



18 September 2017

Office of the Company Secretary

The Manager

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

General Enquiries 08 8308 1721
Facsimile 03 8600 9800

ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Retail Shareholder Information Meetings

In accordance with the Listing Rules, I attach the presentation to be made at the Telstra Retail Shareholder Information meetings, for release to the market. The meetings are scheduled to be held at the following times:

| Location | Date and Local time |
|--|--------------------------------------|
| Sydney Wesley Conference Centre 220 Pitt Street | 18 September 2017 2:00pm–4:00pm |
| Brisbane Hilton Hotel 190 Elizabeth Street | 19 September 2017 10:30am–12:30pm |
| Adelaide Crowne Plaza 16 Hindmarsh Square | 20 September 2017 10:30am–12:30pm |
| Perth Parmelia Hilton Hotel 14 Mill Street | 22 September 2017 10:30am–12:30pm |

The Retail Shareholder Information Meeting to be held in Sydney on 18 September 2017 will be webcast live online from 2:00pm (Sydney time) at telstra.com.au/shareholdermeetings.

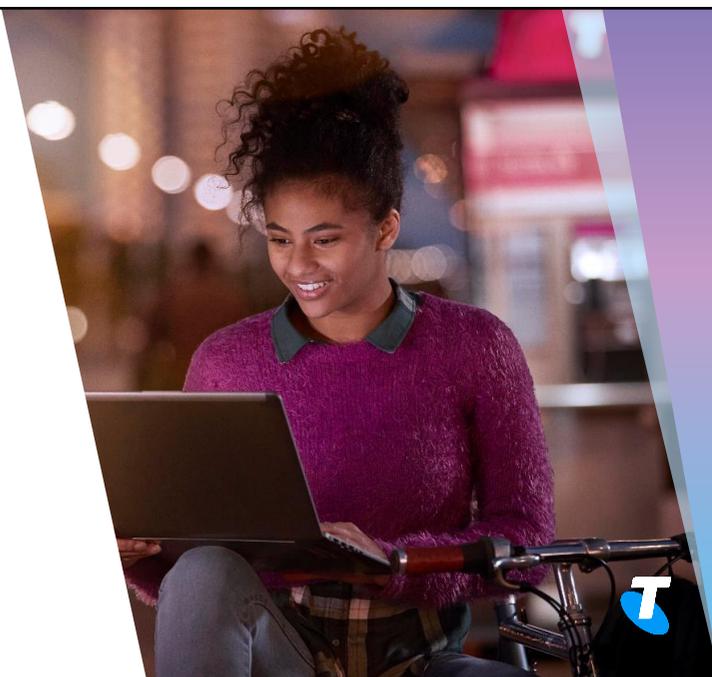
Yours faithfully

Damien Coleman
Company Secretary

Telstra retail shareholder information meeting 2017

Andrew Penn, Chief Executive Officer

Warwick Bray, Chief Financial Officer



Disclaimer

These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in "Our material risks" section of our Operating and Financial Review (OFR) which is set out in Telstra's financial results for the year ended 30 June 2017 which was lodged with the ASX on 17 August 2017, and also included in our 2017 Annual Report which was released on 1 September 2017, and are available on Telstra's Investor Centre website www.telstra.com/investor.

These presentations are not intended to (nor do they) constitute an offer or invitation by or on behalf of Telstra, its subsidiaries, or any other person to subscribe for, purchase or otherwise deal in any debt instrument or other securities, nor are they intended to be used for the purpose of or in connection with offers or invitations to subscribe for, purchase or otherwise deal in any debt instruments or other securities.

All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences.

All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.

All amounts are in Australian Dollars unless otherwise stated.

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Andrew Penn, Chief Executive Officer



Full year 2017 results | Highlights

| | | | |
|---|---|---|---|
| On a reported basis, Total Income +4.3%; EBITDA +2.0%. | FY17 final dividend of 15.5c; \$5.2bn returned to shareholders via dividends and share buy-backs | | <p>Strong customer growth across key segments:</p> <ul style="list-style-type: none"> • Domestic retail mobile +218,000 including 169,000 postpaid handheld • Domestic retail fixed broadband +132,000 • Retail bundles +224,000 (88% of fixed data customer base) |
| On a guidance basis ¹ , Total Income +4.3%; EBITDA +4.5%. | <p>↑ Strategic Net Promoter Score (NPS) +6 points over last 6 months (flat compared to June 2016); Episode NPS +2 points over last 6 months (+3 points compared to June 2016)</p> | | |
|  | Mobile service revenue growth +0.7% in second half, EBITDA margin 43%, churn reduced | |  |
| | nbn™ market share ² of 52% with 676,000 new nbn connections | <p>↑ NAS income growth of 30.6% with 3pp improvement in EBITDA margin</p> | |

We have delivered against our guidance and strategy in the context of a highly competitive and dynamic market

1. This guidance assumed wholesale product price stability and no impairments to investments, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumed the nbn™ rollout was in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excluded externally funded capex. Guidance excluded the Ooyala impairment in FY16 and restructuring costs in FY17.
2. Excluding satellite.



Our vision is to become a world class technology company that empowers people to connect

| | |
|---|--|
| <p>1. Traditional worlds of technology and computing are converging</p> | <p>2. Demand is growing, but value is captured at the layer of applications and services</p> |
|  |  |

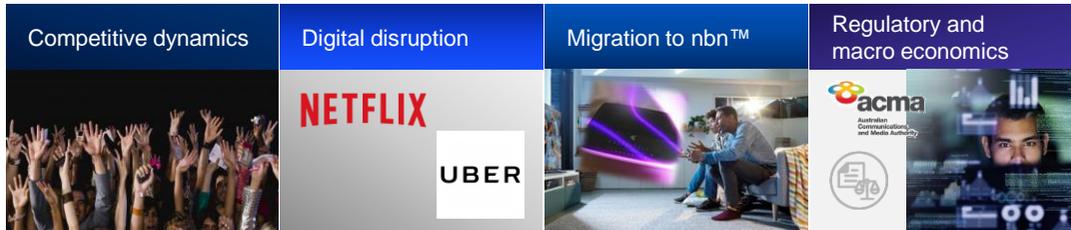


We are making good progress

| | | |
|---|---|--|
| <p>Innovation Initiatives aimed at lifting the level of innovation</p> | <p>Simplified business Refocused our strategy on new growth and adjacencies closer to the core</p> | <p>Building capability for the future Creating new customer-inspired culture and capabilities</p> |
|  |  |  |
| <p>Networks Completed key items in major network resiliency and redundancy program</p> | <p>Applications and services Delivering world-leading digital experiences for our customers</p> | <p>Repositioning the Telstra brand To create better ways to empower everyone to thrive in a connected world</p> |
|  |  |  |



Our markets are evolving rapidly



Further commitment to increased productivity

On productivity, we will do more, and we will do it faster:

- We will bring forward the more than \$1 billion net productivity target announced in November 2016 by one year, now delivering it by FY20
- We will increase our target by \$500 million and deliver more than \$1.5 billion net productivity by FY22
- We expect benefits will be achieved at a broadly consistent pace



Capital allocation strategy review

In November 2016 we announced our intention to review our capital allocation strategy over a 6-12 month period

We said we would take into account:

- nbn™ receipts
- balance sheet structure and settings
- longer term capex requirements post rollout of the nbn
- investment decisions including M&A criteria
- returns to shareholders including dividends, buy-backs and other forms of returns

Since November 2016 we consulted with our shareholders and have now completed the capital allocation strategy review

Overwhelming and consistent feedback from our shareholders highlighted the importance of retaining a strong balance sheet through the nbn transition period and against the backdrop of a competitive operating environment

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Capital allocation strategy review – outcomes

Revised capital management framework supports

- Maximising returns for shareholders
- Maintaining financial strength
- Retaining financial flexibility

New dividend policy

- Fully-franked ordinary dividend set at 70-90% of 'underlying earnings'^{1,2,3}
- Return in the order of 75% of future net one-off nbn™ receipts to shareholders over time via fully-franked special dividends^{2,3}
- FY18 total dividend expected at 22 cents per share including both ordinary and special³

1. Underlying earnings is defined as NPAT from continuing operations excluding net one-off nbn receipts (as defined in footnote 2).

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

3. Return subject to no unexpected material events, assumes nbn™ rollout is broadly in accordance with the nbn Corporate Plan 2017 and receipt of associated one-offs, and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.

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Warwick Bray, Chief Financial Officer



Group results – Income Statement

| Income Statement | FY16 | FY17 | GROWTH (reported basis) | GROWTH (guidance basis ¹) |
|---|---------|---------|----------------------------|--|
| Sales revenue ² | \$25.8b | \$25.9b | 0.3% | 0.3% |
| Total income ² | \$27.1b | \$28.2b | 4.3% | 4.3% |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | \$10.5b | \$10.7b | 2.0% | 4.5% |
| Earnings Before Interest and Tax (EBIT) | \$6.3b | \$6.2b | -1.1% | |
| NPAT from continuing operations | \$3.8b | \$3.9b | 1.1% | |
| Basic earnings per share (cents) ³ | 31.6 | 32.5 | 2.8% | |
| Profit from discontinued operations | \$2.0b | - | n/m | |
| NPAT from continuing and discontinued operations | \$5.8b | \$3.9b | -33.8% | |
| DPS (cents) | 31.0 | 31.0 | - | |
| Payout ratio ³ | 98% | 95% | -3pp | |

1. This guidance assumed wholesale product price stability and no impairments to investments, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumed the nbn™ rollout was in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excluded externally funded capex. Guidance excluded the Coyala impairment in FY16 and restructuring costs in FY17.

2. Sales revenue excludes other revenue. Total income excludes finance income.

3. Basic earnings per share and payout ratio from continuing operations. Basic earnings per share from continuing and discontinued operations FY17 32.5 cents (FY16 47.4 cents).



Product EBITDA performance

| EBITDA | FY16 | FY17 | GROWTH | GROWTH |
|--|------------------|------------------|----------------|--------------|
| Mobile | \$4,384m | \$4,319m | -\$65m | -1.5% |
| Fixed excl. nbn C2C ^{1,2} | \$3,307m | \$2,960m | -\$347m | -10.5% |
| Recurring nbn DA | \$349m | \$420m | \$71m | 20.3% |
| Data & IP | \$1,752m | \$1,586m | -\$166m | -9.5% |
| NAS | \$142m | \$301m | \$159m | 112.0% |
| Global connectivity | \$265m | \$275m | \$10m | 3.8% |
| Other core ³ | \$201m | \$207m | \$6m | 3.0% |
| Recurring core | \$10,400m | \$10,068m | -\$332m | -3.2% |
| Net one-off nbn DA less nbn net C2C ² | \$500m | \$1,285m | \$785m | 157.0% |
| New businesses ⁴ | -\$189m | -\$158m | \$31m | 16.4% |
| Guidance basis | \$10,711m | \$11,195m | \$484m | 4.5% |
| Less guidance adjustments ⁵ | -\$246m | -\$516m | -\$270m | n/m |
| Reported basis | \$10,465m | \$10,679m | \$214m | 2.0% |

Negative nbn recurring impact FY17 ~-\$300m (since FY15 ~-\$500m)

Recurring impact from the rollout of the nbn is likely to be at the top end of \$2-3b or around \$3b

ex-nbn impact FY17 ~-\$32m

- Fixed excludes one-off nbn connection revenue FY17 \$59m (FY16 \$34m) and includes TUSOPA income FY17 \$143m (FY16 \$187m).
- Fixed excludes nbn cost to connect (C2C) FY17 \$418m (FY16 \$218m). nbn C2C net of one-off connection revenues represented against "Net one-off nbn DA less nbn net C2C".
- Other core includes distribution from Foxtel, media, nbn commercial works (sale of assets) and other miscellaneous income.
- New businesses includes Telstra Health, Ooyala and Telstra Ventures.
- Refer to FY17 Full year results and operations review - guidance versus reported results reconciliation. Guidance adjustments include restructuring costs and impairment.



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Updated Capital Management Framework

| FISCAL DISCIPLINE | | | |
|--|--|-------------------------------------|-----------------------------------|
| OBJECTIVES | 1 MAXIMISING RETURNS FOR SHAREHOLDERS | 2 MAINTAINING FINANCIAL STRENGTH | 3 RETAIN FINANCIAL FLEXIBILITY |
| PRINCIPLES | 1. We remain committed to retain balance sheet settings consistent with an A band credit rating 2. Pay fully-franked ordinary dividend of 70-90% of underlying earnings ^{1,2} 3. Target capex/sales ratio of ~14% excluding spectrum from FY20 ^{4,5} 4. Maintain flexibility for portfolio management and to make strategic investments | | |
| Return in the order of 75% of net one-off nbn™ receipts to shareholders over time via fully-franked special dividends ^{2,3} | | | |
| Capex/sales ratio ^{4,5} of ~18% in FY18 and FY19 | | | |

- Underlying earnings is defined as NPAT from continuing operations, excluding net one-off nbn receipts (as defined in footnote 2).
- "net one-off nbn receipts" is defined as net nbn one-off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.
- Return subject to no unexpected material events, assumes nbn™ rollout is broadly in accordance with the nbn Corporate Plan 2017 and receipt of associated one-offs, and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.
- Capex excludes expenditure on spectrum, measured on an accrued basis. Capex excludes externally funded capex.
- This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout is broadly in accordance with the nbn Corporate Plan 2017.



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FY18 guidance¹

| Measure | FY17 | FY18 GUIDANCE |
|--|---------|--------------------|
| Total income | \$28.2b | \$28.3b to \$30.2b |
| EBITDA | \$10.7b | \$10.7b to \$11.2b |
| Net one-off nbn DA receipts less nbn net C2C | \$1.3b | \$2.0b to \$2.5b |
| Capex | \$4.6b | \$4.4b to \$4.8b |
| Free cashflow | \$4.3b | \$4.4b to \$4.9b |

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 broadly in accordance with the nbn Corporate Plan 2017. Capex excludes externally funded capex.



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Jenny West, Director Telstra Country Wide



Telstra in the community

Over 35,000 seniors educated through our Tech Savvy and Digital Ambassadors programs, including >20,000 in NSW



174 new sites under the Federal Government's Mobile Blackspots Program providing better coverage in regional Australia



Telstra Foundation committed \$6 million nationally to community programs and partnerships in FY17. In NSW this supported >550 Code Clubs and a cyber safety program in public libraries

Provided assistance packages worth >\$180,000 for customers affected by major natural disasters, including the floods in northern NSW, floods and fire in western NSW and the Carwoola NSW fire



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Q&A

