1 December 2017

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra revises FY18 guidance for nbn

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

Yours faithfully

Damien Coleman
Company Secretary

MARKET RELEASE

Telstra revises FY18 guidance for nbn

- ***FY18 reductions due to HFC cease sale and updated nbn corporate plan***
- ***Guidance unchanged outside updated nbn rollout and disconnection assumptions***
- ***FY18 expected dividend reaffirmed at 22 cents per share***

Friday 1 December 2017 – Telstra today revised FY18 guidance as a result of the impact of nbn co's announcement that it would cease sales on hybrid fibre co-axial (HFC) technology for six to nine months from 11 December 2017, as well as nbn co's Corporate Plan 2018.

Telstra also reaffirmed it expects FY18 total dividend to be 22 cents per share fully franked including ordinary and special, in accordance with its dividend policy announced in August 2017[1].

Telstra's FY18 guidance included an assumption that the nbn rollout would be broadly in accordance with the nbn Corporate Plan 2017. nbn co subsequently issued its Corporate Plan 2018 on 31 August 2017. This change reduced the number of brownfields Ready For Service (RFS) premises and included a reduction of 200,000 brownfield activations in FY18 relative to the previous Corporate Plan, which has a negative impact on Telstra's expected FY18 Per Subscriber Address Amount (PSAA) and one-off Infrastructure Services Agreement (ISA) ownership receipts.

While this change impacted Telstra's financials, the impact did not result in Telstra's outlook falling outside of its guidance range. However, with the addition of the delays from the nbn cease sale of HFC announced earlier this week, Telstra's outlook is now outside of the guidance range and has been updated accordingly.

The revised guidance, incorporating the 31 August 2017 change and 27 November 2017 change to HFC, assumes operating earnings are otherwise unchanged. The net impact and revised FY18 guidance is as follows:

Measure	FY17	Previous FY18 Guidance	**FY18 Guidance updated**	**Change (nbn rollout impact)**
Total income[2]	$28.2b	$28.3b to $30.2b	**$27.6b to $29.5b**	**$0.7b reduction**
EBITDA	$10.7b	$10.7b to $11.2b	**$10.1b to $10.6b**	**$0.6b reduction**
Net one-off nbn DA receipts less nbn net C2C[3]	$1.3b	$2.0b to $2.5b	**$1.4b to $1.9b**	**$0.6b reduction**
Capex	$4.6b	$4.4b to $4.8b	**$4.4b to $4.8b**	**No impact**
Free cashflow	$4.3b	$4.4b to $4.9b	**$4.2b to $4.7b**	**$0.2b reduction**

The most significant impact from a timing perspective is the proportion of one-off receipts (including PSAA and ISA ownership receipts) to Telstra from nbn being delayed into future periods. The revenue recognition from Telstra's commercial works contracts with NBN will also be delayed.

There will be benefits, including lower nbn costs to connect (C2C), lower network payments to nbn and retained wholesale EBITDA, which will partially mitigate the reduction in one-off receipts. Further details are provided below.

While the nbn rollout delay impacts Telstra's outlook for FY18, it is anticipated the delay will be modestly financially positive to Telstra over the full rollout due to the effects of a natural hedge. It is noted that nbn co remains committed to completing the rollout by 2020.

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[1] Return subject to no unexpected material events, assumes the nbn rollout is broadly in accordance with the nbn Corporate Plan 2018 adjusted for a cease sale on hybrid fibre co-axial (HFC) technology for six to nine months from 11 December 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.

[2] Excluding finance income.

[3] "net one-off nbn receipts" is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.

Footnote to guidance

Previous: *"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."*

Revised: *"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 2018 adjusted for a cease sale on hybrid fibre co-axial (HFC) technology for six to nine months from 11 December 2017. Capex excludes externally funded capex."*

Guidance range details by measure

Total income: reduced by $0.7 billion due to delays in:
- one-off PSAA and ISA ownership receipts (associated with lower expected in-year nbn disconnection and ready-for-service volumes)
- one-off hardware revenue associated with nbn connections
- Income recognition of nbn commercial works sale of assets
- recurring nbn ISA receipts
- offset partly by retained wholesale income

EBITDA: reduced by $0.6 billion consistent with net one-off nbn DA receipts less nbn net C2C impact. Outside the one-off impact, delays in recurring impacts to EBITDA offset including:
- delayed revenue recognition of nbn commercial works sale of assets and recurring nbn ISA receipts
- partially offset by retained wholesale EBITDA and lower nbn network payments

Net one-off nbn DA receipts less nbn net C2C: reduced by $0.6 billion due to:
- delayed one-off PSAA and one-off ISA ownership receipts (associated with lower expected in year nbn disconnection and ready for service volumes)
- net of nbn net cost to connect (C2C) in year savings

Capex: not impacted.

Free cashflow: reduced by $0.2 billion mostly in:
- delayed one-off PSAA and ISA ownership receipts received quarterly in arrears
- partly offset by lower nbn costs to connect, network payments to nbn and tax

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