY10



LABOUR

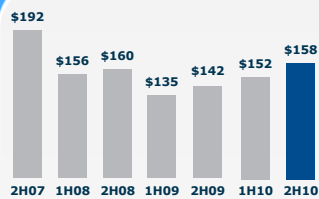


Lower salary costs and redundancy activity

Labour substitution: service contracts -4.9%

527 FTE reductions, ex M&A

SARC CONTROL MAINTAINED



FY10 Blended SARC rate \$155 (+11%)

SARC increase to support smartphone growth

SARC % mobile services revenue 11.4% (+0.7pp)

OTHER EXPENSES

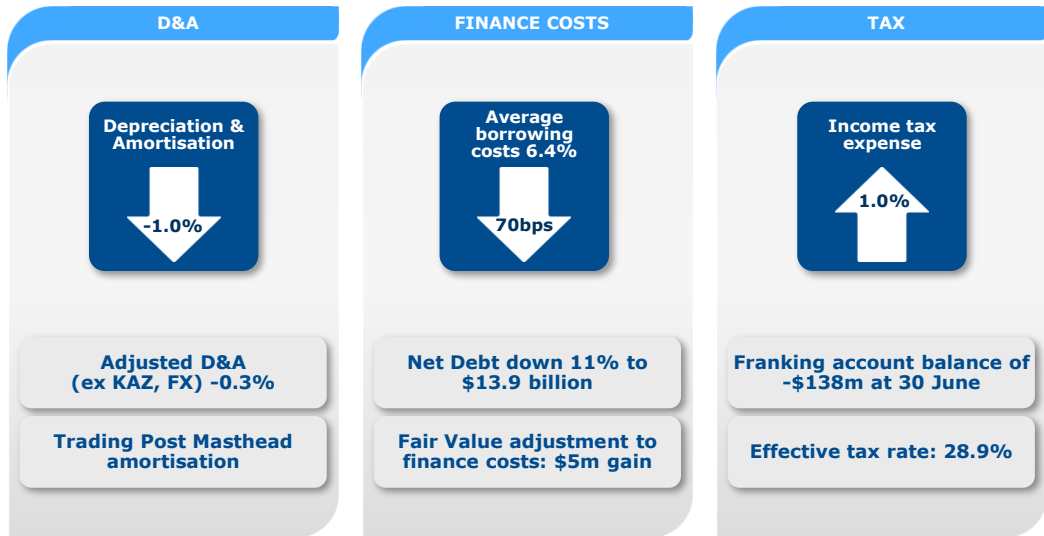


"Bad volumes" and economic climate drive increase

Credit Management initiatives now in place

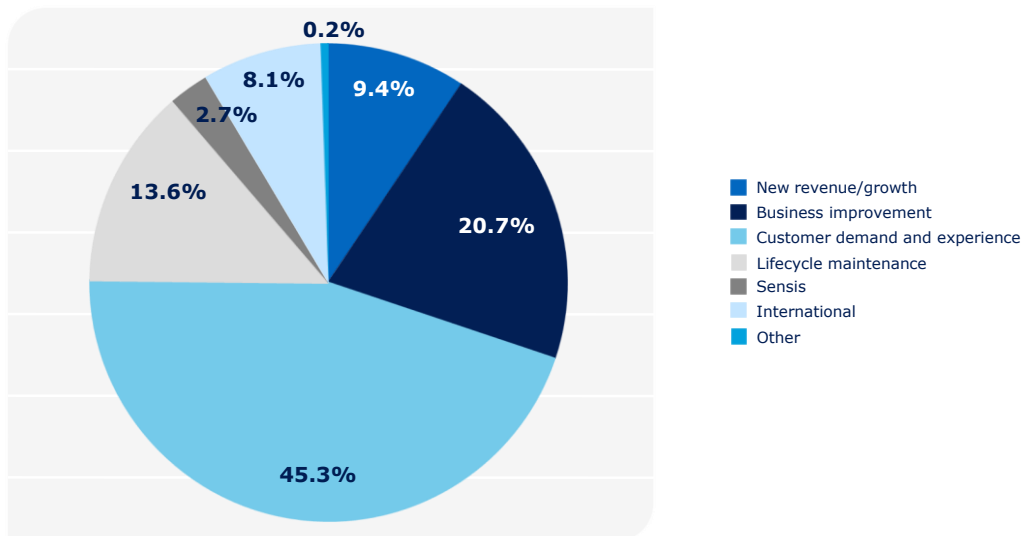
Discretionary costs tightly managed

D & A, INTEREST AND TAX



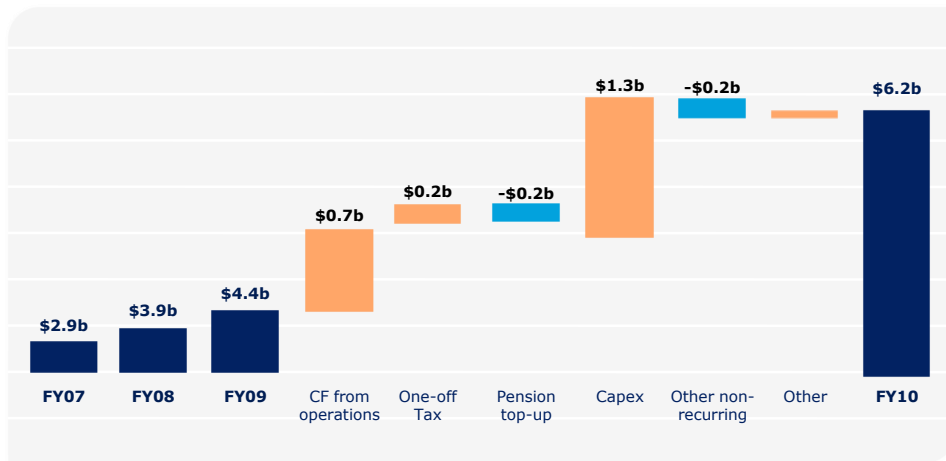
17

CAPITAL EXPENDITURE DECLINED \$1.1B



18

\$6 BILLION FREE CASH FLOW TARGET EXCEEDED



We are at an inflection point...

GUIDANCE*



Measure	FY11 Guidance
Sales Revenue	Flattish
EBITDA	High single digit percentage decline
Capex	14% of sales
Free cashflow	\$4.5 - \$5 billion

Measure	2010 Base
Sales Revenue	\$24,813m
EBITDA	\$10,847m

*Guidance assumes wholesale product price stability, no additional impairments to investments and excludes any proceeds from the sale of businesses



APPENDIX

PRODUCT PROFITABILITY*



EBITDA MARGIN	FY08	FY09	FY10
Mobiles	30%	34%	35%
Fixed Broadband	27%	36%	41%
PSTN	61%	58%	59%
IP & Data	55%	57%	62%
Sensis	51%	52%	54%

* Based on Telstra management estimates

23

MARKET SHARE*



Revenue	2H08	1H09	2H09	1H10	2H10
Mobile	43%	43%	42%	42%	42%
Fixed (excluding Internet)	74%	74%	74%	73%	73%
Fixed retail broadband	52%	52%	51%	49%	48%

* Based on Telstra management estimates, subject to competitor reporting

24

RETAIL



Revenue Growth (%)	2H09	1H10	2H10	FY10
Sales Revenue	3.2	-0.1	0.7	0.3
Mobile services	8.3	4.8	7.5	6.1
Fixed (ex Internet)	-3.5	-5.8	-8.1	-6.9
Fixed Internet	10.1	0.7	-1.4	-0.4
Operating Contribution Growth	3.5	-2.1	-2.0	-2.0
Operating Contribution Margin (%)	68.0	67.0	66.1	66.6
Change (yoy)	0.2	-1.3	-1.8	-1.6
SIO net adds ('000)	2H09	1H10	2H10	FY10
PSTN	-96	-188	-138	-326
Postpaid mobile	199	169	278	447

25

CONSUMER



Revenue Growth (%)	2H09	1H10	2H10	FY10
Sales Revenue	3.2	-0.2	-0.8	-0.5
Mobile services	8.9	5.6	5.1	5.3
Fixed (ex Internet)	-3.0	-6.2	-10.2	-8.2
Fixed Internet	10.9	0.6	-2.6	-1.0
Operating Contribution Growth	3.1	-2.6	-5.4	-4.0
Operating Contribution Margin (%)	61.9	61.2	59.0	60.1
Change (yoy)	-0.1pp	-1.5pp	-2.9pp	-2.2pp
SIO net adds ('000)	2H09	1H10	2H10	FY10
PSTN	-73	-151	-107	-257
Postpaid mobile	54	26	71	97

26

BUSINESS



Revenue Growth (%)	2H09	1H10	2H10	FY10
Sales Revenue	2.2	-0.4	2.3	0.9
Mobile services	7.7	2.6	11.4	6.9
Fixed (ex Internet)	-3.8	-4.2	-5.2	-4.7
Fixed Internet	13.5	7.2	4.2	5.7
Operating Contribution Growth	4.5	-1.3	0.2	-0.6
Operating Contribution Margin (%)	73.6	71.8	72.1	71.9
Change (yoy)	1.6pp	-0.7pp	-1.5pp	-1.1pp
SIO net adds ('000)	2H09	1H10	2H10	FY10
PSTN	-15	-26	-25	-51
Postpaid mobile	56	79	87	166

27

ENTERPRISE & GOVERNMENT*



Revenue Growth (%)	2H09	1H10	2H10	FY10
Sales Revenue	4.4	0.3	2.9	1.6
Mobile services	7.0	5.1	11.7	8.4
Fixed (ex Internet)	-4.4	-6.9	-5.7	-6.3
IP & Data	6.6	2.4	1.1	1.7
Operating Contribution Growth	3.6	-1.6	2.8	0.6
Operating Contribution Margin (%)	77.7	77.2	77.7	77.5
Change (yoy)	-0.6pp	-1.4pp	-	-0.7pp
SIO net adds ('000)	2H09	1H10	2H10	FY10
PSTN	-10	-8	-6	-15
Postpaid mobile	89	64	120	183

* Prior period growth rates have been restated due to Global PoPs now being recorded in Telstra International

28

INTEREST AND FINANCIAL PARAMETERS



INTEREST

	FY09	FY10	Change (\$)	Change (%)
Borrowing Costs	\$1,199m	\$1,059m	-\$140m	-11.7%
Other (incl IFRS adj)	-\$299m	-\$96m	\$203m	n/m
Net Finance Costs	\$900m	\$963m	\$63m	7.0%
Avg. Borrowing Costs	7.1%	6.4%		-0.7pp
Net Debt (30 June)	\$15,655m	\$13,926m	-\$1,729m	-11.0%

FINANCIAL PARAMETERS

	Target	Actual (inc IFRS)	Actual (adj for IFRS & other)
Debt Servicing	1.7 – 2.1x	1.28x	1.35x
Gearing	55% to 75%	51.7%	54.2%
Interest Cover**	>7x	10.80x	10.80x

Actual (adjusted for IFRS) is adjusted to exclude financial instruments under AASB 139 (Financial Instruments: Recognition & Measurement)

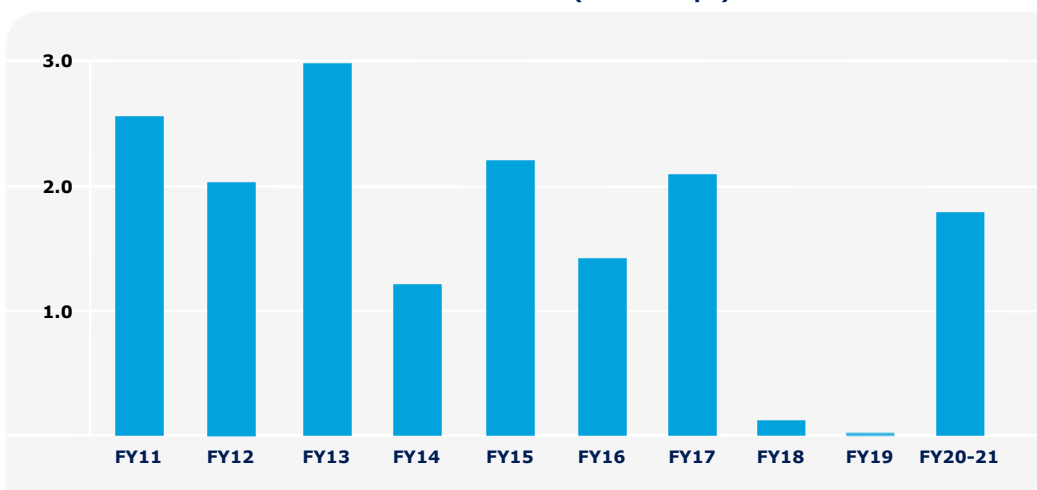
** Interest Cover is based on net interest costs and therefore exclude the impact of IFRS adjustments.

29

LONG TERM DEBT MATURITY PROFILE



Gross Debt Maturities (after Swaps)



30



2010 FULL YEAR RESULTS

David Thodey, CEO

12 August 2010

FISCAL 2010

OPERATING PERFORMANCE IMPROVED



INITIATIVES

- New product bundles**
- Wireless broadband pricing**
- New postpaid mobile plans**
- Telstra T-Hub® release**
- New fixed broadband plans**
- Telstra T-Box® release**

PERFORMANCE

- ✓ **~ 300,000 bundles**
- ✓ **> 300,000 new customers**
- ✓ **Accelerated mobile revenue growth**
- ✓ **> 40,000 currently**
- ✓ **Customer growth**
- ✓ **> 15,000 currently**

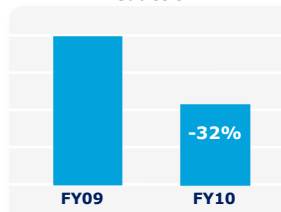


CUSTOMER CENTRICITY

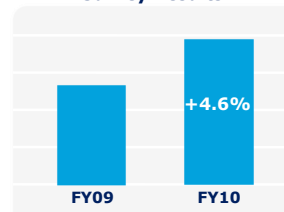
- ✓ New standard in responsiveness
- ✓ Home movers program
- ✓ Weekend technician appointments
- ✓ Telstra service & support calls now free of charge



TIO Complaint Reduction



Customer Satisfaction Survey Results



...but we have a long way to go



- Approximately \$11 billion post-tax net present value
- Financial Heads of Agreement was an important milestone
 - Duct leasing arrangement for 30 years or more
 - Leasing payments comprise 40-50% of \$9b consideration from NBN Co
 - Agreement for 18 month transition from copper to fibre
- Much work left to be done
 - No guarantee final Definitive Agreements can be reached
 - Supplying and installing infrastructure for NBN Co in the Brunswick site
- Growing certainty over long term industry structure key to investment decision



CHANGING DYNAMICS

- Accelerated decline in PSTN revenues
- Fixed-to-mobile calling substitution
- Mobile internet is developing faster than fixed internet
- Data / video usage is exploding
- Broadband and voice competitiveness is increasing
- Open-access fibre network being built



IMPLICATIONS

- New revenue streams are necessary
- Lower margins

Telstra must become a sales and marketing-led company...



SATISFY

INVEST

GROW

- 1. IMPROVING CUSTOMER SATISFACTION**
- 2. SIMPLIFYING THE BUSINESS**
- 3. COMPETING AGGRESSIVELY**
- 4. INVESTING FOR LONG-TERM GROWTH**

STRATEGY

1. IMPROVING CUSTOMER SATISFACTION



24/7 contact centres from
14 September

Re-building our online capability

Removing process bottlenecks
that lead to complaints

Adding customer satisfaction measure to
management incentives

37

STRATEGY

2. SIMPLIFYING THE BUSINESS



**Customer
service**

Deliver step-change improvement in customer
service through 'right first time' disciplines

Channel mix

Increase the portion of transactions completed
online by improving online experience

Productivity

Deliver benefits by optimising outsourcing and
by improving frontline performance

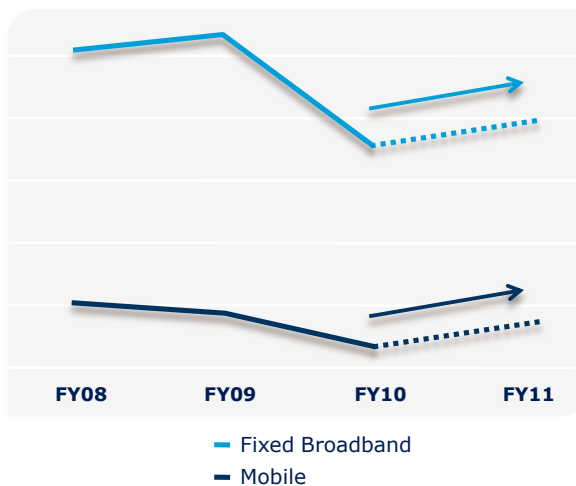
**Operating
Model**

Create a simpler, leaner, more competitive and
lower cost operating model

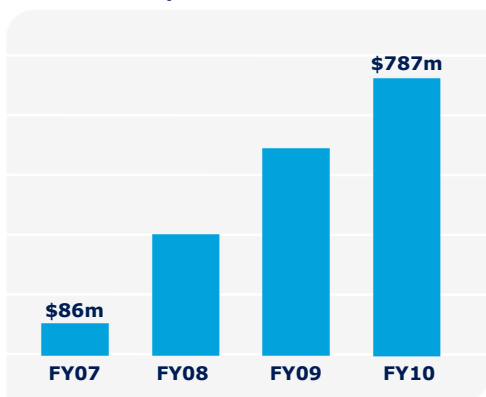
38



Market Share Trends



WBB – 3 yr revenue CAGR +109%



INTEGRATION OF FIXED + MOBILE

- Unified Comms
- Same screen across multiple products
- Easy to use interfaces
- 1.6m smartphones on Telstra network

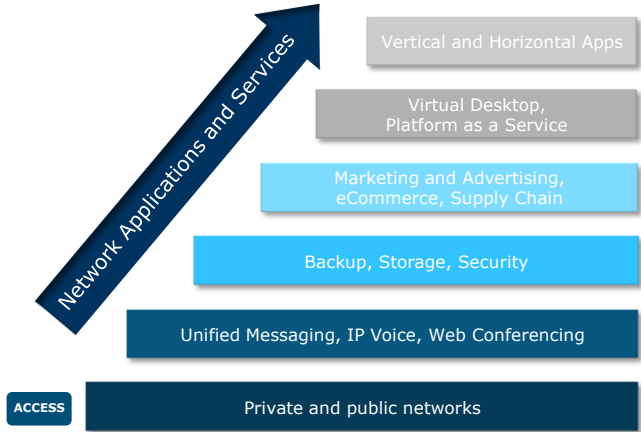
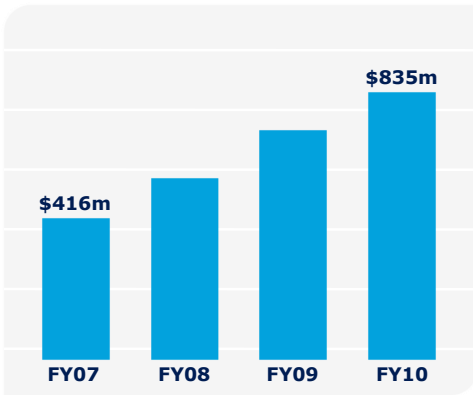


STRATEGY

3. COMPETING AGGRESSIVELY – IP AND THE CLOUD



IP Access - 3 yr revenue CAGR +26%



STRATEGY

4. INVESTING FOR LONG-TERM GROWTH



2011 and BEYOND

Digital Home

- Extending video services
- Grow apps community for TV, T-hub



- IPTV in HD & 3D, highly interactive & personalised
- Starting migration to IP voice
- Premium services growth

Digital Business

- New per seat Digital Business pricing
- Improving customer support
- IP Voice



- Desktop in the cloud
- New account-level sharing options
- VPN

Digital Enterprise

Integrated Service Experience

Networked applications & computing

Secure, intelligent networking services

FISCAL 2011 GUIDANCE*



Measure	FY11 Guidance
Sales Revenue	Flattish
EBITDA	High single digit percentage decline
Capex	14% of sales
Free cashflow	\$4.5 - \$5 billion

*Guidance assumes wholesale product price stability, no additional impairments to investments and excludes any proceeds from sale of businesses



IMPROVING CUSTOMER SATISFACTION

SIMPLIFYING THE BUSINESS

COMPETING AGGRESSIVELY

INVESTING FOR LONG-TERM GROWTH