17 November 2016

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Investor Day 2016

In accordance with the Listing Rules, I attach a market release together with the presentation charts and the CEO's and CFO's speeches to be delivered at Telstra's Investor Day on Thursday 17 November 2016, for release to the market.

A transcript of the event will be lodged with the ASX when available.

Yours faithfully

Damien Coleman
Company Secretary

MARKET RELEASE

Telstra updates market at Investor Briefing

Thursday 17 November 2016 – Telstra today announced refinements to its corporate strategy building on improving the customer experience, growing the core business and investing in new businesses close to its core. Telstra also provided detail on the up to $3 billion incremental capital expenditure announced in August at Telstra's Full Year Results, a commitment to expand its productivity target to at least $1 billion over the next five years, and a review of the company's capital allocation strategy.

Telstra's strategic pillars are now:

- Deliver brilliant customer experiences
- Drive value and growth from the core
- Build growth in businesses close to the core

Telstra CEO Andrew Penn said the refined strategy reflected Telstra's continued drive and focus on improving the experience it provided to customers and growing the core business and businesses close to its core.

"The changes to our strategy are not major, however they are an important signal to shareholders, employees and our customers that we will be relentless in delivering customer experience improvements and disciplined in how we invest in our networks, services and growth businesses," Mr Penn said.

"It will also enable us to respond strongly to increasing competitive intensity, the accelerating rollout of the nbn and the greater demand for data in an ever increasingly connected world."

Mr Penn said the strategy refinements were supported by Telstra's up to $3 billion investment program, lifting the level of investment and aspiration in network leadership and digitisation.

"The refinements in our strategy make it clear that our future investments are going to be focused on areas where we have core strengths and skills which are close to our core business," Mr Penn said.

The up to $3 billion investment will be made in three areas with the ultimate aim being to greatly improve the overall experience of interacting with Telstra.

It will include more than $1.5 billion in building networks for the future, approximately $1 billion in accelerating the digitisation of the business and up to $500 million in other customer experience related improvements.

Mr Penn said the target return for the up to $3 billion of additional investment would be to deliver run rate EBITDA benefits in excess of $500 million per annum which Telstra expected to be fully realised by FY21.

"Of the $500 million benefit, approximately two thirds will be from additional revenue and one third from cost improvements. In conjunction with our ongoing productivity program, we expect to reduce net underlying core fixed costs by over $1 billion by FY21," Mr Penn said.

Networks for the Future

Mr Penn said Telstra's investment in networks was recognition that as customers became more digital they were increasingly reliant on Telstra's network.

"We are faced with unprecedented demand on our network and a world of opportunity to deliver new experiences. Network traffic over our fixed and mobile networks will grow five times over the next five years and the capacity to support this level of traffic growth is not yet built.

"We will leverage new technology to deliver higher availability and performance, and unlock new sources of differentiation for our customers," Mr Penn said.

The network investment will be in four areas:

1. Building the fundamental platforms for the networks of the future including software defined networks for 2020 and beyond.
2. Enhancing mobile differentiation through leadership and readying for 5G.
3. Supporting the transition to nbn including increasing ADSL speeds and availability during the transition.
4. Evolving network resilience to deliver scale and reliability for the future network growth.

Digitisation

Mr Penn said Telstra's increased investment in digitisation was driven by customers expecting an increasingly digitised experience.

"More and more our customers want to interact with us in a digital way. We have to make that possible and it needs to be seamless.

"That means we have to do things like standardising how customers authenticate with us and support our customers' needs with single systems to manage common activities across all of our products.

"Our goal is a common architecture for our systems providing a holistic and consolidated view of our customers and how we serve them, and best meet their needs."

Customer Experience

Mr Penn said the network and digitisation investments would underpin the next wave of customer experience improvements.

"We have a comprehensive cross company customer experience improvement plan underway. This includes initiatives which are aimed at delivering seamless, simple and integrated interactions for customers and eliminating key pain points."

Key elements include:

1. Sales and Service – improving the efficiency and ease for our customers to engage with Telstra.
2. Product Proposition – focusing on simplicity and usability at every step of the product experience, with a shift to customer experience led product design.
3. Managing the customer life cycle –greater emphasis on the growth from Telstra's existing customer base.

Mr Penn said through this investment Telstra aimed to deliver a 3-6 point per annum lift in Strategic and Episode NPS.

Capital Allocation

Telstra also announced that over the next 6-12 months it will review its capital allocation strategy taking into consideration the long term business and financial profile of Telstra.

Mr Penn said the overarching objectives of the capital management framework would remain unchanged, namely to "maximise returns for shareholders, maintain financial strength and retain financial flexibility".

"However we are considering the best use of nbn payments, both one-off PSAA payments and recurring payments under the ISA and the most effective way of maximising long term shareholder value from these cashflows." Mr Penn said.

The review will also cover long term capex post nbn, and investment decisions including M&A criteria and take into consideration shareholder returns including dividends, buy-backs and other forms of return.

"Importantly we remain committed to maintaining balance sheet settings consistent with the single A credit rating band."

Telstra expects to provide the market with an update on the review at the company's half year results in February 2017 and the company will be engaging with both debt and equity stakeholders to gain feedback.

Telstra also reconfirmed its FY17 guidance today as part of the Investor Day presentation.

Copies of today's presentations and webcast are available at:
https://www.telstra.com.au/aboutus/investors/financial-information/investor-presentations

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Telstra Investor Day

17 November 2016

Andrew Penn, Chief Executive Officer

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Our leadership team

Agenda

1	Agenda and strategy update	Andrew Penn
2	Earnings and productivity	Warwick Bray
	Q&A	
3	Networks	Brendon Riley, Mike Wright
4	Digitisation	Stephen Elop
5	Customer experience	Vicki Brady
	Q&A	
6	Retail strategy update	Kevin Russell
7	GES strategy update	David Burns, Michelle Bendschneider
	Q&A	

Key developments since FY16 results

Solid performance in the market

- SIO momentum continues in both mobile and fixed
- 65% of iPhone 7 customers have signed up to high value plans
- Post-paid churn has been stable
- Share of new nbn (ex satellite) connections in September 2016 quarter of 54%
- 530,000 Telstra TVs now in market

Strong network performance

- $250 million resiliency investment well progressed
- Continued roll out of 4G
- First live 5G trial in Australia
- Enhanced ADSL and port availability

Key developments since FY16 results

Productivity is delivering results to the bottom line

Mobile roaming review announced

$1.5 billion being returned to shareholders via share buy-backs

Readify, Kloud, MSC Mobility and CBO are in the early phases of integration

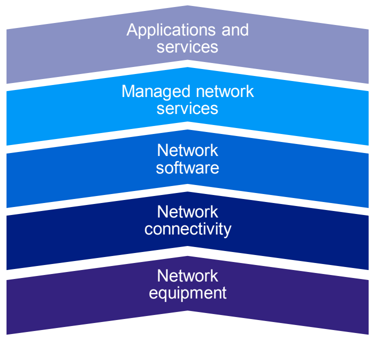
We have made some important refinements to our strategy and will invest up to $3 billion to further strengthen our market leading position

We will consider our capital allocation strategy

The traditional worlds of technology and telecommunications continue to converge

Drivers:

- Mobility
- On premise to cloud
- Machine learning & AI



Opportunities:

- Services and applications
- Smart Home
- Software defined networking
- Network Function Virtualisation
- Data analytics
- Internet of Things

The convergence of telecommunications and technology creates opportunities for us to participate *up the stack*

Current market dynamics

Increasing competitive intensity

- Competitive intensity continues to increase - particularly in mobiles and Data & IP
- New entrants to nbn expected to be in market in FY17
- Content is playing an important role in differentiating products and services
- Our focus has been on network differentiation, bundling and value

Greater demand in connectivity

- Network traffic over our fixed and mobile networks will grow 5 times over the next 5 years
- Increasingly complex applications
- More digital content (SVOD, music, sports)
- We need to develop around 80% of the network capacity to support this increase in traffic

Accelerating rollout of the nbn[1]

- nbn has now passed 3.2 million premises, with 27% of the nation able to connect to the nbn
- There are now 1.4 million premises activated on the nbn (17% of nation)
- The number of customers connecting to the nbn is now over 3,100 per day
- The $2-3 billion EBITDA impact will accelerate in line with activations

Increasing regulatory risks

- ACCC review of mobile roaming
- Ongoing debate on USO reform
- Fixed line FAD and other regulatory decisions

1. Source: nbn co Weekly Progress Report, 4 November 2016, nbn co 2017 Corporate Plan

Our purpose, vision and strategy

Purpose:	To create a brilliant connected future for everyone		
Vision:	To be a world class technology company that empowers people to connect		
Brand:	To create better ways to empower everyone to thrive in a connected world		
Previous strategic pillars:	Improve customer advocacy	Drive value and growth from the core	Build new growth businesses
Strategic pillars:	Deliver brilliant customer experiences	Drive value and growth from the core	Build growth in businesses close to the core
Strategic enablers:	Networks for the future	Deliver a seamless end to end usage experience across our networks and build the network 2020 architecture	Strategic investment of up to $3 billion from FY17 – FY19
	Digitisation	Digitise our systems and processes to enable brilliant customer experiences and simplify our ways of working	
	Culture and capabilities	Build and enhance priority capabilities and drive critical cultural shifts	

Strategic investment of up to $3 billion into the core business

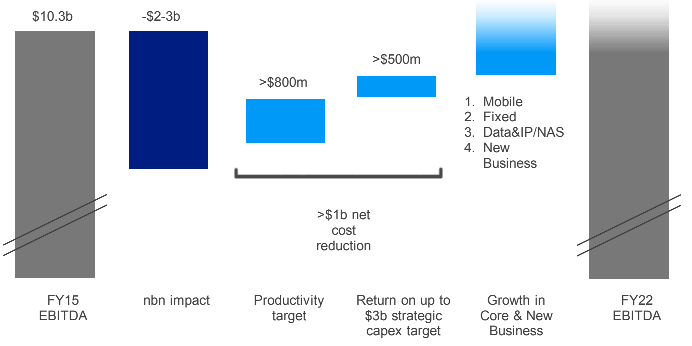
Strategic investment of up to $3 billion: (FY17-FY19)	• Investing in the network for the future (more than $1.5 billion) • Digitisation (approximately $1 billion) • Other improvements to customer experience (up to $500 million)		
Financial benefits:	• Return on up to $3 billion extra capex will target run-rate benefits >$500 million per annum (2/3 revenue, 1/3 cost) fully realised by FY21 • Targeting aggregate returns in excess of our FY16 ROIC (~14%) which is consistent with guidelines for organic investments		
	Networks for the future	**Digitisation**	**Customer Experience**
Investment objectives:	• Build platform for the network of the future • Reinforce network differentiation	• Enable digital experiences – all forms of interactions between Telstra and our customers • Transform the IT environment	• Deliver seamless, simple and integrated customer experiences • Achieve a step change in our sales and service experience
Key metrics:	• **New network build based on SDN/NFV architecture:** 100% by FY20 • **Mobility speed and coverage:** deliver double the speeds of standard 4G to 87% of population by end FY19 • Deliver peak network mobile **speeds of up to 1Gbps** in core CBD locations and selected high traffic areas for our capital cities by end FY19[1] • Ensure **85% of ADSL customers** during nbn transition can experience a quality video streaming experience and the other 15% are provided tailored solutions for the best possible experience • Deliver 5 times data growth **holding overall network costs flat** by FY20	• **Applications retired, contained or moved to cloud:** FY20: 50% (FY16: 17%) • **IT delivery capability applying Agile/DevOps capabilities:** FY20: 70% (Current: 20%) • **Straight through processing of consumer nbn orders:** FY20: 95% (FY16: <5%) • **Customer service transactions from digital channels:** FY20: 70% (FY16: 58%)	• **Strategic NPS**: Annual increase of 3-6 points each year from FY17-FY20 • **Episode NPS:** Annual increase of 3-6 points each year from FY17-FY20

1. Typical customer speeds will be less.

Creating value through core and growth

Influences of FY22 Recurring EBITDA[1]

- **nbn impact:** migration to nbn will result in a $2-3 billion reduction in recurring core EBITDA
- **Productivity:** >$800 million reduction in net underlying core fixed costs over next 5 years goes directly to offsetting the $2-3 billion
- **Return on up to $3 billion of strategic capex:** will target run-rate benefits >$500 million (2/3 revenue, 1/3 cost) fully realised by FY21
- **Change in Product EBITDA:** Challenge is to achieve additional growth to offset remaining gap and deliver EBITDA growth. Performance in four main products areas is key.



1. Recurring EBITDA including new business. Chart is for illustrative purposes only

Capital allocation strategy

Over the next 6-12 months we will review our capital allocation strategy taking into consideration the long term business and financial profile of Telstra

- nbn payments:
  - One off payments - taking into account the payments already received, the balance due (net of cost to connect) will generate post tax free cash flow of approximately $5 billion over the next 4-5 years with the roll out
  - Long term payments - relate to access to Telstra’s infrastructure and over the next 4 years during the roll out, these payments will increase to almost $1 billion pre tax per annum, increasing with inflation thereafter
  - We will look at how to best drive value from these payments for shareholders
- Committed to maintaining balance sheet settings consistent with a single A credit rating band
- Long term capex requirements post roll out of nbn
- Investment decisions including M&A criteria
- Returns to shareholders including dividends, buy-backs and other forms of returns

Summary

Strong performance in both operations and networks since year end

We have made some subtle but important refinements to our strategy

We see continued acceleration in technology innovation

We will be investing up to $3 billion of incremental investment in radically improving customer experience, building the network of the future and digitising our core business

We remain in a strong capital position

We will consider our capital allocation strategy over the next 6-12 months in consultation with our stakeholders

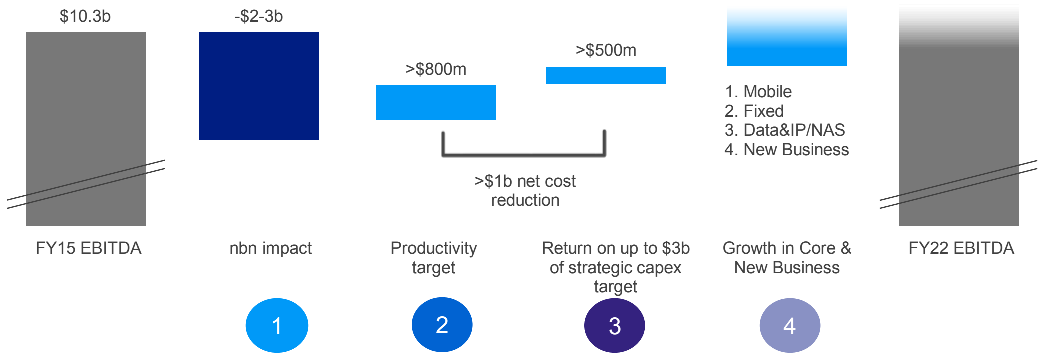
Earnings and Productivity

Investor Day – November 2016

Warwick Bray, Chief Financial Officer

Influences on FY22 recurring EBITDA[1]

1 2 3 4



Plus non-recurring EBITDA: nbn income (PSAA) net of cost to connect

1. Recurring EBITDA including new business. Chart is for illustrative purposes only

$2-3b recurring nbn impact

1 2 3 4

Recurring impacts of nbn to EBITDA	
NBN Definitive Agreements (DA)	+ ISA (~$5b NPV at June-2010) + Government receipts incl. TUSOPA
As a retail service provider and nbn transition impacts	− New nbn access costs (CVC/AVC) + Reduction in existing access costs − Loss of wholesale revenues

Long term net recurring EBITDA impact of negative $2-3b

Negative effects of nbn rollout largely stabilise at end of migration

We are committed to increased productivity

1 2 3 4

Commitment | Measurement | Target | Approach | Progress

1. We are holding ourselves to account based on cost outcomes that are seen in our financial accounts – i.e. net productivity
   - >$1b target reduction in net underlying core fixed costs over next 5 years
   - Core fixed cost reduction to offset up to one third to one half of the $2-3b negative impact of the nbn
2. We are seeking productivity that is achieved through improving customer outcomes
3. Our productivity program is implemented by the line divisions not through a central function

Our measurement of productivity

1 2 3 4

Commitment | Measurement | Target | Approach | Progress

Full Year 2016 Results disclosure

Operating expenses[1]	FY15	FY16	GROWTH	
Core sales costs	$6,782m	$7,125m	$343m	5.1%
Core fixed costs (incl. corporate)	$8,409m	$8,546m	$137m	1.6% Underlying -0.6%
New business costs	$279m	$465m	$186m	66.7%
nbn Cost to Connect (C2C)	$128m	$218m	$90m	70.3%
Impairment	-	$246m	$246m	n/m
Total Reported	**$15,598m**	**$16,600m**	**$1,002m**	**6.4%**

Productivity by cost category

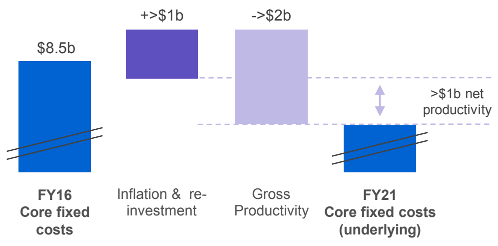
1. **Core sales** - We manage the ratio of these costs with the revenue they directly support
2. **Core fixed** - We manage these costs against the year-on-year change in underlying fixed costs
3. **New business** - We manage these costs against their individual investment cases
4. **nbn C2C** - We measure against a target unit cost

1. Extract from “Full Year 2016 Results - CEO/CFO Analyst Briefing Presentation”

Our productivity target

1 2 3 4

Commitment | Measurement | **Target** | Approach | Progress



- >$1b net cost reduction target equates to:
  - more than a 2% year-on-year reduction, excluding significant transactions
  - over $2b of gross productivity achievement, depending on estimate of inflation
- Cost reduction target directly offsets $2-3b recurring nbn impact on EBITDA – i.e. $1-2b remaining impact
- Cost reduction target to be achieved while supporting improved customer experience and 5x growth in fixed and mobile network traffic over the next five years

$300-500m restructuring costs in FY17

Our approach to the productivity program

1 2 3 4

Commitment | Measurement | Target | **Approach** | Progress

Examples of progress and commitment

Commitment | Measurement | Target | Approach | Progress

Approach	Example initiatives	Example KPI outcomes	Cost out
Improving end-to-end customer experience	Simplified broadband activations to automatically connect self install modems right first time and expand the capability of our Wi-Fi Maximiser app	• 95% auto activation rate – achieved ~90% • 280k reduction activation calls • 1% reduction truck rolls	~$6m
Product and process simplification	Reduced the time we take to provide quotes to our business and enterprise customers by implementing straight through sales processing	• 60% reduction in time for simple orders (achieved) • 30% reduction in time for complex deals by FY17 and over 60% reduction by FY18	~$9m
Fitter & Faster organisation	Changed our Retail organisational structure to remove duplication in our channel support, product and central support functions	• 20% reduction in organisational layers	>$100m
Supplier partnerships	Changed how we tender work to reduce contractor costs for our mobile network build	• 70% reduction in time from construction brief to operating site	>$40m
>$1b target reduction in net underlying core fixed costs over next 5 years			

Business case for up to $3b strategic capex

Capex-to-sales of ~18% in FY17-FY19 will promote sustainable network differentiation, support digitisation, productivity and boost customer experience

- Investment on networks (more than half), digitisation and customer experience
- Network includes new capacity, speed, capability and resilience on our consumer and business, mobile, fixed and core networks
- Digitisation includes: digital customer experiences, digital platforms and digital ways of working

Targeting returns in excess of our FY16 ROIC (~14%) and consistent with organic investment guidelines

- Target EBITDA benefits of more than $500m p.a. (2/3 revenue, 1/3 cost-out)
- Annual benefits to materially increase from FY19 and fully realised by FY21
- Short term EBITDA benefits will be impacted by additional $100m p.a. opex to support investment

Product economics

1 2 3 4

Product	Factors
1 Mobile	• Minimum Monthly Commitment (MMC) • Business services • Broadband growth • Machine to Machine (M2M)
2 Fixed	• nbn reseller ARPU and share • Reduce nbn unit cost to serve • Reduce nbn unit cost to connect
3 Data & IP and NAS	• Domestic Data & IP and NAS EBITDA at least flat • International Connectivity and NAS EBITDA growth • Grow NAS EBITDA margin to mid-teens medium-term
4 New Business	• Reduced EBITDA loss in FY17 and on path to profitability

Influences on Free Cashflow and EPS

EBITDA	Comment
1. Capex	Productivity examples: • Supplier partnerships • IT development
2. Working Capital	Productivity examples: • Go Mobile lease plans • Reduced inventory
3. Interest	Refinance at lower average rates
4. Tax	Statutory tax rate
FCF	

EBITDA	Comment
1. Depreciation	Increased due to: • More capex • Lower asset lives
2. Interest	Will increasingly follow cash interest
3. Tax	Statutory tax rate
4. Number of shares	Capital allocation
EPS	

2017 guidance[1]

Measure	FY16 BASELINE	FY17 GUIDANCE
Total income	$27.1b	mid to high-single digit
EBITDA	$10.7b	low to mid-single digit
Capex to sales	15.2%	~18%
Free cashflow	$4.8b	$3.5b - $4.0b

1. 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 in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excludes externally funded capex. Guidance excludes the Ooyala impairment in FY16 and restructuring costs in FY17 of $300m to $500m.

Summary

There are multi-billion recurring and non-recurring impacts over the next 5 years from the nbn. We are committed to reporting these impacts

Four factors will determine our recurring EBITDA at the end of the nbn network build

1. nbn impact
2. Performance against our productivity target
3. Returns on our up to $3b of strategic capex
4. Growth in our main products

Further efficiency opportunities in converting EBITDA to cash and earnings

We will consider our capital allocation strategy over the next 6-12 months in consultation with our stakeholders

Confirm guidance

Q&A

Investing in the network of the future

Investor Day – November 2016

Brendon Riley, Chief Operations Officer
Mike Wright, Group Managing Director Networks

Network investment drivers and focus

We are faced with unprecedented demand on our network and a world of opportunity to deliver new experiences

Customer expectations

Technology disruption

Competitive landscape

- **85%** annual growth in wireless data traffic over the last 10 years
- **5x** fixed and mobile data traffic demand in the next 5 years
- **57%** increase in digital payments in the last 5 years
- **70%** of mobile data traffic will be video by 2021
- **38%** of retail banking is via mobile
- **3.8x** SIM-enabled IoT devices in 5 years
- nbn roll-out is challenging ADSL service levels
- New breed of competitor – global, digitally fit tech co's

We will leverage new technology to deliver higher availability and performance, and unlock new sources of differentiation

Key investment areas

1. **Network 2020**
2. **Enhance mobile differentiation**
3. **Support nbn transition**
4. **Evolve network resilience**

Source: Ericsson mobility report June 2016 and various global industry reports

Four key areas of investment

NETWORK OF THE FUTURE

NETWORK 2020
Direct investments into emerging technology wave

- SDN/NFV evolution
- Network compute
- Programmable and abstracted network
- Media optimised

ENHANCE MOBILE DIFFERENTIATION
Exploit mobile leadership and 5G readiness

- Exploit and lead spectrum, speed and technology evolution
- More 4G area, better indoor coverage
- New features and services
- 5G ready architecture, standards and partnerships

EVOLVE NETWORK RESILIENCE
Scale and reliability for the future

- Exploit architectural simplicity
- Better tools and analytics
- Faster recovery

SUPPORT NBN TRANSITION
Reusable investment in performance during nbn transition

- Quality VOD to 85%
- Targeted solutions for remaining 15%
- 95% reusable for nbn

Network 2020 design principles

- All connections are treated as mobile
- Quality on demand
- The home is an extension of the network
- Converged and borderless products
- 5G and IoT ready
- Customised products to fit specific needs
- A more reliable network via architecture and slicing
- Faster time-to-market

2020

Network 2020 architecture is enabling:

Virtualisation | Simplification | Convergence | Robustness | Ubiquity | Transformation | Automation

Network 2020 technology elements and evolution

The next generation of network technologies…	…unlocking differentiated capabilities
Evolved optical network	All IP: VoLTE / ViLTE / RCS / VoWiFi
Strategic Ethernet evolution	LANES and LTE-B towards MC-PTT
Enhanced 4G rollout and 5G roadmap	Symphony
Media optimised networks (MON/MDN)	Always connected data centres (ACDC)
SDN/NFV and services orchestration	Narrowband-IoT network wide

Network 2020 benefits

Provide further differentiated usage experiences…				… at lower unit costs		
Support more demanding use-cases	**Productise more Network attributes**	**Provide truly integrated experiences**	**Monitor, remediate and optimise RCE[1]**	**Reduce network capacity spend**	**Reduce equipment and property spend**	**Reduce operational cost**
Next generation mobile networks enabling more latency sensitive and bandwidth-demanding use-cases (e.g. autonomous cars)	Ability to productise and monetise more Network attributes by dynamically allocating specific network resources (e.g. bandwidth) for specific customers and applications over specific time periods	'Borderless' products across all access networks and devices providing best usage experiences at the lowest cost through seamless handover across access networks	Increased E2E responsibility (i.e. up to end user device) of the received usage experience through monitoring and (auto-) remediation	The increased centralisation of network control and programmability allows for routing to be optimised globally for the entire network, increasing throughput	Rationalisation of network nodes resulting in fewer sites to be maintained, and virtualisation of equipment resulting in more standardised and commoditised equipment	Increase of cloud-enablement and programmability to the Network enables control to be centralised and automated, optimising operational efficiency

1. Received Customer Experience

Network 2020 delivery roadmap

2016 → **2021**

FY17	FY18	FY19	FY20 and beyond

Simplification

Exit non-IP products/capabilities and excess exchange sites; Evolve to next gen networks

Close 2G and commence exit of non-IP products	Commence exit of PSTN and non-required exchanges	Exit end of life products 5G scale and 3G exit

SDN/NFV

Roadmap planning with vendors; Competence profiling; Process changes

Pioneering virtualisation developments Foundational SDN/NFV enabled layer	Scale virtualisation rollout	Top to bottom SDN/NFV and network compute fabric

Convergence and ubiquity

Common core network; Move to all-mobile; Extend network into the home; Received Customer Experience monitoring

Accelerations for convergence Real time rating, Common IMS core	Move to "all products mobile" Instrumentation and Experience tools	"Borderless" products

Mobile differentiation

Areas for differentiation	Video over LTE (ViLTE)	Voice over WiFi (VoWiFi)	LTE Broadcast (LTE-B)	Rich Communication Services (RCS)	Internet of Things (IoT)
Additional mobile infrastructure enables	Better in-building coverage	Faster speeds, more capacity (Peak network speeds increasing 300Mbps to 1Gbps*)	New Network features in more places (NB-IoT)	Enhanced 4G footprint advantage	

*In core CBD locations and selected high traffic areas for our capital cities, typical customer speeds will be less

nbn transition and network resilience

Support nbn transition

- Reusable Network core capacity to deliver 85% of our ADSL customers' increased data speeds
- Alternative solutions for remaining 15% of customers
- Service more unmet market demand through port investment in high-demand areas
- Equip frontline staff to deliver clearer expectations to our customers through use of tools

Evolve network resilience

- Enhancing reliability by targeted review program and exploiting future networks and architectural simplicity
- Next generation customer received experience tools and analytics
- Faster recovery and restoration enabled by virtualisation and network 'flex'

Measure of progress

	Metric
Network 2020	• FY20: 100% of all new network build will be based on SDN/NFV architecture
Enhance mobile differentiation	• Extend 4G coverage and leverage spectrum to deliver double the speeds of standard 4G to 87% of population by end FY19 • Leverage new architectures to deliver peak network speeds of up to 1Gbps in core CBD locations and selected high traffic areas for our capital cities by end FY19*
Support nbn transition	• Ensure 85% of customers during transition can experience a quality video streaming experience and the other 15% are provided tailored solutions for the best possible experience
Manage costs	• Deliver 5x data growth holding overall network costs flat by FY20

*Typical customer speeds will be less

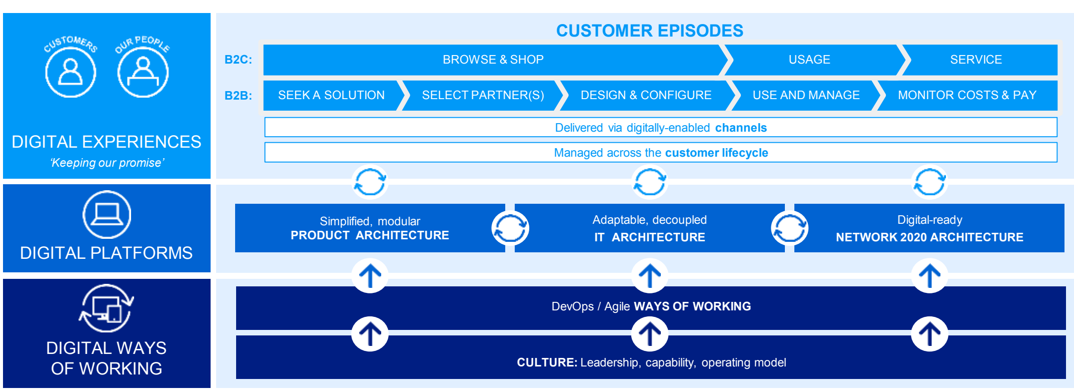
Digitisation
Investor Day – November 2016

Stephen Elop, Group Executive Technology Innovation and Strategy

Our purpose, vision and strategy

Purpose:	To create a brilliant connected future for everyone		
Vision:	To be a world class technology company that empowers people to connect		
Brand:	To create better ways to empower everyone to thrive in a connected world		
Strategic pillars:	Deliver brilliant customer experiences	Drive value and growth from the core	Build growth in businesses close to the core
Strategic enablers:	Networks for the future	Deliver a seamless end to end usage experience across our networks and build the network 2020 architecture	Strategic investment of up to $3 billion from FY17 – FY19
	Digitisation	Digitise our systems and processes to enable brilliant customer experiences and simplify our ways of working	
	Culture and capabilities	Build and enhance priority capabilities and drive critical cultural shifts	

Digitisation covers three major, interrelated domains



Enables a seamless and simple customer experience

Deliver brilliant customer experiences	Drive value and growth from the core	Build growth in businesses close to the core

Initiatives:

- Enable a seamless digital experience for all our customers
- A single customer authentication process across all our platforms

- Eliminate multiple handovers through a single view of the customer

Enables:

Clearly differentiated usage experience	Customers engaging us in a digital way	Simplicity

Simplifying our core will drive sustainable value and growth

Deliver brilliant customer experiences	Drive value and growth from the core	Build growth in businesses close to the core

Initiatives:

- Develop our platform to deliver customer analytics and allow personalised offers to our customers based on their needs
- New products and services designed for global use
- Build digital ways of working internally to support our people and customers
- Migration of the IT platform to one that is scalable and cloud-based

Enables:

Customer satisfaction	Increased business relationship with our customers	Productivity and cost benefits

Innovation and disruptive technologies will improve our core capabilities

Deliver brilliant customer experiences	Drive value and growth from the core	Build growth in businesses close to the core

Initiatives:

Invest in local innovation and ventures and foster capabilities to facilitate new capability and skills development to deliver real business benefit

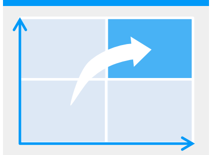
Fostering and delivering creative and curated technologies and services for customers that build on our core

Enables:

Participation in the digital ecosystem	Innovation	Disruption	Developed capabilities

There are 5 critical success factors to deliver this plan

Bold simplification

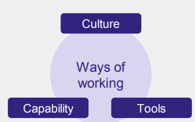


We will make the hard choices with a strategic lens

Great attention on 'how to get there'

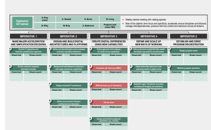
We are building a detailed roadmap, using established execution methodologies

Focus on 'people' challenge



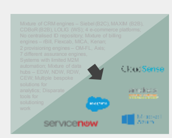
We will prioritise the evolution of cultures and improvement of capability

'Hands-on' leadership style



We, as the senior leadership team, are committed to a high-intensity, 'hands-on' leadership style to make the necessary 'hard choices'

Technology evolution



We are now able to move from monolithic applications to fewer standardised foundational applications

Digitisation is a major contributor to important strategic goals

	Hallmarks of success	Measures
Foundational capabilities	• Developed capability to deliver continuous innovation • Digital capabilities that leverage our superior scale • Full participant in the digital ecosystem	• Applications retired, contained or moved to cloud (FY16 17%; FY20 50%) • IT delivery capability applying Agile/DevOps capabilities (current 20%; FY20 70%)
Market place outcomes	• Improved overall customer experience • Competitive pricing for premium connected experiences • Clearly differentiated usage experiences • Increased share of wallet in our target customer base • Customers engaging us in a digital way	• Straight through processing of consumer nbn orders (FY16 <5%; FY20 95%) • Customer service transactions from digital channels (FY16 58%; FY20 70%)

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Customer experience
Investor Day – November 2016

Vicki Brady, Group Managing Director Telstra Consumer

The next wave of customer experience improvement

Customer Experience-led			
Network 2020		**Digitisation**	
Speed, scale and resilience	• Next generation mobile network • 4GX peak network speeds up to 1Gbps* • Resilience and rapid recovery	Sales and service	• Comprehensive digital self service • Seamless integrated front-line tools • Single digital service hub for Enterprise customers
Differentiation	• 5G roadmap for broad use cases • Video and media optimised: VoLTE, ViLTE, VoWiFi • Narrowband IoT enablement	Product proposition	• Product and platform simplification • More real time rating and charging • Borderless products: Telstra Air + Connected Home + Mobile + Work
Intelligence	• Real-time monitoring and assurance • Personalised usage insights	Customer lifecycle	• Customer insights and analytics • CRM to straight-through processing • Personalised offers

* In core CBD locations and selected high traffic areas for our capital cities, typical customer speeds will be less

A company-wide customer experience improvement plan

The Brand	Telstra creates better ways to empower everyone to thrive in a connected world			
Customer Experience	Sales & Service	Product Proposition	Network & Usage	Customer Lifecycle
	Comprehensive Cross-Company Improvement Plan: 33 large scale initiatives			
	• **Quicker and RFT:** faster order entry, simpler Ts&Cs, better system performance • **Reducing connection effort:** simpler ADSL self-install • **Assurance:** focus on and speedier resolution, tracking fault resolution online, improved transparency on outages	• **Always on convergence:** easy access to Telstra Air, "walk out working" connection, hybrid modem • **Price certainty:** clarity on third party charges for Premium Services, simple International Roaming charging	• **ADSL:** improved ADSL infrastructure and network speed, migration from ADSL to Cable • **Mobile:** faster speeds, greater 4G footprint, improved in-building coverage • **Security:** deploy Hotspot 2.0 security standard for Telstra Air	• **Proactive base management:** strategic retention • **Next best action:** needs based offer recommendations

Targeting a 3-6 points p.a. lift in Strategic and Episode NPS

Experience	Metrics
Sales and service	• Right first time • Cycle times • Self serve rates
Product proposition	• Telstra Air usage • Reduced assisted help • Less bill shock
Network and usage	• Improved ADSL received experience • Increased usage • Reduced faults and call volume
Customer lifecycle	• High value retention • Cross-sell and up-sell • Multi-product holdings

Strategic and Episode NPS uplift FY17-FY20

3-6 points p.a.

Q&A

Retail strategy update
Investor Day – November 2016

Kevin Russell, Group Executive Telstra Retail

We have outstanding core strengths and differentiators to leverage

Trusted Brand	Network Leadership	Regional Reach	Customer Base and Product Breadth
• Most valuable brand in Australia (2016) • From Telco to TechCo • "Most trusted" on entry to new services	• Australia's largest, fastest, most reliable mobile network • 650k Telstra Air hotspots	• 181 regional stores • ~5,000 regional employees • First to bring 4G to regional Australia	• 7.7m Consumer and 1.1m SMB customers • 72% of Australian businesses • 2.7m bundle customers
Obsess about branded experience	Sustain and grow network advantage	Segment, localise and personalise execution	Customer base value creation

Our business continues to perform in an increasingly price competitive market

	Dynamics in underlying business	Performance
Mobility	• Postpaid SIO growth consistent with same period last year - improving mix of high value plans and churn in line with FY16 • Service revenue is stable • Handset costs are increasing, however subsidies have remained constant and we've launched a new leasing product	Resilient service revenue performance in a highly competitive market
Fixed	• Increase in broadband competition with <$80 access prices • Securing >50% market share in nbn • PSTN rate of decline remains steady (~8% p.a.), via bundling	Strong broadband performance, with nbn share producing challenging economics
Networks, Applications & Services	• 64% of our managed customers also buy our NAS products • Telstra's cloud business is growing at twice the market growth • Managed network services ~50% CAGR for last 3 years	NAS revenue expected to exceed Data & IP this year

The market environment is changing

Customer demand and expectations are growing

- Data is exploding across fixed and mobile
- Customers seeking simple, seamless, personalised, digitally enabled solutions
- Small business requiring integrated solutions

Industry economics are shifting

- Mobile subscription inclusions reducing out of bundles revenues
- Migration to nbn reseller margins
- Traditional fixed voice continues to decline

Competition is intensifying in core connectivity

- Increasing price based competition
- nbn lowers barrier to entry

Technology acceleration opening up opportunities

- Customer insights and analytics to enable customer service and customer acquisition benefits
- Network convergence improves customer experience
- IoT proliferation increases network requirements and presents growth opportunity

We have clear priorities to drive growth and value from the core

Customer Experience-led			
Drive Value from Customer Base	Address Under-Indexed Markets	Grow Business NAS	Improve Productivity Optimise Variable Cost
Optimise flow of value within our customer base, and lift ARPU through up/cross-sell	Extend leadership in under-indexed segments and geographies	Grow at faster than market in Small to Medium Business NAS	Align variable cost with revenue growth and reduce fixed costs
Our customers spend $4.2b with other providers	LOTE segment represents ~23% of market	Market to grow at 10% CAGR to $6.7b by FY19	$5.4b DVCs and $2.0b non-DVCs in Retail

Obsess about Customer Experience | Remove silos | Simplify for our people

Network 2020 | Digitisation

GES strategy update

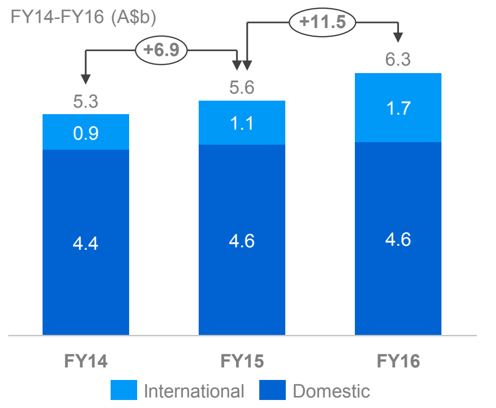
Investor Day – November 2016

David Burns, Group Executive GES
Michelle Bendschneider, Executive Director Global Products GES

Strong results

We have delivered strong performance driven by growing NAS, enterprise mobility and international businesses

GES revenue



Highlights

Customer wins	• Leading global oil and gas company • Global insurance company • NAB • DFAT
Product innovation	• High capacity and low latency network in Asia • Cloud gateway • Cloud management platform
Industry solutions	• Telstra broadcast services • Telstra mining services
International partnerships	• PBS China • telkomtelstra
Acquisitions	• Acquisitions performing strongly • Expertise in the Microsoft ecosystem
Awards	• Won ~40 awards

Strategic pillars

We will focus on a series of strategic imperatives to accelerate our growth

Unlock New Growth	Evolve our portfolio	Transform to a scalable business
Enterprise mobility	IP and nbn migration	Digitisation
Security	Product innovation	Direct and indirect channels
Global expansion	Software-defined global network	Global brand
NAS and industry solutions	Mid-market	Global consistency

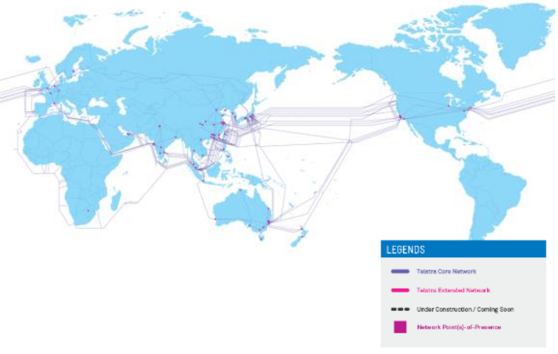
Deliver a world class customer experience

International growth

We are expanding both our connectivity footprint and our share of the enterprise services market internationally

Telstra's global network

Diverse high capacity and low latency network connecting Asia Pacific to the world



Expanding our international business

- Taiwan overland fibre
- Perth to Singapore cable
- PoPs
- Cloud management platform and gateway
- Cloud-based professional services
- Digital transformation

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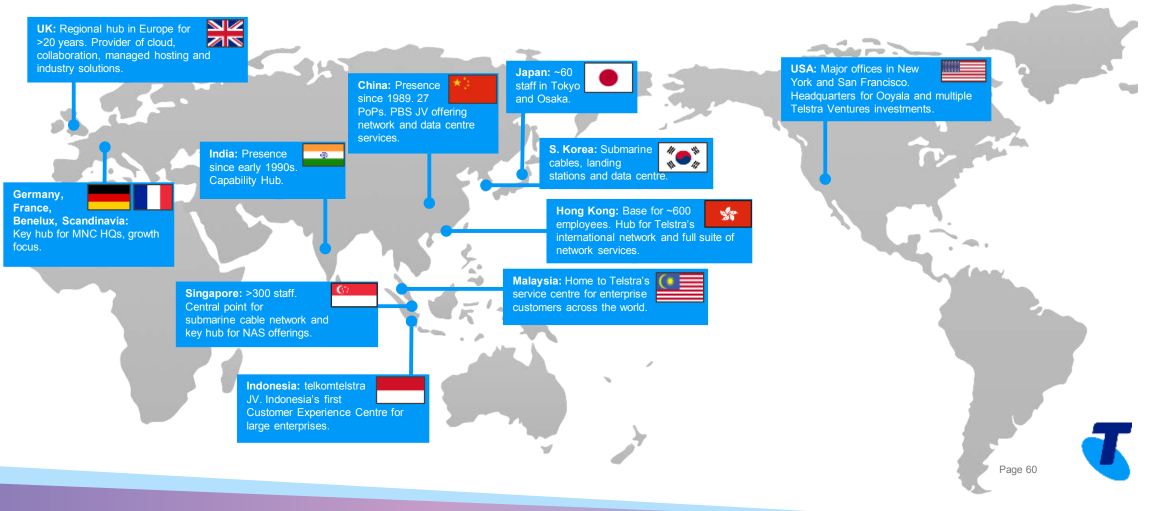
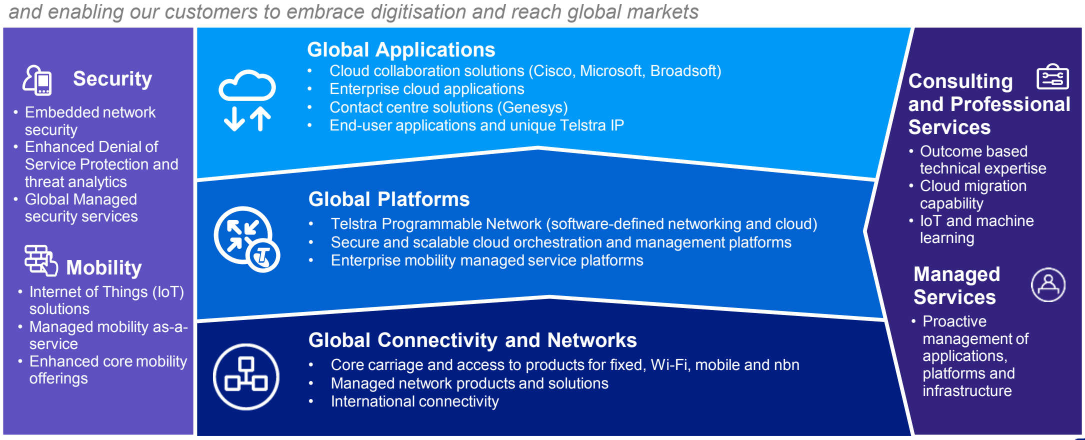
Key international geographies

Telstra has 2,000 people in 20 countries serving thousands of enterprise, carrier and OTT customers, with a particular focus on the Asia Pacific region



Global product portfolio

Our B2B product portfolio delivers converged solutions built on world class networks, platforms and applications and enabling our customers to embrace digitisation and reach global markets



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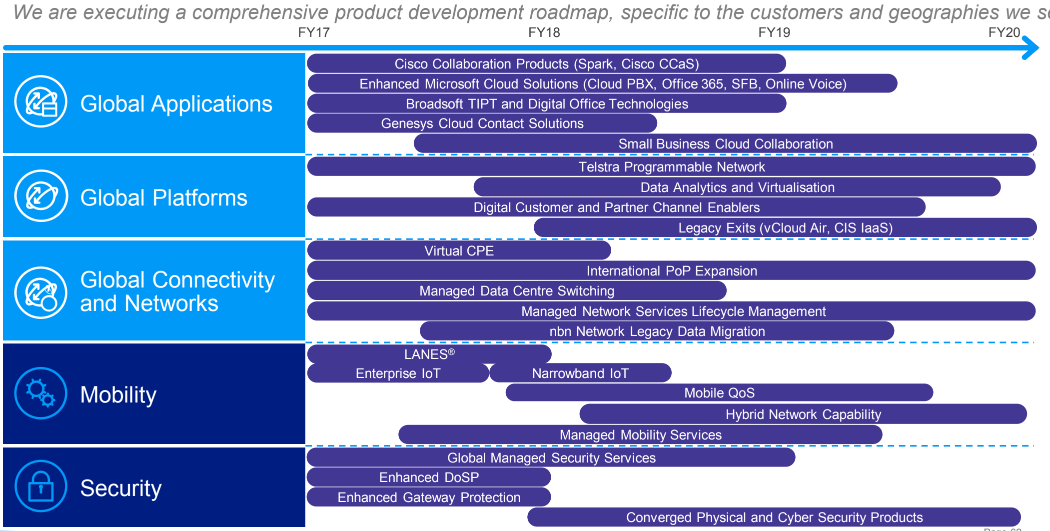
Global Product roadmap

We are executing a comprehensive product development roadmap, specific to the customers and geographies we serve



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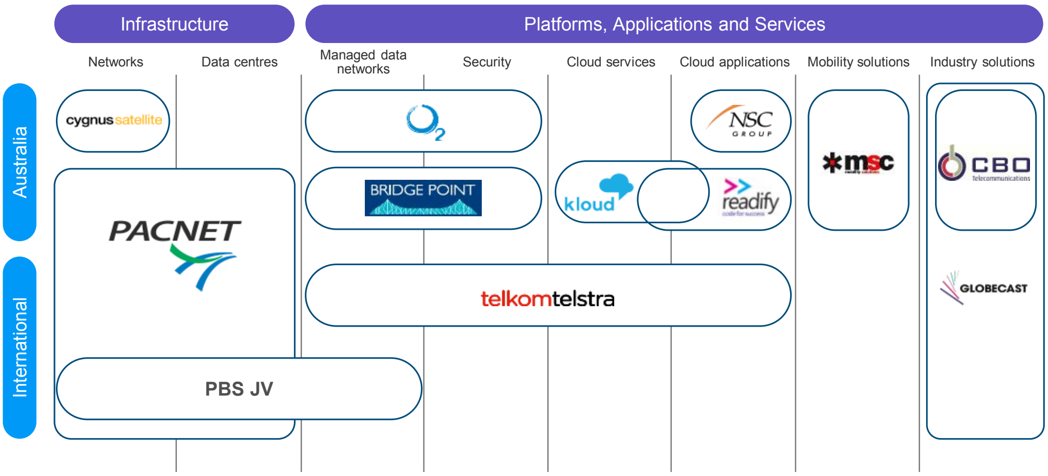
Inorganic growth in capability and reach

A number of strategic acquisitions and joint ventures further strengthen our evolving product portfolio



Summary

We have delivered strong performance driven by growing NAS, enterprise mobility and international businesses

Telstra has 2,000 people in 20 countries serving thousands of enterprise, carrier and OTT customers

We are expanding both our connectivity footprint and our share of the enterprise services market internationally

Our B2B product portfolio delivers converged solutions built on world class networks, platforms and applications

We are executing a comprehensive product development roadmap

A number of strategic acquisitions and joint ventures contribute to our evolving product portfolio

Q&A

CHIEF EXECUTIVE OFFICER – ANDREW PENN

Slide – Our Leadership Team

Good morning everybody and welcome to Telstra's Investor Day briefing.

Before I commence I would like to introduce some of the Executive team that are here with me today.

As you know, there have been some changes in the senior Executive Team at Telstra since my appointment and I am very pleased with the strength and depth of the team.

Let me start with our Chief Financial Officer – Warwick Bray whom you all know. Warwick will be presenting shortly.

Someone you have not yet had a chance to meet in the context of an investor presentation is Stephen Elop. Stephen joined us as Group Executive Technology Strategy and Innovation in April and has been working very closely with me and, the management team on the development of the strategy and the program of investment we will be discussing this morning.

Stephen will be known to you for his roles as a senior executive with Microsoft and Juniper in the US and as Chief Executive Nokia.

Heading up Retail is Kevin Russell. Kevin also joined us in April.

He is a well known and respected leader in the telecommunications sector having held senior roles for Optus as CEO Consumer as well as senior positions for Hutchison in Australia, Hong Kong and the UK.

David Burns heads up our Global Enterprise Services business. David has been with Telstra for 5 years and you will know him from the significant role that he has played in growing our NAS business and driving its improved profitability.

Brendon Riley you know well. Brendon is currently in the role Chief Operations Officer and was formerly Group Executive Global Enterprise Services.

Finally heading up Wholesale is Will Irving.

Will has been with Telstra for more than 20 years. He replaced Stuart Lee in the Wholesale role following Stuart's retirement. Prior to this, Will was Group Managing Director for Telstra Business.

Here but not presenting today are Cynthia Whelan Group Executive International and New Business, Alex Badenoch, Group Executive HR, Tony Warren Group Executive Corporate Affairs, Carmel Mulhern Group General Counsel and Joe Pollard Group Executive Media and Marketing.

Joe will be facilitating our discussions with industry analysts this afternoon.

Turning then to the agenda and the proceedings for the day.

Slide – Agenda

I will start by giving you a sense of developments since our 2016 results. This will include some of the changes that we have been seeing in the market and the challenges and opportunities going forward.

I will then talk you through some refinements to our strategy and provide an overview of the investment of up to $3b that we will be making in our core business.

I will also make some comments, regarding a review we will be conducting over the next 6 – 12 months of key capital allocation decisions taking into account the key economic dynamics of the business and in response to feedback from the market.

I will then hand over to Warwick who will take you through key economic dynamics for the business including our productivity program.

Warwick and I will then address any questions on the first two presentations.

The next series of presentations will cover in detail the proposed investment of up to $3b that we announced in August.

Brendon Riley will address the investments we are making to build the network of the future. Brendon will be supported by our very experienced Head of Networks, Mike Wright.

Stephen Elop will take us through the program of work to enhance the digitisation of our business.

Vicki Brady will then take us through the 3rd leg of the program with a focus on customer experience recognising that the investments that we are making in Networks and Digitisation already drive significant customer experience improvements.

Vicki joined us in June from Optus where she was Managing Director Marketing and Products. Vicki is the Group Managing Director of the Consumer channel for Telstra working closely with Kevin Russell.

At this point we will take a further break for questions with the team in relation to these areas of investment.

The final session will provide an update in relation to our key customer facing businesses being Retail and Global Enterprise Services.

Kevin Russell will take you through Retail and David Burns will cover our Global Enterprise Services business. David will be supported by Michelle Bendschneider recently appointed Executive Director Product for GES.

We will then have one last Q&A session on these presentations before closing the day’s proceedings.

Slide – Key developments since FY16 results

Let me start by providing an update in relation to a number of key developments since our FY16 results.

Firstly, I am pleased that we have continued to see strong performance in the market in relation to customer acquisition and SIO performance.

SIO momentum continues in both mobile and fixed.

We are particularly pleased with our strong performance in relation to the launch of iPhone 7 where we have sold almost 200,000 units with 65% of customers signing up for higher value plans.

Mobile churn remains stable since results and our share in fixed continued to increase with new NBN connections in the September quarter at 54% of the total market.

Telstra TV passed its first anniversary since launch with more than 530,000 devices in the market.

Notwithstanding the strong performance in terms of customers and share, that competitive intensity has continued and this is having a flow on impact to some of our key economics.

Having said that, mobile APRU declines have slowed and were flat in the September quarter compared to the June quarter. We also continue to see growth in the underlying minimum monthly contribution rate.

Following the series of network interruptions we experienced in the first half of the calendar year, we have seen a strong network performance in the second half. This is against the background of data volumes which continue to increase driven by strong demand for media and streaming services.

The $250m remediation program that we announced in June is progressing well. Most of the key underlying initiatives have now been implemented and recovery times, particularly in mobiles have been significantly reduced.

We have also continued to engage with the independent experts in relation to network resiliency and this has confirmed that we continue to have very strong network capabilities compared locally and globally.

Slide – Key developments since FY16 results

Encouragingly since June, our strong network performance and the launch of the new brand has seen positive trends in relation to NPS, brand consideration and perception measures generally.

On the productivity side, which Warwick will talk about further, we are seeing good productivity benefits flow to the bottom line through reductions in fixed costs.

Following results, we completed the $1.25b off market share buy-back which was heavily subscribed and we will complete the $250m on market share buy-back as we announced in August.

During the period we announced an additional investment of up to $3bn and undertook further strategy work leading to some important refinements to our strategy which I will take you through in a moment.

Before I turn to each of these topics in a little more detail, I should also mention the announcement by the ACCC to conduct an enquiry into Domestic Roaming.

We are obviously concerned regarding the impact that declaration would have particularly on operators' incentives to invest and the negative impact that this would have on customers in Australia, particularly in Regional and remote Australia.

Our current strategic investment program includes considerable ongoing investment in Regional and remote Australia.

It includes:

- $350m over the next 3 – 5 years to expand coverage and capacity for the last 2% population geographically. This continues our historic practice of targeting 15% of our mobile network capital to the most remote corners of the network.
- $240m in mobiles black spots 1 and 2; and
- A $100 - $200m co contribution fund where Telstra is willing to commit capital for projects jointly funded by community and other parties to support infrastructure investment not viable on a stand alone basis. We have made a number of these investments recently such as with the NT Government, also in Queensland with fibre to Birdsville, Burketown and Aurukun.

With the co contributions from mobile black spots and the $100 - $200m fund, this represents a projected investment of more than $1bn in regional and remote coverage over the next 4 – 5 years.

This investment would be uneconomical if mobile roaming was declared.

We will obviously be making these representations through our submissions to the ACCC later this month.

Let me now turn to our strategy.

Slide – The traditional world of technology and telecommunications continue to converge

As you have heard me say before, the rate and pace of technology innovation continues to accelerate. This has very significant implications for Telstra as a traditional telecommunications company.

There are three key drivers of this change.

Firstly the rapid expansion of mobility both in terms of the number of devices that are connected as well as the volume of data driven by media streaming and other services.

The second is the acceleration in the trend of businesses to shift their IT to the cloud, and thirdly, advancements in machine learning and artificial intelligence.

Together, the growth in data from the increase in connected devices with the ability to store and process this data in the cloud and apply machine learning, is providing opportunities to improve the productivity and efficiency of businesses and solve many complex solutions.

As a result, the traditional worlds of telecommunications and technology are converging and at the layer of the network we are seeing software playing an increasing significant role in network design and operation. You will hear more about this from Brendon and Mike later.

We are also seeing the range of applications and services that sit above the layer of the network grow.

These present opportunities for Telstra in areas such as network application services, smart home, software defined networks and network function virtualisation, data analytics and of course the internet of things.

It is critical we build the capabilities necessary to compete in this world whilst continuing to invest in our core capabilities as a telecommunications company.

Slide – Current market dynamics

This also needs to take into account some of the current market dynamics.

You have already heard me reference the increasing competitive intensity in mobiles, in data and IP, and in the fixed market including NBN with new entrants.

The rapid growth in demand for connectivity is putting pressure on all network operators to increase capacity. At the same time resiliency and redundancy are becoming critically important.

To put this into perspective, as you will hear later from the network team, only 20% of the capacity in the network that we predict will be required by 2020, exists today.

With the acceleration in the use of digital content, streaming services and increasingly complex applications, the need for network investment and the importance of network differentiation is only going to increase.

The third area of significance over the next few years is of course the acceleration of the roll out of the NBN.

Whilst the NBN has been known for a number of years, to date 17% of homes in Australia have been connected.

On the basis of the current forecast from NBN, it is anticipated that the full roll out will be completed by the 31st December 2020, a little over 4 years from now.

The impact on Telstra is significant and as previously reported we expect this to negatively impact EBITDA by $2-3b annually.

At the same time, it is through this period that we will receive the one-off payments associated with the migration to NBN and an increase in the long-term payments for the use of our infrastructure.

These payments will be important to our capital allocation decisions that I will comment on further shortly.

Finally, with the announcement of an enquiry into Domestic Roaming, we continue to see an increase in regulatory risk.

The ACCC has also announced a general inquiry into telecommunications regulation and debate regarding potential USO reform continues.

Slide – Our purpose, vision and strategy

It is against this very dynamic background that we have made two important decisions over the past few months.

Firstly as we announced in August, and as we have done in the past we will make a material investment to create a step change in our competitive position in our core business.

Secondly we have also made some important but subtle refinements to our strategy.

Our purpose, “to create a brilliant connected future for everyone” and our vision “to be a world class technology company that empowers people to connect” remain unchanged. However, we have made some modifications to the 3 strategic pillars. We have also developed a clear articulation of our brand – that is to create better ways to empower everyone to thrive in a connected world.

Firstly, we have refined the first pillar to focus on delivering brilliant customer experiences.

We will continue to measure our customer service through customer advocacy and NPS. However, just getting the service right for customer interactions is no longer sufficient. The customer experience has to be simple, intuitive, increasingly digital and compete with not just other Telco’s but new digital service providers.

Vicki Brady will talk further about this focus on customer experience in her presentation but it is one of the most profound changes that is impacting all businesses today, not just telecommunications companies.

There is no change to our second strategic pillar to drive value and growth from the core. In fact this is where much of the $3b of incremental investment is fundamentally focused.

In relation to our third pillar, we have changed the focus here to make it clear that our investment in building growth for the future will be in businesses that are close to the core.

So what does this mean at a practical level?

Let me take you back to what I was saying earlier about convergence between technology and telecommunications.

We need to invest in the capabilities that will enable us to be successful in this environment. It means that we will continue to invest in things like the smart home where the home network is critical, eCommerce for small medium sized businesses, cloud services and other applications and services that sit above the layer of the network but are increasingly important to our customers.

It also means we will need to continue to develop and grow our software capabilities through some of the innovations in start-ups and accelerators as well as agile through our partnership with Pivotal, as software is playing an increasingly important role in network design and architecture.

In relation to the two areas of investment further from the core, firstly we remain committed to our investment in e health.

Having made a number of acquisitions we are now focussed on successfully consolidating these businesses. We are pleased with the cancer registry win and we believe electronic health continues to offer attractive opportunities.

Secondly we are obviously disappointed in the changing dynamics in the intelligent video market and the performance of Ooyala which led to the impairment in 2016. Having said that, intelligent video is a critically important capability in a world where we are seeing massive growth in the amount of media that is distributed over an IP network.

We will therefore continue to improve our capability in this space to maximise the options for the Ooyala business and the intelligent video portfolio going forward.

Finally, from an international perspective.

Whilst we believe that we continue to have significant capabilities to offer in a consumer play in Asia, the reality is that we pushed the best opportunity in the region very hard. Ultimately we were unable to agree a deal in the Philippines on terms where the risk / reward balance was acceptable.

Given the announcement of the $3b core investment, we believe we do not have the capacity to consider other such opportunities.

We will however, continue to pursue international growth and expansion through our global enterprise services businesses that David Burns will take you through later.

We will continue to build out and consolidate our submarine cable network throughout the Asia Pacific region with links globally and take our network applications services internationally.

In addition to these changes to the strategic pillars we have also introduced 3 critical strategic enablers.

These are, investing in the networks of the future, the digitisation of our business and building the culture and capabilities that we will need to be successful in this new telecommunications and technology converged world.

Indeed it is in networks and digitisation where we will be directing much of our investment over the next three years so let me turn to that.

Slide – Strategic investment of up to $3 billion into the core business

As announced in August, we will be investing up to $3b through an increase in our capex to sales ratio to 18% over the next 3 years.

This additional investment will be into our core business.

Firstly we expect to invest more than $1.5b into the networks for the future. Brendon and Mike will take you through this later.

Secondly Digitisation, where we expect to spend approximately $1b which Stephen Elop will cover.

And finally other improvements in Customer Experience where we will spend up to $500m.

Our target return for the $3b of investment will be to deliver a run rate of benefit in excess of $500m annually which we expect to be fully realised by the 2021 financial year.

This is in EBITDA terms with approximately two thirds of that benefit coming from revenue and one third from cost improvements. Warwick will talk more about this later.

As previously disclosed, we will be targeting aggregate returns in excess of our current ROIC of around 14% and this is consistent with our guideline for organic investments in our capital management framework.

For each of these programs we have a series of key metrics which the teams will touch on when they take you through the detail later on this morning.

However, I do want to highlight a few that will be critically important.

- Firstly in the network, shifting 100% of our new network build to be software defined
- Secondly to support digitalisation, retiring or moving to the cloud more than 50% of our IT applications; and
- Ultimately from a customer experience perspective improving strategic and episode NPS by between 3 and 6 points annually

I want to put this investment in the context of the economic challenges and opportunities that we face overall.

As we previously mentioned and as Warwick will take us through shortly, the implementation of the NBN has a negative impact of $2-3b on our EBITDA and given the current roll out schedule, that impact will fully manifest itself following completion of the roll out by 31 December 2020.

Warwick will talk you through how we mitigate this impact. He will discuss our productivity program which is targeting cost savings in excess of $800m.

In conjunction with in excess of $200m of cost savings from the up to $3b incremental investment this will deliver more than $1bn of productivity in total.

Warwick will also talk you through the trajectory of the core business.

Before handing over to Warwick I want to turn to one final area:

Slide - Capital allocation strategy

The next 4 years will be a period of significant economic change for Telstra. It is against this background and taking into account feedback from investors that we will also be considering key capital allocation decisions.

This is something we are keen to consult with the market more on over the next 6 – 12 months.

I mentioned before the payments that arise in relation to the NBN will be important to these decisions. These payments essentially fall into 2 buckets. The one-off payments that Telstra will receive over the next 4 - 5 years during the migration and the long term payments for access to Telstra's infrastructure.

We propose to review how we allocate and structure both sets of payments to determine how we can enhance shareholder value from them.

The one-off payments had a post tax net present value of $4b when we disclosed them at the time of the deal. In nominal terms that equates to approximately $7 - 8bn post tax.

We estimate migration costs to be approximately 20% of the overall receipts. In net terms therefore and taking into account payments already received, the balance of one-off payments due will generate post tax free cash flow of approximately $5b over the next 4 – 5 years.

The long term payments relate to access to Telstra's infrastructure.

Over the next 4 – 5 years, during the roll out, these payments will increase and are expected to reach almost $1b pre tax per annum increasing with inflation thereafter.

There are obviously costs and capital associated with continuing to invest in and build capacity in this infrastructure and run and maintain it.

However, given the long and relatively fixed nature of these payments, we will be looking at how best to drive value from them for our shareholders.

Secondly, we will look at our balance sheet settings. In saying this let me be clear, that it is our intention to maintain balance sheet settings consistent with a single A band. However, we will look at the structure of the balance sheet and our borrowings against the background of this period of transition and taking into account what we expect Telstra to look like in a post NBN world.

Thirdly, we will review our long term capex requirement. Whilst we will continue to need to invest capital in our mobiles business and fixed infrastructure, including supporting the NBN payments, we will not be required to continue to maintain the last mile of the fixed infrastructure that transitions to NBN. We also expect our business mix to change as our service revenues grow.

In the meantime, as we have already communicated, our capex to sales ratio will be 18% over the next 3 years and 14% up until the period of conclusion of the migration to NBN.

Fourthly, we will continue to keep under review our investment criteria and investment opportunities both inorganic and organic.

From an M&A perspective, we remain committed to the principles of the M&A criteria that we have previously provided to the market but will consider any other measures that are appropriate for the businesses that do not fit these models, such as in software and services.

Finally, against the background of this, we will continue to review the optimal approach to provide returns to shareholders, taking into the account the forgoing. This will obviously include dividends, buy-backs and other forms of returns.

We propose to consult the market on these important decisions and will do so over the next 6 – 12 months and will provide updates to the market as appropriate.

Slide - Summary

Let me summarise before handing over to Warwick.

There have been significant developments since our results communicated in August. Nonetheless we are pleased with our performance in the market and in relation to the network.

Whilst the competitive dynamics have had an economic impact we are nonetheless pleased with the overall trajectory of the business.

Technology innovation continues to accelerate driving volumes on our networks and also presenting opportunities for growth.

We have today announced some important refinements to our strategy which will enable us to continue to execute in the changing environment and we will be investing up to $3b of incremental investment in radically improving customer experience, building the network of the future and digitising our core business.

We remain in a strong capital position and active in our capital management with the execution of the $1.25b off market buy-back completed and heavily subscribed and the on market component to come.

Finally we will be considering some important capital allocation decisions over the next 6 – 12 months which we will consult with the market on particularly taking into account the one off and long term NBN payments we will be receiving.

Many thanks and let me hand over to Warwick.

CHIEF FINANCIAL OFFICER – WARWICK BRAY

Slide - Telstra Investor Day Warwick Bray

Thanks Andy and good morning.

My presentation this morning will outline the main influences on our recurring EBITDA, EPS and Cash.

Over the next five years, our business will incur multi-billion dollar recurring and non-recurring impacts from the nbn as Andy has outlined.

Our commitment is to separate in our disclosures these recurring and non-recurring impacts to enable an assessment of the progress of our underlying business.

With that aim, I will now talk to you about the four factors that will determine our recurring EBITDA at the end of the nbn network build.

Slide - Influences on FY22 recurring EBITDA

Using the slide that Andy has just shown, starting with FY15 EBITDA, our FY22 EBITDA will be a function of:

Firstly, the NBN which will have a recurring impact of negative $2-3bn p.a., as set out in our May Investor Day.

Secondly, productivity. Today we are providing a target of more than $1b net reduction in our underlying core fixed costs by FY21. Because this productivity target is net, it goes directly to offsetting the nbn impact.

More than $800m of this productivity target will be independent of our strategic investment.

Thirdly, the return on the up to $3bn of strategic capex over FY17-19. Today we are announcing an EBITDA target of more than a $500m p.a., which equates to a Return on Investment greater than 14%, which was our FY16 group ROIC. Approximately two-thirds of these benefits are revenue and one-third are cost.

Fourth, assuming successful achievement of productivity and capex benefits totalling more than $1.3b, our opportunity to close or exceed the remaining gap rests with the growth in our four main products.

I will now talk about each of the factors that will impact recurring EBITDA.

Slide - $2-3b recurring nbn impact

The first influence is the nbn, where we estimate the recurring impact will be negative $2-3bn p.a..

This slide is an extract from our May Investor Day.

To recap, the components of this nbn impact are:

The NBN Definitive Agreements which are positive to our EBITDA and include:

- The Infrastructure Services Agreement, and the
- Government receipts including TUSOPA

As a retail service provider, the net impacts are negative to our EBITDA, including:

- New nbn access costs from the CVCs and AVCs
- A reduction in existing access costs, and
- The loss of existing wholesale revenues.

I will now turn to the positive influences on our recurring EBITDA, beginning with productivity.

Slide – We are committed to increased productivity

As indicated at our May Investor Day and our August results announcement, we are committed to increased productivity by:

First. We are holding ourselves to a much higher standard. The productivity that really counts is the productivity that you can see in our accounts. That is, net productivity that delivers benefits to the bottom line. Measuring net productivity means we have to achieve higher gross productivity, in order to offset inflation and re-investment.

Second. We are particularly seeking productivity that is achieved through improving customer outcomes. When we get our processes such as installation “right first time” for our customers it is better for them and we achieve customer loyalty and the benefits of not having to do the job twice. Similarly, when our products work superbly and intuitively, we do not need to field calls into our call centre.

Third. Our productivity program is led and implemented by the line divisions not through a central function.

I will now discuss:

- How we measure productivity
- Our productivity target
- Our approach to the program, and
- Examples of progress that have been made.

Slide – Our measurement of productivity

We manage our costs in four categories. Using FY16 results to illustrate.

Firstly, our core sales cost are directly associated and vary with, the revenue streams of our fixed, mobiles, NAS, data & IP and media products. These costs include mobile handsets and network payments; NAS customer premises equipment; service fees to Foxtel for our Foxtel from Telstra offering; and nbn CVC/AVC payments.

We manage the ratio of these costs with the revenue they directly support – that is, we measure these costs via the efficiency of their gross margin.

Secondly, our core fixed costs are our largest category of costs and are largely independent of scale. We manage these costs against the year-on-year change in underlying net fixed costs.

Whilst mostly fixed, these costs also include some expenses that scale with significant transactions and events, including costs associated with NAS commercial works and corporate items such as the bond rate which fluctuates from year to year. We therefore look at the change in fixed costs on an underlying basis.

For FY17, we expect to report a decline in underlying fixed costs with the second half having a greater decline than the first as our productivity outcomes accelerate.

For FY17, the difference between our reported costs and underlying costs will include

- the $300 to $500m of restructuring costs that will be included in our reported numbers but excluded from EBITDA growth on a guidance basis and
- a growing impact from NAS commercial works.

Thirdly, our new business costs including Telstra Health, Telstra Software Group and Telstra Ventures. We manage these costs against their individual investment cases.

Fourthly, we manage the nbn cost to connect against a target unit cost

Slide - Our productivity target

I will now take you through our productivity target of more than $1b in our net underlying core fixed costs over the next five years. More than $800m of this target is independent of the strategic investment.

This productivity target equates to more than a 2% annual reduction in our underlying core fixed costs.

Achieving this outcome requires we counteract inflation growth and reinvestment before delivering the target. Depending on the estimate of inflation, achieving more than $1b in net productivity will require over $2b in gross productivity.

Our targeted underlying cost reduction goes directly to offsetting the $2-3b recurring nbn impact.

Additionally, our target underlying cost reduction is to be achieved while supporting improved customer experience and 5 times growth in fixed and mobile network traffic over the next five years.

Turning to our plan to achieve this.

Slide - Our approach to the productivity program

Our productivity program has four approaches:

- First, improving end-to-end customer experience – we will reduce our customers' effort by getting it right first time, on time.
- Second, product and process simplification – by providing superbly intuitive products; improving our processes by automating, digitising and removing manual effort, complexity and waste; and by reducing the number of products and platforms we operate.
- Third, reducing complexity in our organisational structures.
- Fourth, using supplier partnerships to reduce complexity and costs.

Our productivity program will deliver outcomes across our business.

We have implemented a co-ordinated whole of company approach with accountability for delivery and cost management sitting with line managers.

Furthermore, the executive leadership team is frequently and directly involved to accelerate decision making and tackle the hard challenges required to deliver cross-company improvements.

Slide - Examples of progress and commitment

Examples of current progress include:

For improving end-to-end customer experience: We have simplified broadband activations by making it easier for customers who choose self-install kits to automatically connect their modems right first time.

Additionally, we are expanding the capability of our Wi-Fi Maximiser app that enables our customers to simply optimise their in home Wi-Fi coverage and manage its operation. This means customers will get better coverage in home.

This is reducing costs by around $6m p.a.. We have already achieved an auto activation rate of close to 90%, up from 65%. We expect to achieve:

- over 95% of auto-activations to work right first time before the end of FY17.
- a 1% reduction in related truck rolls.
- 280k fewer password related calls within the first 90 days after activation, and a
- 50% reduction in unnecessary modem returns per annum.

For product and process simplification: We are reducing the time we take to provide quotes to our business and enterprise customers by removing manual effort across our sales processes.

This will reduce fixed costs by around $9m p.a.. To date this initiative has resulted in:

- a 60% reduction in turnaround time for simple orders from in-contract customers, and

- we are on track to achieve a 30% reduction in time from initial enquiry to completed proposal for new complex business and enterprise deals in FY17 and over 60% in FY18.

For Fitter and Faster organisation we have confirmed changes to our Retail organisation structure to improve the performance and support of our consumer and business frontline staff by removing duplication within our channel management, product management, sales support and central support functions.

These changes will reduce fixed costs by over $100m p.a..

For supplier partnerships:

We have changed how we tender construction work for our mobile network by increasing the number of sites we put to tender at one time and providing greater certainty of work for our contractors, enabling them economies of scale within their workforce and construction processes.

This will reduce capital costs by around $12m in FY17 and close to $40m in FY18.

Turning now to the third influence on EBITDA: the benefits from our up to $3b of incremental capex.

SLIDE - Business case for up to $3bn strategic capex

At our full year results in August, we announced to the market our intention to invest up to an extra $3b on next generation network leadership and digitisation. This will lead to an approximate 18% capex-to-sales ratio in FY17, 18 and 19.

This strategic investment will enable us to maintain sustainable network differentiation, support digitisation and boost customer experience, giving us the capabilities to deliver on our financial ambitions.

For, the incremental investment of up to $3bn:

- Network spend is the largest category and includes new capacity, speed, capability and resilience on our consumer and business; mobile, fixed and core networks.
- Digitisation spend includes digital customer experiences, digital platforms and digital ways of working.
- And there will be spend on other specific customer service improvements such as process improvements that span customer divisions.
- The strategic investment also includes an additional ~$300m of opex - around ~$100m per annum. In FY17, this opex will be included in the $300-500m restructuring charge.

We are targeting aggregate run-rate benefits in excess of $500m p.a. in EBITDA, two-thirds attributed to revenue and one-third to cost reduction, fully realised by FY21.

Cost-out benefits of the investment will include:

From the Network spend, a reduction in the cost to build and run networks:

- With 20-30% improved capital efficiency from new architecture.
- 10 -15% cost improvement from our deployment of Software Defined Networking and Network Function Virtualisation.
- Operational costs savings from lower power costs,
- 25% improvement in the cost to run the network from increased automation and reduced network complexity including shutdown of sites.
- This will hold overall network costs flat while delivering five time growth in data.

The cost benefits from Digitisation include, a reduction in customer service episode costs, and reduced IT Opex on discontinued platforms and systems. This means more right first time, less calls to our call centres, and less re-work. While more digital ways of working makes us more efficient.

Revenue benefits of the investment will include:

- Across all segments, continued premium market position and share.
- In retail, higher ARPUs and customer retention due to enhanced user experience, and new products and services.
- In GES, spend will support platforms and applications to create valuable business capabilities. It will ensure our customers benefit from leading industry solutions, highly targeted network offers, and a transformed Business-2-Business customer experience, including self-service.

Financially, the returns on this up to $3b strategic investment satisfy two criteria:

- First, they are consistent with our previous stated organic Investment criteria which requires the investment be NPV positive at our WACC plus a risk margin.
- Second, the target return exceeds our reported FY16 return on invested capital of around 14%.

The strategic capex will also result in increased D&A from FY17 due to spend and some accelerated depreciation of existing assets.

Turning now to the fourth opportunity to grow EBITDA: our main products.

SLIDE - Product economics

As outlined, assuming successful achievement of productivity and capex benefits totalling more than $1.3b. Our opportunity to close or exceed the remaining gap depends on the performance of our main products.

In mobile, our growth will depend on:

- In Postpaid Handheld, the Minimum Monthly Commitment as excess voice and data revenues fall away and the efficiency in our sales costs, mostly handsets. We aim to hold mobile hardware gross margin at least flat in dollar terms.
- Across mobile broadband, the opportunity is to return to growth with shared data in consumer and productivity applications in business.
- The opportunity in our strong M2M business is about more services to more customers and an increased share in value added services; particularly in logistics, security, retail, mining and agriculture.

Building a profitable nbn reseller business is also important. This will depend on nbn ARPU and market share, and the cost to serve and cost to connect unit costs. We continue to see pleasing progress in nbn market share and a decline in the nbn cost to connect. Our nbn reseller business will become increasingly clear in our accounts as it grows in the next three years.

Data and IP and NAS have some complex effects. Domestically, our Data and IP business is not growing due to migration from legacy products such as ISDN. We aim to at least offset any declines in Data and IP with growth in domestic NAS. In order for this to occur we need to continue to grow our NAS business and, as previously communicated, achieve EBITDA margins in the mid-teens, up from 6% in FY16. We also must continue global connectivity and global NAS growth.

In New Business, such as intelligent video, Health and Telstra Ventures. We are committed to reducing EBITDA loss in FY17, and we are on a path to profitability.

My comments so far have concentrated on EBITDA. I will now discuss the further factors that influence our cash flow and earnings.

Slide - Influences on Free Cashflow and EPS

Beginning with cash flow. First, our capex to sales will be around 18% over the next three years. What's also important is the efficiency of this capex. We are undertaking a comprehensive program to improve this efficiency. For example: As I mentioned on a previous slide, by changing the way we tender construction work for our mobile network we are on track to reduce capex costs by $40m.

We are also removing duplication from IT development processes by increasing the re-use of code via APIs and micro services. This will reduce capex by $10m in FY17.

The second influence on cash flow is working capital. The biggest change in working capital are the nbn PSAA receipts which are received quarterly in arrears.

We have a comprehensive program to improve the efficiency of working capital. For example: Our recently announced Go Mobile Swap and My Business Lease plans reduce working capital requirements and reduce the cost for customers to upgrade their handsets.

We are also reducing the amount of inventory we keep on hand to cover week by week differences in demand from our retail mobile customers. This will deliver around a $25m reduction in working capital and around a 50% reduction in additional inventory held.

Third, interest costs. The cost of our last three new capital market bond issues have averaged around 4.2%, well below our reported FY16 gross borrowing costs of around 5.6%.

Fourth, tax. Where we have been paying the statutory tax rate.

Our EPS will depend on:

- First, our depreciation which will increase as a result of the strategic capex and reducing asset lives.
- Second, our accounting interest costs which should increasingly follow cash interest costs due to the implementation of accounting standard AASB 9; and
- Third, the number of shares. For example, our recent $1.25b off-market buyback delivered good outcomes for all shareholders, reducing shares on issue, increasing EPS and reducing total future dividend payment requirements.

Before I summarise today, I will briefly turn to guidance.

Slide - 2017 guidance

Today, as shown on this slide, I can re-confirm our full year guidance across income, EBITDA, capex and free cashflow.

Slide - Summary

In summary, over the next five years, our business will incur multi-billion dollar recurring and non-recurring impacts from the nbn.

We are committed to separating out these impacts in our reported numbers to enable an assessment on the progress of our underlying business

My remarks today have set out the factors that will influence our recurring EBITDA as we emerge from the nbn build. These factors are:

- First, the negative $2-3bn p.a. impact of the NBN
- Second, productivity, where today, we have announced an increased productivity target of at least $1bn p.a.
- Third, the returns from the up to $3bn investment which we plan to be greater than $500m p.a. and to exceed our FY16 ROIC of approximately 14%, and
- Fourth, the growth in our 4 main product groups.

We are also undertaking comprehensive programs to enhance the efficiency of our capex and working capital. We are focused on converting EBITDA to free cashflow and earnings.

Finally, as outlined by Andy, we will consider our capital allocation strategy over the next 6 to 12 months in consultation with our stakeholders. This will take into account:

- nbn payments
- balance sheet structure including settings and debt profile
- long term capex requirements post roll out of nbn
- investment decisions including M&A criteria, and
- Returns to shareholders including dividends, buy backs and other forms of returns.

I will now hand over to Peter to moderate Q and A