29 May 2019

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Good progress on T22 strategy to result in non-cash impairment of legacy IT assets and increased restructuring costs in FY19

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

Yours faithfully

Sue Laver
Company Secretary

MARKET RELEASE

Good progress on T22 strategy to result in non-cash impairment of legacy IT assets and increased restructuring costs in FY19

29 May 2019 – Telstra today announced that as a result of good progress on its T22 strategy, and as previously indicated, it expects to make a non-cash impairment and write down of the value of its legacy IT assets by around $500 million. In addition, Telstra is increasing guidance on its restructuring costs for FY19 by around $200 million, as a result of bringing forward consultation on proposed job reductions.

Under the strategic investment in digitisation announced in 2016, Telstra has made good progress in standing up its new IT platforms, enabling it to retire some of its legacy platforms.

Telstra is also ahead of plan on the simplification of its structure and ways of working announced as part of T22, which as previously announced is expected to lead to a net reduction of around 8,000 employees over three years. Telstra today commenced consultation with employees and representative unions on proposed job reductions previously expected to be announced in the first half of FY20. This will result in the relevant restructuring cost being brought forward from FY20 to FY19.

With today's start of consultation, Telstra expects to have announced a reduction of approximately 6000 roles by the end of the financial year, which puts it on track to reach the previously announced net cost out target of $2.5 billion by the end of 2022. As a result of bringing these announcements forward, Telstra expects total FY19 restructuring costs to increase from around $600 million to around $800 million. While impacted employees will not be leaving the organisation until early FY20, consultation is expected to conclude in mid-June and therefore the costs will be included in Telstra's FY19 results.

If this additional charge were to occur in FY19, Telstra expects total remaining restructuring costs, after FY19, from T22 initiatives to be in the vicinity of $350 million.

CEO Andrew Penn said Telstra had made solid progress on its strategy and the financial impacts brought forward into FY19 were the natural result of T22 and Telstra's strategic investment in digitisation.

"We understand the significant impact on our people and the uncertainty created by these changes. We are doing everything we can to support our people through the change and this includes the up to $50 million we have committed to a Transition program that provides a range of services to help people move into a new role. We expect to have announced or completed approximately 75 percent of our direct workforce role reductions by the end of FY19," Mr Penn said.

"We will continue to see role reductions as we replace our legacy systems, digitise and simplify how we work, and respond to things like declining NBN and call volumes, but if a final decision is made on the proposal announced today we expect the majority of our T22 restructure will be behind us.

"Overall we are on track in relation to our T22 program," Mr Penn said.

Final outcomes and related impacts of the impairment of legacy IT assets and restructuring costs are subject to Audit & Risk Committee and Board approval and are therefore subject to change. This will be contained in Telstra's full year results on 15 August 2019.

Telstra otherwise reaffirms FY19 Guidance.

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