

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



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

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



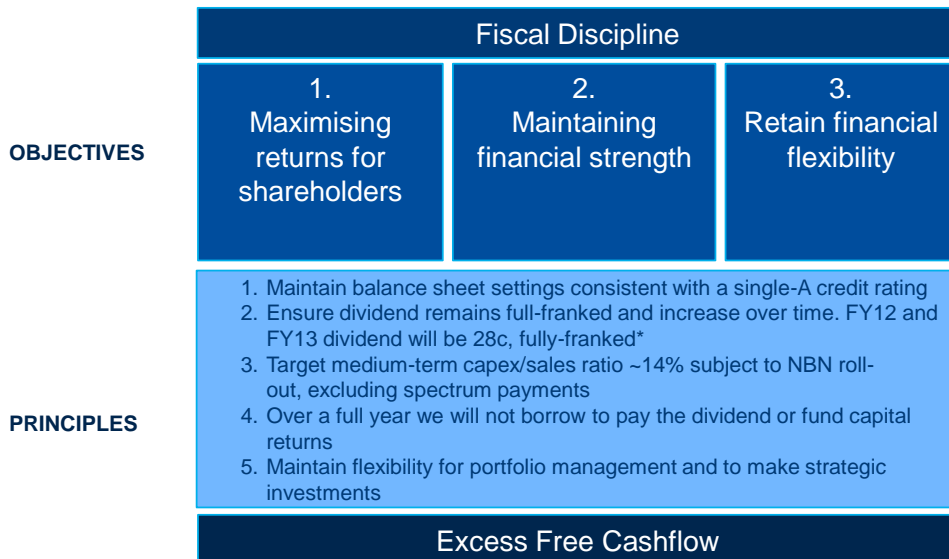
AGENDA



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.

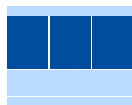
CAPITAL MANAGEMENT OBJECTIVES



MAXIMISING RETURNS FOR SHAREHOLDERS

MAINTAINING FINANCIAL STRENGTH

RETAINING FINANCIAL FLEXIBILITY



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CAPITAL MANAGEMENT PRINCIPLES



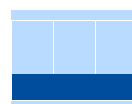
Maintain balance sheet settings consistent with a single-A credit rating

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



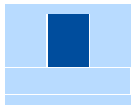
* Any dividend is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

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STRONG FINANCIAL SETTINGS

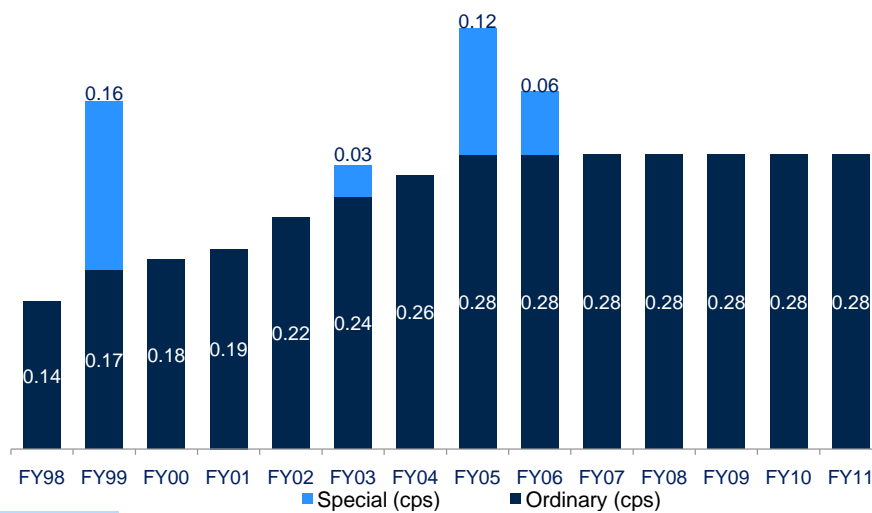


Financial Parameters	Comfort Zones	Actual HY12
Debt Servicing	1.5 – 1.9x	1.48x
Gearing	50% to 70%	54.9%
Interest Cover	>7x	9.3x



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TELSTRA'S DIVIDEND HISTORY (CPS)

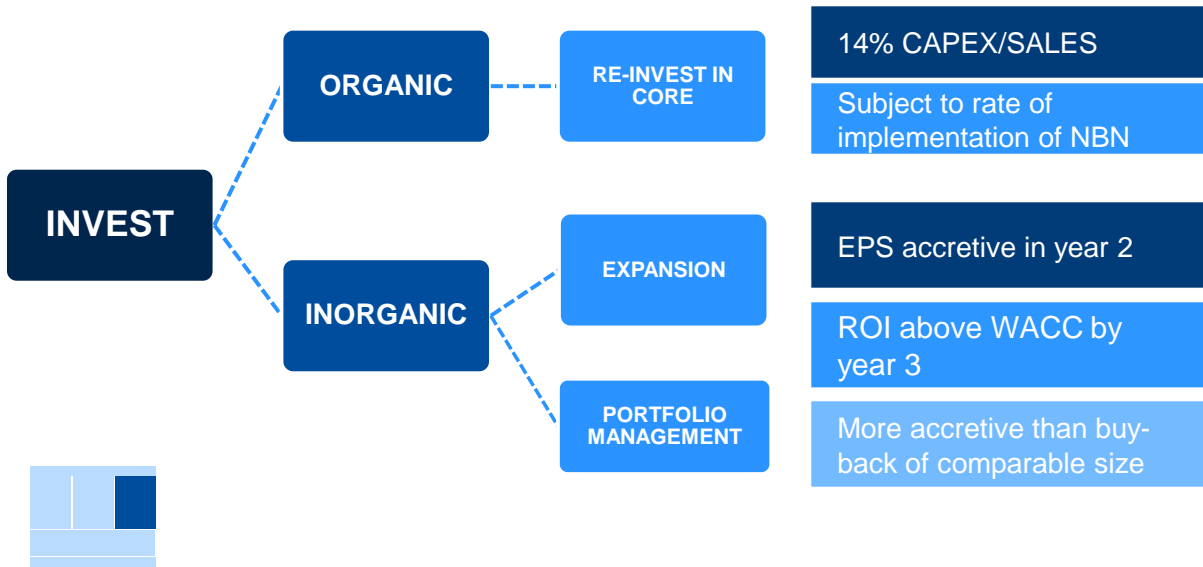


\$17 billion returned in last 5 years in fully-franked dividends



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INVESTMENT GUIDELINES



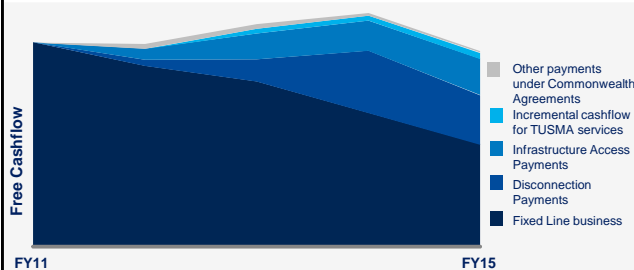
DEFINING EXCESS CASH

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

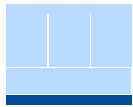
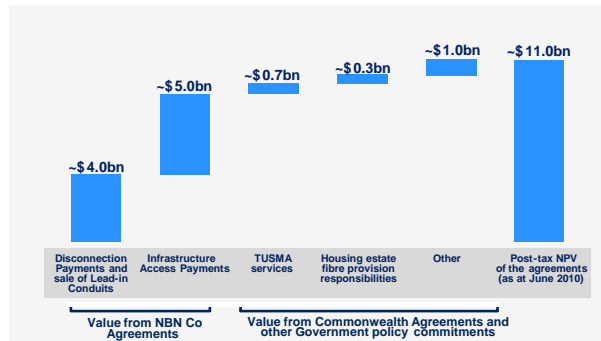


Illustrative FCF trend of Telstra fixed line business and NBN agreements*



* 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

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

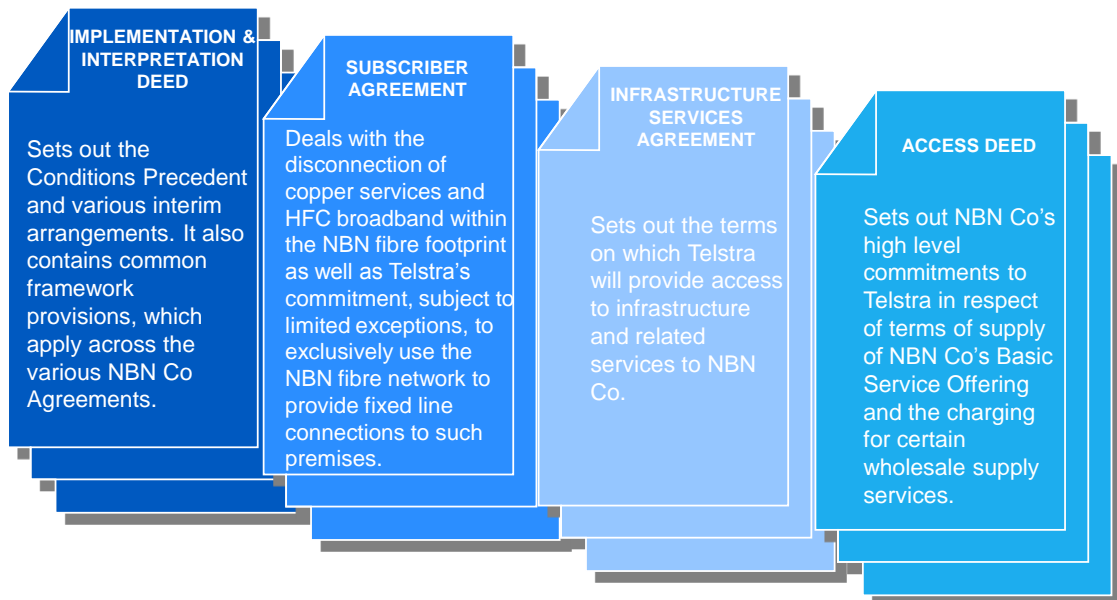
- ~\$2bn NPV post tax at June 2010 including:
 - Re-training (\$100 million nominal value)**
 - Received late FY12/early FY13. Booked as **UNEARNED REVENUE** (Balance Sheet), recognised as **OTHER INCOME** over next 8-10 years as training expenditure incurred.
 - Residual Agreement (\$321m nominal value)**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

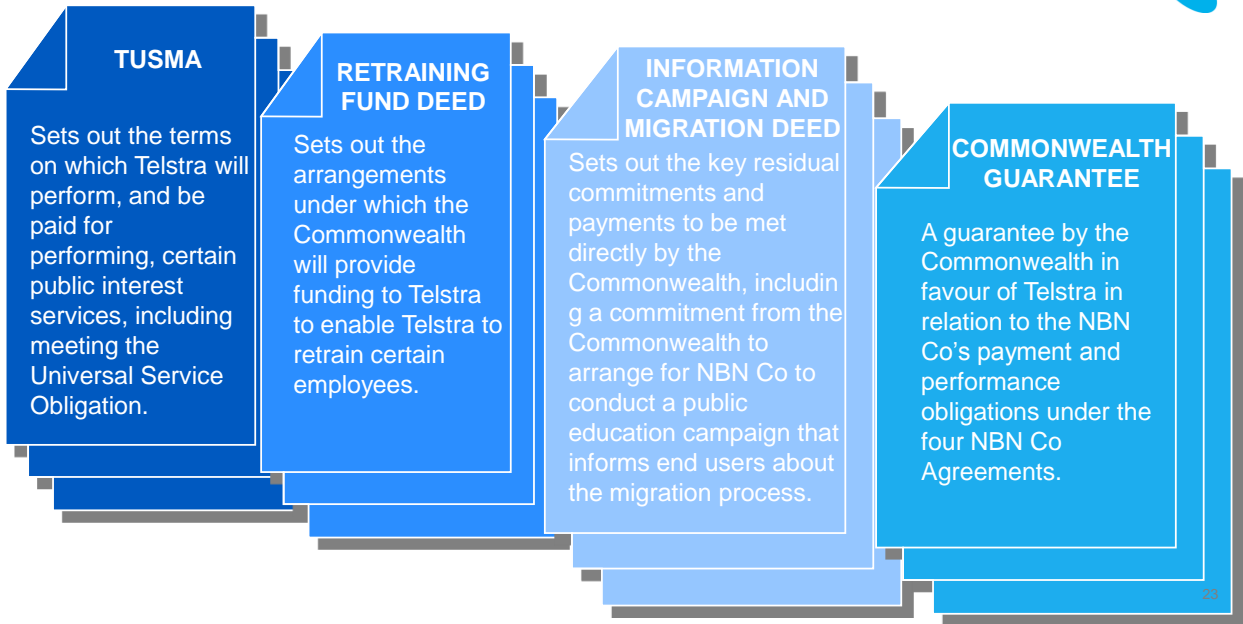


AGREEMENTS WITH NBN CO



AGREEMENTS WITH THE COMMONWEALTH

IT'S HOW WE CONNECT



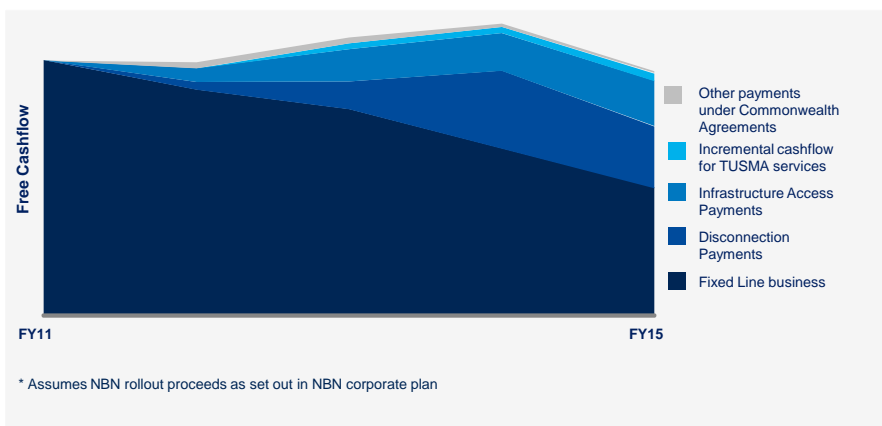
A GOOD DEAL FOR SHAREHOLDERS

SUSTAINABLE FREE CASHFLOW GENERATION IN THE MEDIUM TERM

IT'S HOW WE CONNECT

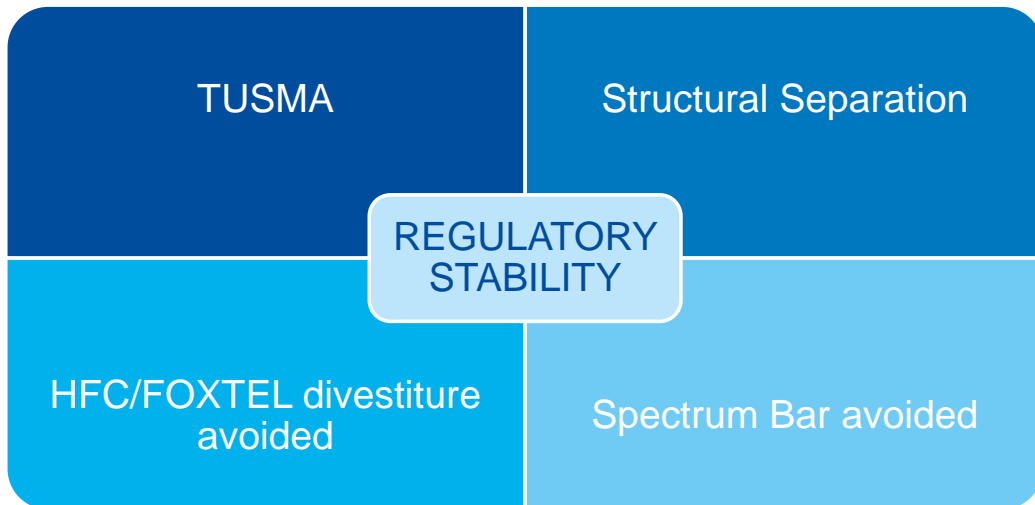


Illustrative FCF trend of Telstra fixed line business and NBN agreements*



A GOOD DEAL FOR SHAREHOLDERS A MORE STABLE REGULATORY ENVIRONMENT

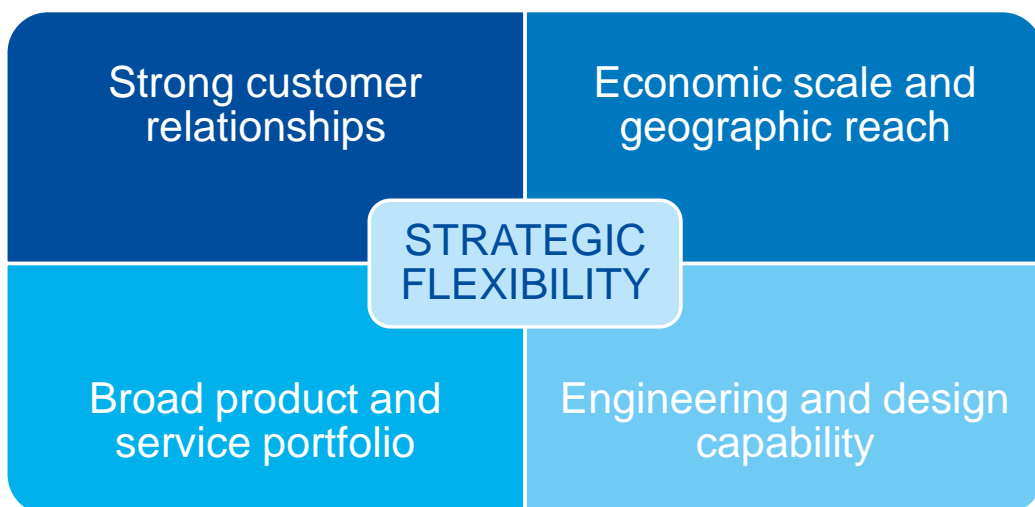
IT'S HOW
WE CONNECT



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A GOOD DEAL FOR SHAREHOLDERS GREATER STRATEGIC FLEXIBILITY

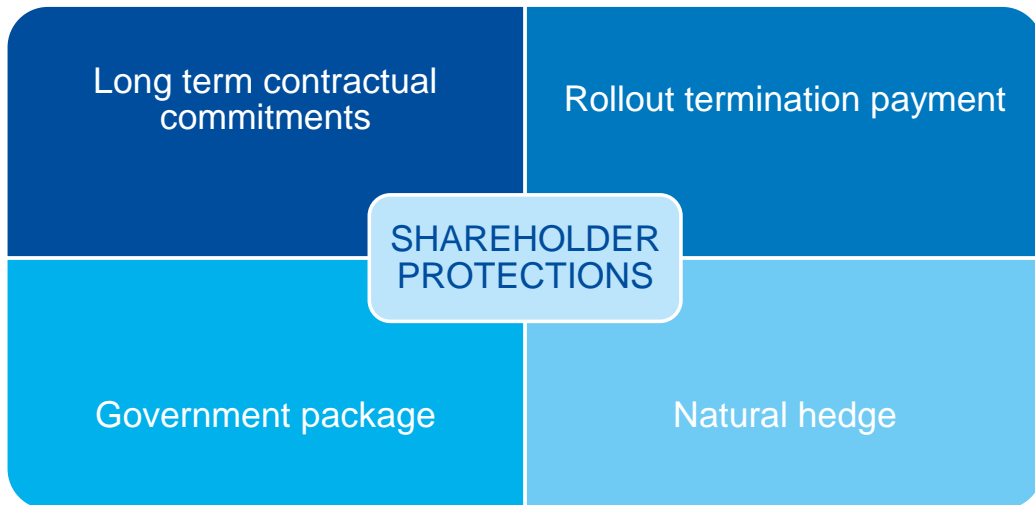
IT'S HOW
WE CONNECT



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A GOOD DEAL FOR SHAREHOLDERS STRONG SHAREHOLDER PROTECTIONS

IT'S HOW
WE CONNECT



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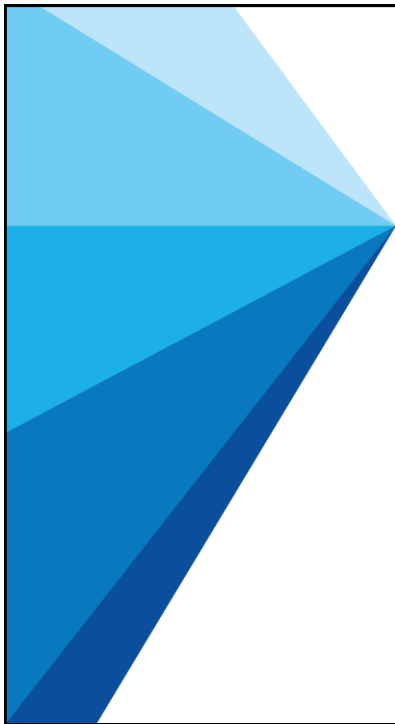
FOUNDATION FOR FUTURE ENGAGEMENT

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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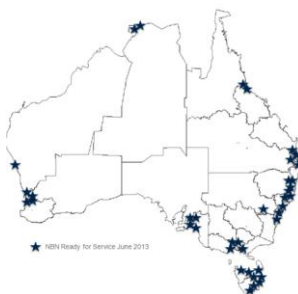


THE RETAIL OPPORTUNITY

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

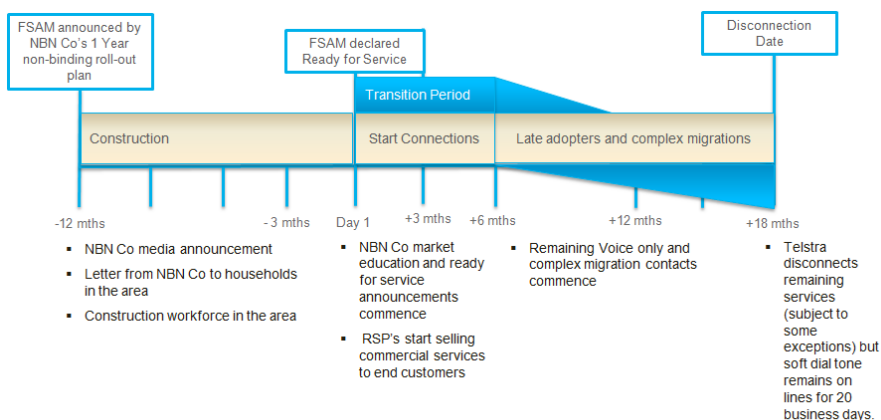
STREAMLINING END-TO-END PROCESSES



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



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THE NBN RETAIL OPPORTUNITY

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

NEW DISPUTE RESOLUTION PROCESSES

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

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

3-BOX MODEL

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

COMPLIANCE, RE PORTING & DIRECT ACCC ENFORCEMENT

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

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

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 