2 September 2019

Office of the Company Secretary

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra updates FY20 guidance for NBN Co's Corporate Plan 2020

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

Yours faithfully

Sue Laver
Company Secretary

MARKET RELEASE

Telstra updates FY20 guidance for NBN Co's Corporate Plan 2020

Monday 2 September – Telstra has today updated its FY20 guidance[1], following the release of NBN Co's Corporate Plan 2020 last Friday.

Telstra's FY20 guidance provided to the market on 15 August 2019 was predicated on NBN Co's previous Corporate Plan 2019 and assumed the nbn rollout and migration in FY20 would be broadly in accordance with the 2019 plan.

NBN Co's Corporate Plan 2020 provided updated information regarding their outlook for FY20, including a reduction in the total number of premises forecast to be connected during FY20 from 2 million to 1.5 million.

This change materially impacts the guidance Telstra provided on Total Income, Underlying EBITDA and the amount of included in-year nbn headwind, Net one-off DA receipts less nbn net cost to connect and Free cashflow after operating lease payments. This change has also led Telstra to update its FY20 cost reduction target from $660 million to $630 million.

Telstra no longer anticipates FY20 being the year of peak nbn headwind and now estimates this will occur in FY21.

The changes to forecast activations in NBN Co's Corporate Plan 2020 also has the effect of deferring Per Subscriber Address Amount (PSAA) receipts from NBN Co in FY20 into future periods. This will be partly offset by the natural hedge including benefits from lower nbn costs to connect (C2C), lower network payments to NBN Co and retained wholesale EBITDA.

The revised FY20 guidance is as follows:

Measure	**Previous FY20 Guidance**	**FY20 Guidance Updated**	**Change**
Total income[2]	$25.7 to $27.7 billion	$25.3 to $27.3 billion	-$0.4 billion
Underlying EBITDA [3]	$7.3 to 7.8 billion	$7.4 to $7.9 billion	+ $0.1 billion
- Included in-year nbn headwind[4]	~ -$0.8 to ~ -$1.0 billion	~-$0.6 to ~-$0.8 billion	- $0.2 billion
Net one-off nbn DA receipts less nbn net C2C	$1.6 to $2.0 billion	$1.3 to $1.7 billion	- $0.3 billion
Restructuring costs	~ $0.3 billion	~ $0.3 billion	No change
Capex	$2.9 to 3.3 billion	$2.9 to 3.3 billion	No change
Free cashflow after operating lease payments[5,6]	$3.4 to $3.9 billion	$3.3 to $3.8 billion	-$0.1 billion

Telstra confirms that the NBN Co Corporate Plan 2020 does not alter the view, provided to the market on 15 August 2019, that Underlying EBITDA excluding in-year nbn headwind is expected to grow by up to $500 million in FY20.

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MARKET RELEASE

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[1] This guidance assumes wholesale product price stability and no impairments in and to investments or property, plant and equipment and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn rollout and migration in FY20 is broadly in accordance with the NBN Co Corporate Plan 2020. Guidance is provided on the basis of AASB16 Leases and assumes impacts consistent with management estimates and current interpretation of the standard. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised leases under AASB16 Leases.
[2] Excluding finance income.
[3] Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, guidance adjustments and includes amortisation of mobile operating lease costs.
[4] In-year nbn headwind defined as the net negative recurring EBITDA impact on our business based on management best estimates including key input of the nbn Corporate Plan 2020.
[5] FY20 free cashflow defined as operating cash flows less investing cash flows less operating leases (reported in financing cash flow under AASB16 Leases).
[6] FY20 free cashflow guidance includes ~$1b working capital increase including from exit of mobile lease plans, remaining outflows from restructuring costs announced in May 2019, and an increase in nbn receivables.