19 April 2012

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Investor Update – media release and presentations

In accordance with the Listing Rules, I attach a copy of the media statement and the presentations to be delivered at Telstra's Investor Update, for release to the market.

Yours faithfully

Damien Coleman
Company Secretary

MEDIA RELEASE

Telstra announces its capital management strategy, expected excess free cash of $2 to 3 billion over the next three years and its NBN plans

19 April 2012 - Telstra today announced its capital management strategy including its priorities and underlying principles that will guide the Board's decision making.

The company confirmed the priorities of its capital management strategy are to maximise returns for shareholders, maintain financial strength and retain financial flexibility.

The principles outlined by Telstra included a set of balance sheet settings that will provide confidence and consistency to the debt and equity markets following the finalisation of agreements for the National Broadband Network.

The company also announced that it expected to generate $2 to 3 billion in excess free cash over the next three years, subject to the NBN roll out schedule and market conditions.

In this context, the company discussed its NBN plans for retail and wholesale and reinforced its focus on differentiated product offerings and customer service.

"Telstra is focused on serving our customers through improved service, offering new products, as well as leveraging our rich set of assets," Mr Thodey said.

He also told the briefing that Telstra was making no change to guidance for the 2012 financial year and reinforced its intention to pay a 28 cent per share fully-franked dividend in 2012 and 2013. This is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

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Media number: 094/2012

Note: All investor presentation materials will be available on http://www.telstra.com.au/abouttelstra/

The NBN Opportunity

David Thodey, Chief Executive Officer

Welcome to today's briefing on our capital management strategy and the impact of the NBN on our business. Before I go on further, and to avoid any doubt, I can also confirm there is no change to guidance for this fiscal year.

I'm delighted that Andy Penn, our new CFO, is here to talk about our capital management strategy. In summary, we expect to generate $2 billion to $3 billion in excess free cash over the next three years. This is subject to the NBN rollout schedule and market conditions. Andy will take you through the detail of our strategy and the key principles that underlie it.

After three years of intense negotiations, it's great that the NBN agreements are finally in place. We see the NBN as a great opportunity for Telstra.

We thought it would be best to take you through the various parts of the NBN story in breakout sessions. So today...

- Tony Warren, our newly appointed Group Managing Director of Corporate Affairs, who led the NBN negotiation team will talk to you about the NBN agreements;
- Stuart Lee, Group Managing Director of Wholesale will talk about the wholesale opportunity; and
- Gordon Ballantyne, our Chief Customer Officer, together with Jenny Young (Executive Director, NBN Transition and Marketing) and Brian Harcourt (Executive Director Wireline Products) will talk about the retail opportunity.

We want to give you a broad sense of the work under way. Obviously we can't give all the detail as this will be a very competitive market.

We are working well with NBN Co and we are committed to supporting them in every possible way. The transit build is progressing well.

I hope that after the breakout sessions you will sense that we are well prepared to compete and serve our customers – street by street; house by house – right across Australia. We are ready and we intend to win!

I have spoken before about our four strategic priorities of:

- Improving customer satisfaction;
- Retaining and growing customer numbers;
- Simplifying the business; and
- Building new growth businesses.

It's important to recognise that the opportunities arising from the NBN fit within these priorities.

For example:

- The NBN will offer a new way of engaging with our customers. We want to provide our customers with a great transition experience. During the breakout sessions you will hear more about this.
- We believe the move to an NBN world allows us to enhance our fixed broadband AND mobile products. We see the NBN and mobile as complementary and we are focused on enhancing the NBN/mobile user experience. If we deliver on this objective – we believe the NBN will help retain and grow our customer base. And, it will increase the value of these customers.

- The NBN provides an opportunity to take the next step in our simplification programme. It will allow us to improve our processes. It will reduce the complexity associated with our copper infrastructure.
- The NBN will also play a part in growing two of our growth portfolios, our NAS and media businesses. We think that there are new opportunities to be enabled through the faster speeds in areas such as network delivered apps and services and online content. Our growing cloud capabilities and assets position us strongly in this market. Our media assets create a strong platform for differentiation in content, media and advertising. We are pleased that the FOXTEL undertakings were accepted by the ACCC and the Austar - FOXTEL merger was approved by the court.

Our four priority areas remain the same and – if we execute well – position us strongly to serve our customers better.

The NBN rollout will accelerate trends that we have been aware of for nearly a decade. The NBN is not a fundamental change to strategic technological trends – but it does represent a significant acceleration.

For example:

- We are already moving to an all data world. We have been predicting the ultimate decline of PSTN for over a decade. In a strategy paper written in 1995 by Frank Blount, we predicted that PSTN voice revenues would be zero by 2010! What's different with the NBN is that Telstra is going to be paid to decommission its copper and HFC broadband networks.
- The rise in the demand for higher speed broadband will continue in the NBN world. Demand will continue growing as new applications are built. I see no slowing in this trend.
- Then there is the growth in video traffic as seen in the rise of IPTV and video on demand. For Telstra, the NBN provides an opportunity to invest in differentiation and leverage our scale in this important category.
- So too, the shift towards product bundling will increase under the NBN. As you will hear in the breakout sessions, we have successfully introduced bundles in NBN Fibre Service Areas and we will enhance these offers as we move forward.
- The widespread availability of higher speed lines will accelerate the growth of cloud services. This is why we are investing strongly in this area.
- Perhaps the most important of these trends is the move to intelligent networks. It's not enough to be a Network Service Provider. We need to be an Application Service Provider as well. This will allow us to differentiate; to simplify our products and systems across multiple platforms; and to bring new products to market faster. We will not be providing dumb pipes. But rather an intelligent, flexible and rich Layer 3 network.

In many ways the NBN is going to allow us to realise our vision─ a new net work architecture that will provide a rich customer experience ─ faster than we had anticipated.

We have been focused on four key areas in preparing for the NBN:

- Managing the customer transition;
- Product development and pricing;
- Sales and marketing; and
- Our engineering expertise.

We have gained valuable learnings through the experience of implementing Fibre To The Premise in South Brisbane. In July 2010 we announced the closure of the South Brisbane telephone exchange (built circa 1920) in order to make space for the new Queensland Children's Hospital. This cleared the way to replace the existing copper network with high-speed fibre optic cables. Regardless of which service provider customers are with, every home and business in the affected area is being upgraded to the new fibre network. We expect that the entire community will have migrated to fibre by December 2012. This has given us a unique opportunity to experience the copper to fibre migration as both retailer and wholesaler. This month we reached the half way mark in terms of customer connections – almost 5,000 retail and wholesale customers.

The lessons and insights from, South Brisbane have been invaluable. This is very important as we work with NBN Co to rollout the NBN.

Through the whole NBN negotiation process, our primary objective has been to protect (and enhance) shareholder value. We have always assumed that with a project of this scale and duration there will be changes ─ technical, legislation, Government etc. We knew that we had to negotiate a contract that provided flexibility and protected shareholders. Tony Warren will talk about the NBN agreements in more detail but I want to highlight four key protections:

1. Long term contractual commitments from NBN Co for certain infrastructure. In other words, if the rollout ceases, we will still receive access payments for certain infrastructure.
2. A rollout termination payment of up to $500m if the rollout ceases after 20% of homes are passed.
3. Protection against automatic termination of certain elements of the Government package.
4. The right to continue to operate our existing fixed line businesses ─ and generate cash ─ in areas where the NBN Fibre Network has not been rolled out. This is an important protection. We call it our natural hedge. It is particularly important if the rollout should slow or stop at some point in the future.

With our agreements, Telstra is in a sound position irrespective of a change in policy or a change in Government.

So, let me summarise...

- We are pleased to confirm our capital management strategy today (Andy will talk to this).
- The NBN fits within our existing strategy and accelerates global trends.
- The NBN creates new opportunities for Telstra and our customers as you will hear in the breakout sessions.
- We are working well with NBN Co.
- We are well prepared for the NBN rollout and ready to compete.

Thank you ladies and gentlemen. I will now hand over to Andy Penn.

Capital Management Strategy

Andrew Penn, Chief Financial Officer

As you heard from David we expect to generate up to an additional $2 billion - $3 billion in excess free cash flow over the next three years.

This is subject to the NBN roll out and any other significant market changes. It is also before considering material acquisition and other portfolio opportunities should they arise.

In my presentation this morning I am going to cover two things:

- First, I will to take you through our capital management strategy and framework of principles supporting it.
- And secondly, I am going to cover our current capital position.

In relation to the latter I will confirm that we estimate our excess capital position will be in the order of $0.5 - $1.0 billion by the end of this financial year.

Looking forward, the payments and benefits received under the NBN transaction, which are implicit in the $11 billion of post tax net present value, are expected to help offset the reduction in free cash flow from the fixed line business.

Notwithstanding this, there is in the next couple of years, an increase in free cash flow to Telstra as a consequence of the timing of the NBN financials.

Subject to the rate and pace of the NBN roll out, we estimate this could add a further $1 billion in excess cash in 2013 and 2014.

Our preference for returning capital to shareholders is via growth in franked dividends. However, we do not expect to have the franking capacity to increase the dividend before 2014.

Whilst in the meantime an alternative available to us, is an on market share buyback, at the current level of our excess today, we do not believe an on market buy back would be efficient.

Naturally we will review our capital position in conjunction with our full year results.

Let me move to the presentation.

The key focus of our capital management strategy is to maintain a tight fiscal discipline. Our framework for managing capital is set against this.

That framework has three key objectives and five principles that I will cover in the next few slides. These objectives and principles represent the model for how we manage capital and from which we determine our excess.

First, the objectives.

Our capital management strategy is underpinned by a clear focus on optimising for the following:

1. One, maximising returns to shareholders through both dividends and capital growth.

2. Two, maintaining financial strength.

3. And three, retaining financial flexibility.

These core objectives are supported by five key principles that provide the structure and definition for what this means at a practical level.

They are:

1. One, maintaining balance sheet settings consistent with a single A credit rating. This will ensure we maintain the financial strength of Telstra.

2. Two, our longer term objective to grow dividends, and to ensure those dividends are fully franked. We have communicated to the market our intention, subject to the Board's normal approval process for determining dividends and there being no unexpected material events, that the 2012 and 2013 dividends will be 28c per share. This remains a key priority for us.

3. Three, excluding spectrum payments, which we will fund via debt, and subject to the NBN rollout, our target capex to sales ratio is 14%.

4. Four, over the course of a year, we will not borrow to either pay the dividend or to fund capital returns.

5. And finally five, we will retain the financial flexibility for portfolio management and to make strategicc investments where our target hurdles rates can be achieved.

Before moving on to what this means for our capital position, I am going to talk further about these principles in the next few slides.

First our balance sheet settings.

You have seen this slide before. It emphasises the importance that we place on maintaining strong balance sheet settings which we believe are consistent with a single A credit rating from the major agencies.

That is to say, a debt servicing ratio between 1.5 and 1.9, gearing between 50% and 70% and an interest cover of greater than seven times.

As you can see from our reported position at the 31 December 2012, we are operating at the lower end of these parameters.

We expect this to increase modestly over the next twelve months as a consequence of supporting the funding of our share of the Austar acquisition by FOXTEL and spectrum payments due in late 2013.

Secondly, turning to dividends.

We have spoken to many of our shareholders and whilst we acknowledge there are different points of view, the majority of our shareholders would like us to continue to focus on supporting and increasing fully franked dividends.

Over the last five years, Telstra has returned more than $17 billion in fully franked dividends to shareholders.

Going forward the Board has previously announced its intention to maintain the dividend at 28c for fiscal 2012 and 2013, and acknowledges over the longer term shareholders would like to see this level of dividend increase as the Company's performance grows.

Turning to the third and fifth principles, our capex to sales ratio and other investment opportunities.

Our ongoing capital program is extremely important to support the underlying organic growth in the business and maintain the superior competitive performance of our networks. It is also influenced by the investments we need to make to support the roll out of NBN.

Subject to the NBN rollout, we are targeting to operate in a capex to sales ratio of 14%. If this changes and it compromises our ability to make the appropriate capital investments we will obviously adjust this ratio.
The 14% excludes spectrum payments, which I mentioned before will be funded by debt, and also acquisitions and other portfolio management initiatives.

Regarding acquisitions, we will continue to retain the flexibility to make strategic investments where our target hurdle rates can be achieved.

Naturally each specific opportunity will be considered on its merits and in this regard we need to maintain some flexibility. With this proviso and as we have previously advised, our guideline criteria in this regard are:

- To be EPS accretive in year two, and
- Return on investment to be above our weighted average cost of capital by year three.

Or to put it another way, any acquisition needs to be more value accretive than a share buyback of a similar magnitude.

Let me turn now to our current capital position.

In the previous slides I have set out clearly the objectives of our capital management strategy and the framework that supports this.

I would now like to cover the model we are using to determine excess.

We will review this in conjunction with our full and half year results starting with reported free cash flow from operations. We have already provided guidance to the market that our expected free cash flow this year will be in the range of $4.5 billion to $5 billion. This is subject to some allowance for acquisitions.

Reported free cash flow is then adjusted to add back spectrum payments and the Austar transaction given these are funded from debt. In addition we need to add cash items that have been excluded from our guidance for example the $320 million NBN payment from the Government.

Against this we deduct provisions for dividend and interest. We also need to make provisions for known future commitments outside of our normal operating cash flows and make some provisions to retain financial flexibility.

Whilst I do not propose to disclose the detail of these adjustments, I can advise that against this framework we estimate our excess capital position at the end of the year will be in the region of $0.5 billion to $1 billion.

I also want to make some comments regarding the outlook for capital over the next couple of years.

If I can for a moment talk specifically about NBN.

Over the duration of the NBN arrangements, that run for many years, the $11 billion post tax net present value of the transaction to Telstra, is offset by a number of costs and lost revenue.

That is to say whilst Telstra will receive a number of payments and benefits under the Definitive Agreements for NBN, which are implicit in the $11 billion of net present value, these are expected to help offset the decline in the reduction in free cash flow from the fixed line business.

You may recall in the Explanatory Memorandum we presented the chart on the right of this slide which breaks the $11 billion down into its key component parts.

These include:

- First, $4 billion relating to the PSAA payments. These are the payments Telstra will receive each time a customer is disconnected from the copper network. They will be offset by the higher copper margins we currently receive.
- Secondly, $5 billion relating to infrastructure access payments from NBN Co. These cash flows will be offset over time by the maintenance costs and capital investments in that infrastructure, and

- Thirdly, $2 billion covering a number of other items, including payments under the TUSMA Agreement, payments for training and development and other arrangements and avoided expenses for Telstra.

In the appendix to my presentation today I have also included some information on how these payments will be treated from an accounting point of view.

Whilst over the longer term of the contract, the $11 billion is offset, the chart on the left, which is also from the Explanatory Memorandum, demonstrates that the timing is such that Telstra's free cash flow is estimated to increase in the near term.

What I can advise is that the quantum of this over the next couple of years, subject to the NBN roll out, is estimated to be approximately $1 billion and this will add to Telstra's growing excess capital position.

Let me summarise.

Telstra's capital management strategy is supported by a clearly defined framework of objectives and principles focussed on maintaining our tight fiscal discipline, delivering growth and value for shareholders, maintaining our financial strength and retaining the financial flexibility for investment in the future.

Our balance sheet settings are targeted to be consistent with a conservative single A Credit Rating.

Against this background we estimate our excess capital position will be in the order of $0.5 - $1.0 billion by the end of the 2012 financial year.

In addition, NBN is estimated to add a further $1 billion to free cash flow in 2013 and 2014.

Given this and looking out over the medium term, we expect to generate an additional $2 billion - $3 billion in free cash flows over the next three years.

This, of course is subject to the NBN roll out and any other significant market changes. It is also before considering material acquisition and other portfolio opportunities should they arise.

It is clear that over the longer term delivering shareholder value via growth in fully franked dividends is the key priority. In the short to medium term an on-market buyback is an option available to us. However, at our current level of excess we do not believe an on market buy back today is warranted.

We will update the market of our capital position at the full year results in August.

Thanks you and David and I would now be happy to take questions.

END

THE NBN OPPORTUNITY

DAVID THODEY
CHIEF EXECUTIVE OFFICER

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DISCLAIMER

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- 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 Telstra's Financial Report dated 11 August 2011 and 2011 Annual Debt Issuance Prospectus lodged with the ASX.
- 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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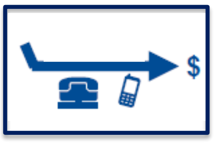
THE NBN FITS WITHIN OUR EXISTING STRATEGY

1. IMPROVE CUSTOMER SATISFACTION
2. RETAIN AND GROW CUSTOMER NUMBERS
3. SIMPLIFY THE BUSINESS
4. BUILD NEW GROWTH BUSINESSES

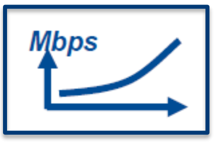
THE NBN ACCELERATES EXISTING TRENDS

Move to an all data world

Product bundling

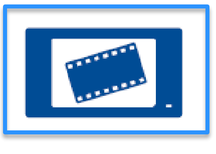


Demand for higher speed broadband



Growth in the cloud

Growth in video traffic



Intelligent networks

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TELSTRA IS FOCUSED ON BEING NBN READY

IT'S HOW WE CONNECT

- CUSTOMER TRANSITION
- NEW PRODUCTS AND PRICING
- SALES AND MARKETING
- ENGINEERING EXPERTISE

STRONG SHAREHOLDER PROTECTIONS

IT'S HOW WE CONNECT

- LONG TERM CONTRACTUAL COMMITMENTS
- TERMINATION PAYMENT OF UP TO $500M
- GOVERNMENT PACKAGE & GOVERNMENT GUARANTEE
- NATURAL HEDGE

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SUMMARY

NBN FITS WITHIN OUR EXISTING STRATEGY

NBN ACCELERATES EXISTING TRENDS

NBN CREATES NEW OPPORTUNITIES

WE ARE READY TO COMPETE IN THIS MARKET

CAPITAL MANAGEMENT STRATEGY

ANDREW PENN
CHIEF FINANCIAL OFFICER

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AGENDA

1. CAPITAL MANAGEMENT STRATEGY

2. CURRENT CAPITAL POSITION

CAPITAL MANAGEMENT STRATEGIC FRAMEWORK

Fiscal Discipline

OBJECTIVES

1. Maximising returns for shareholders	2. Maintaining financial strength	3. Retain financial flexibility

PRINCIPLES

1. Maintain balance sheet settings consistent with a single-A credit rating
2. Ensure dividend remains full-franked and increase over time. FY12 and FY13 dividend will be 28c, fully-franked*
3. Target medium-term capex/sales ratio ~14% subject to NBN roll-out, excluding spectrum payments
4. Over a full year we will not borrow to pay the dividend or fund capital returns
5. Maintain flexibility for portfolio management and to make strategic investments

Excess Free Cashflow

* Any dividend is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

CAPITAL MANAGEMENT OBJECTIVES

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MAXIMISING RETURNS FOR SHAREHOLDERS

MAINTAINING FINANCIAL STRENGTH

RETAINING FINANCIAL FLEXIBILITY

CAPITAL MANAGEMENT PRINCIPLES

IT'S HOW WE CONNECT

Maintain balance sheet settings consistent with a single-A credit rating

Ensure dividends remain fully franked and increase over time. FY12 and FY13 dividends will be 28 cps, fully-franked*

Target medium-term capex/sales ratio ~14% subject to NBN roll-out, excluding spectrum payments

Over a full year we will not borrow to pay the dividend or fund capital returns

Retain financial flexibility for portfolio management and to invest in strategic areas

* Any dividend is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

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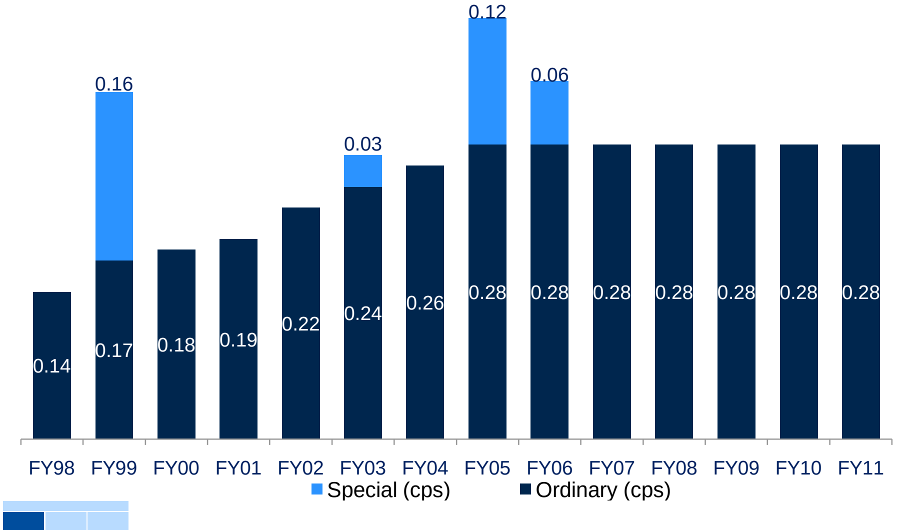
STRONG FINANCIAL SETTINGS

Financial Parameters	Comfort Zones	Actual HY12
Debt Servicing	1.5 – 1.9x	1.48x
Gearing	50% to 70%	54.9%
Interest Cover	>7x	9.3x

TELSTRA'S DIVIDEND HISTORY (CPS)



$17 billion returned in last 5 years in fully-franked dividends

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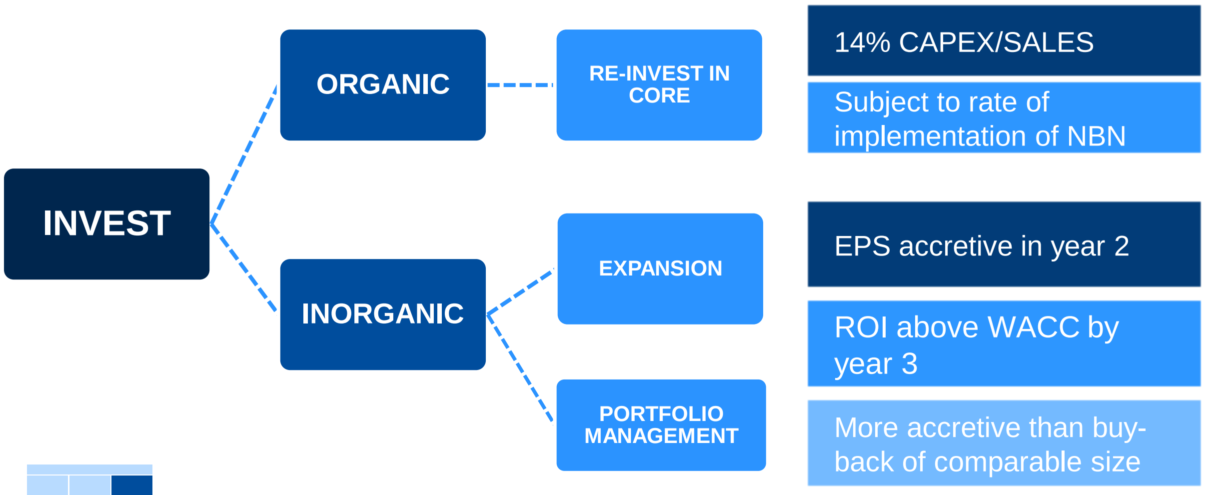
INVESTMENT GUIDELINES



DEFINING EXCESS CASH

Calculation of excess cash
Reported cash flow for year (guidance basis)
ADD BACK spectrum payments (funded via debt)
ADD BACK cash items excluded from guidance (eg NBN residual payment)
LESS dividends and interest paid
LESS known commitments outside capex/sales ratio
LESS retaining financial flexibility
EXPECTED EXCESS CASH AT YEAR END

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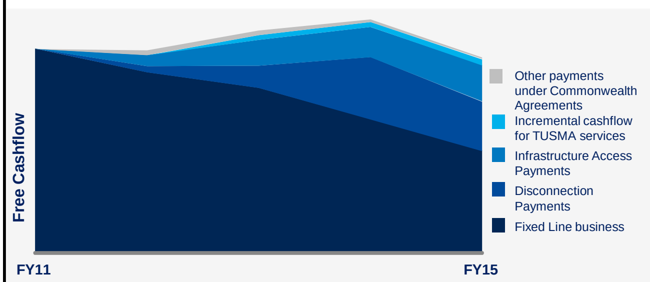
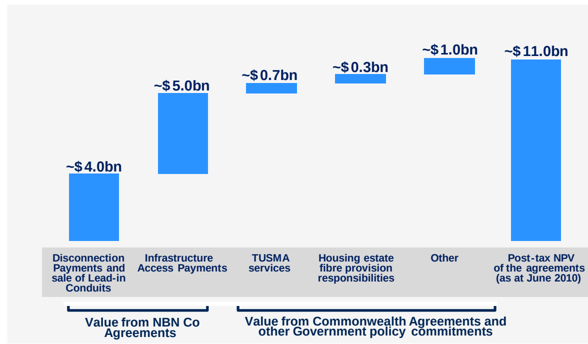
FINANCIAL IMPACT OF THE NBN AGREEMENTS

Illustrative FCF trend of Telstra fixed line business and NBN agreements*



* Assumes NBN rollout proceeds as set out in NBN corporate plan

Approximate post-tax NPV of agreements



CAPITAL MANAGEMENT STRATEGIC FRAMEWORK

	Fiscal Discipline		
OBJECTIVES	1. Maximising returns for shareholders	2. Maintaining financial strength	3. Retain financial flexibility

PRINCIPLES

1. Maintain balance sheet settings consistent with a single-A credit rating
2. Ensure dividend remains full-franked and increase over time. FY12 and FY13 dividend will be 28c, fully-franked*
3. Target medium-term capex/sales ratio ~14% subject to NBN roll-out, excluding spectrum payments
4. Over a full year we will not borrow to pay the dividend or fund capital returns
5. Maintain flexibility for portfolio management and to make strategic investments

Excess Free Cashflow
($2 to $3 billion over the next three years)

* Any dividend is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

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APPENDIX

NBN DEAL - P&L AND CASHFLOW TREATMENT

INFRASTRUCTURE ACCESS

- ~$5bn NPV post tax at June 2010
- Telstra bills NBN quarterly for access (rental) of infrastructure.
- Includes access to exchange rack spaces, dark fibre links and ducts.
- Booked as ***OTHER FIXED SALES REVENUE***

DISCONNECTION & SALE OF LEAD-IN CONDUITS

- ~$4bn NPV post tax at June 2010
- Disconnection payments based on number of premises disconnected.
- Sale of lead-in conduits is an asset sale to NBN Co.
- Booked as ***OTHER INCOME***

COMMONWEALTH AGREEMENTS & OTHER GOVT POLICY COMMITMENTS

- ~$2bn NPV post tax at June 2010 including:

Re-training ($100 million nominal value)
- Received late FY12/early FY13. Booked as ***UNEARNED REVENUE*** (Balance Sheet), recognised as ***OTHER INCOME*** over next 8-10 years as training expenditure incurred.

Residual Agreement ($321m nominal value)
- Received in FY12. Booked as ***UNEARNED REVENUE*** (Balance Sheet), to be recognised as ***OTHER SALES REVENUE*** to align with expenditure on transit network.
- ~$60m (FY12) ~$170m (FY13) ~$90m (FY14)

TUSMA (~$700m post tax NPV at June 2010)
- Recognised in P&L (commences in FY13) a year before receipts and payments flow through CF statement (FY14).
- Revenue will continue to be booked as ***OTHER INCOME***

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THE NBN AGREEMENTS

TONY WARREN
GROUP MANAGING DIRECTOR CORPORATE AFFAIRS

IT'S HOW WE CONNECT

AGREEMENTS WITH NBN CO

IT'S HOW WE CONNECT

IMPLEMENTATION & INTERPRETATION DEED

Sets out the Conditions Precedent and various interim arrangements. It also contains common framework provisions, which apply across the various NBN Co Agreements.

SUBSCRIBER AGREEMENT

Deals with the disconnection of copper services and HFC broadband within the NBN fibre footprint as well as Telstra's commitment, subject to limited exceptions, to exclusively use the NBN fibre network to provide fixed line connections to such premises.

INFRASTRUCTURE SERVICES AGREEMENT

Sets out the terms on which Telstra will provide access to infrastructure and related services to NBN Co.

ACCESS DEED

Sets out NBN Co's high level commitments to Telstra in respect of terms of supply of NBN Co's Basic Service Offering and the charging for certain wholesale supply services.

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AGREEMENTS WITH THE COMMONWEALTH

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TUSMA

Sets out the terms on which Telstra will perform, and be paid for performing, certain public interest services, including meeting the Universal Service Obligation.

RETRAINING FUND DEED

Sets out the arrangements under which the Commonwealth will provide funding to Telstra to enable Telstra to retrain certain employees.

INFORMATION CAMPAIGN AND MIGRATION DEED

Sets out the key residual commitments and payments to be met directly by the Commonwealth, including a commitment from the Commonwealth to arrange for NBN Co to conduct a public education campaign that informs end users about the migration process.

COMMONWEALTH GUARANTEE

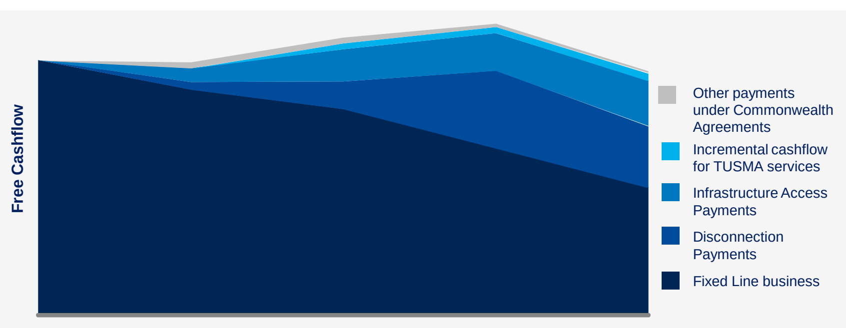
A guarantee by the Commonwealth in favour of Telstra in relation to the NBN Co's payment and performance obligations under the four NBN Co Agreements.

A GOOD DEAL FOR SHAREHOLDERS

SUSTAINABILE FREE CASHFLOW GENERATION IN THE MEDIUM TERM

IT'S HOW WE CONNECT

Illustrative FCF trend of Telstra fixed line business and NBN agreements*



* Assumes NBN rollout proceeds as set out in NBN corporate plan

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A GOOD DEAL FOR SHAREHOLDERS
A MORE STABLE REGULATORY ENVIRONMENT

IT'S HOW WE CONNECT

TUSMA

Structural Separation

REGULATORY STABILITY

HFC/FOXTEL divestiture avoided

Spectrum Bar avoided

A GOOD DEAL FOR SHAREHOLDERS
GREATER STRATEGIC FLEXIBILITY

IT'S HOW WE CONNECT

Strong customer relationships

Economic scale and geographic reach

STRATEGIC FLEXIBILITY

Broad product and service portfolio

Engineering and design capability

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A GOOD DEAL FOR SHAREHOLDERS
STRONG SHAREHOLDER PROTECTIONS

IT'S HOW WE CONNECT

Long term contractual commitments

Rollout termination payment

SHAREHOLDER PROTECTIONS

Government package

Natural hedge

FOUNDATION FOR FUTURE ENGAGEMENT

IT'S HOW WE CONNECT

CONSTRUCTIVE APPROACH TO POLICY DEVELOPMENT

PROVEN ABILITY TO NEGOTIATE

WORK WITH THE GOVERNMENT OF THE DAY

INTEREST OF SHAREHOLDERS, EMPLOYEES, CUSTOMERS

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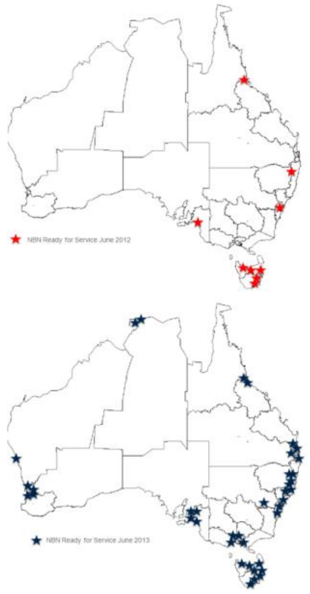
THE RETAIL OPPORTUNITY

GORDON BALLANTYNE
CHIEF CUSTOMER OFFICER

IT'S HOW WE CONNECT

CHANGING THE CONVERSATION
TELSTRA IN A BROADBAND IP ENVIRONMENT

IT'S HOW WE CONNECT



- Rollout is gaining scale with 450k households across 60+ local markets ready by July 2013*
- Awareness of the NBN is growing. Conversation is changing to how to unlock the potential for customers
- Telstra Connected Home and Telstra Digital Business core to the Telstra conversation on the NBN
- Our local presence and local service capability is key to our success in a Broadband IP environment

* Rollout numbers and locations based on NBN Co public announcements

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OUR AMBITION
TO DELIVER THE BEST NBN EXPERIENCE

IT'S HOW WE CONNECT

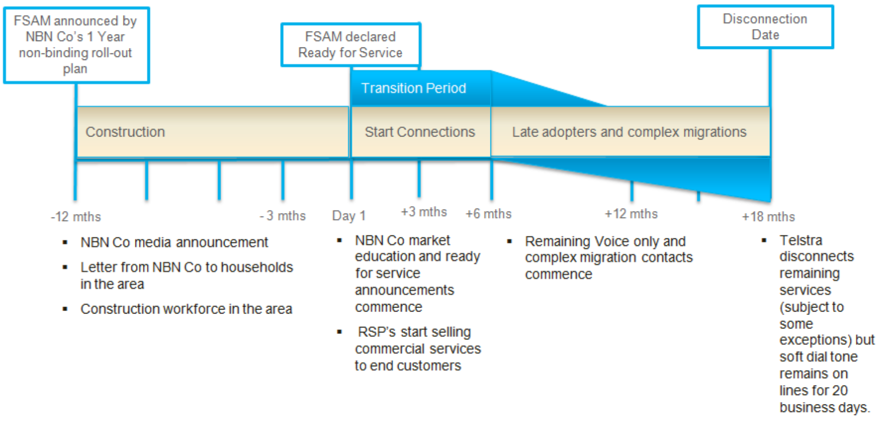
Critical to being successful in the NBN customer migration:

- SIMPLIFYING OUR PRODUCTS TO IMPROVE USER EXPERIENCE AND TO DRIVE COST REDUCTION
- PRODUCT MIGRATION STRATEGIES ALIGNED WITH CUSTOMER NEEDS
- STREAMLINING END-TO-END PROCESSES

Enhancing customer experience and driving operational efficiency aligned to strategic objectives

CUSTOMER JOURNEY
THE PATH TO CONNECTION

IT'S HOW WE CONNECT



The customer path to connection is involved and Telstra is committed to communicating and informing customers throughout each step of the journey.

UNLOCKING AMAZING FOR CUSTOMERS

IT'S HOW WE CONNECT

SIMPLE AND COMPELLING OFFERS

- Value in our T-Bundles
- Telstra Connected Home and Telstra Digital Business
- Professional installation and in home/business set up

CLEAR AND SIMPLE CUSTOMER COMMUNICATION

- Helping customers prepare for the NBN
- Allowing customers to “experience Telstra” on the NBN
- Dedicated customer contact approach

BEING ACCESSIBLE FOR CUSTOMERS

- In person through our local sales and service staff
- Online through Telstra Digital
- On the phone 24x7

TELSTRA CUSTOMER EXPERIENCE

IT'S HOW WE CONNECT

NBN is an amazing opportunity in the home and in the workplace.

Managing our customers through the change and delivering an outstanding customer experience requires:

- Simple application process
- Educating customers on what’s involved
- Manage customers through appointment setting
- Getting the customer up and running
- Post connection support

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UNLOCKING AMAZING IN KIAMA

IT'S HOW
WE CONNECT

THE NBN RETAIL OPPORTUNITY

IT'S HOW
WE CONNECT

- DELIVER AN EASY TRANSITION
- SIMPLE AND COMPELLING OFFERS
- EDUCATE AND COMMUNICATE
- LOCAL SALES, SERVICE AND SUPPORT
- DELIVER OUTSTANDING CUSTOMER EXPERIENCE

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TELSTRA
UNLOCK
AMAZING

THE WHOLESALE
OPPORTUNITY

STUART LEE
GROUP MANAGING DIRECTOR
TELSTRA WHOLESALE

WHOLESALE

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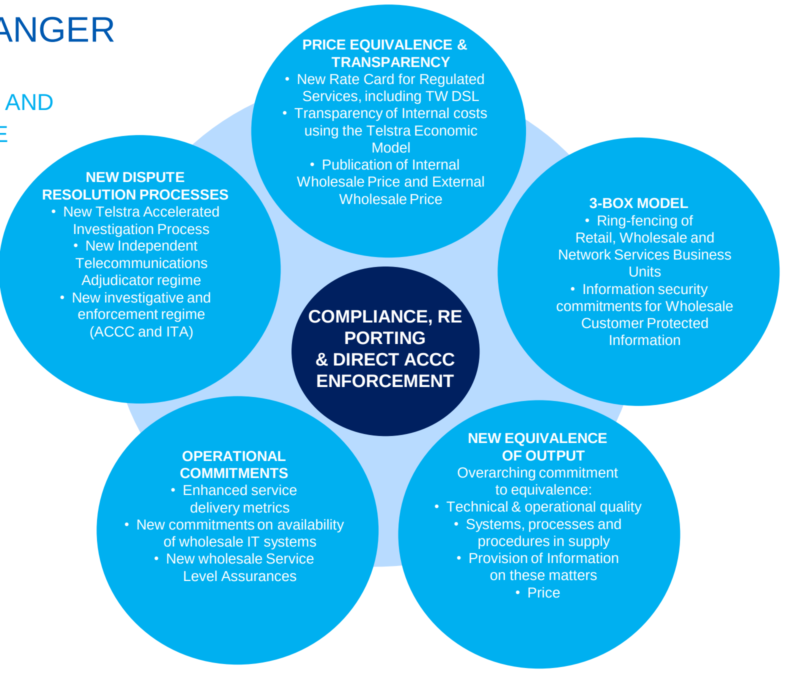
TODAY'S FOCUS

1. NBN IS A GAME CHANGER
2. IMPLICATIONS FOR TELSTRA WHOLESALE
3. TELSTRA WHOLESALE'S STRATEGY
4. THE TELSTRA WHOLESALE APPROACH

1. NBN IS A GAME CHANGER

NEW INDUSTRY ARRANGEMENTS AND A COMMITMENT TO EQUIVALENCE

- TELSTRA SSU & MIGRATION PLAN
- NBN Co. SAU
- NBN Co. INTERIM WBA



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1. NBN IS A GAME CHANGER

WHAT DOES THIS MEAN IN PRACTICAL TERMS?

PROFILE

OPTION 1 ACCESS NBN CO VIA A WHOLESALER	OPTION 2 PICK AND CHOOSE BY REGION	OPTION 3 ACCESS NBN CO DIRECT
• Focus on marketing, sales and service • Seeking to minimise cost and risk associated with network and IT investment • Aiming for either local or national coverage • Limited scale in POIs where end users located	• Unevenly dispersed end customer base across different regions • Possesses the scale in some regions to make direct connect to NBN commercially viable • Will seek to connect to the NBN via a wholesaler in regions where scale is insufficient	• NBN accreditation • Capacity to invest in new B2B interfaces and willingness to take on network and IT investment • Expertise required to manage increased technical complexity • Scale required to achieve viability

Telstra Wholesale has a solution
to support all our customers, whatever
NBN access strategy they choose.

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2. IMPLICATIONS FOR TELSTRA WHOLESALE

TRADITIONAL COPPER ACCESS REVENUES ARE IN DECLINE BUT
NEW REVENUE OPPORTUNITIES ARE EMERGING

NBN AS A CUSTOMER	FOUNDATION PRODUCTS	BACKHAUL
3G	BUNDLED SOLUTIONS	CONTENT & OTHER VAS

3. TELSTRA WHOLESALE'S STRATEGY

SUPPORT

MINIMISING COMPLEXITY

CONTINUITY

SUPPORTING
OUR CUSTOMERS
TO MINIMISE TRANSITION
UNCERTAINTY AND MAXIMISE
THEIR OPPORTUNITIES

TAILORED

EXPERTISE

EXPERIENCE

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4. THE TELSTRA WHOLESALE APPROACH

LISTENING TO OUR CUSTOMERS	• "OVERALL SATISFACTION" MEASURE FOR TW STAFF • YOY IMPROVEMENT SINCE 2009 • FY11/12 EXTENDED CUSTOMER FEEDBACK LOOPS
COMMITMENT TO SERVICE EXCELLENCE	• THIRD YEAR TRAINING IN CUSTOMER SERVICE • FY11/12 FOUR SERVICE EXCELLENCE AWARDS • FY11/12 ICSS ACCREDITATION
COMMITMENT TO OUR CUSTOMERS	• FY11/12 LAUNCH CUSTOMER CHARTER • EMBED CUSTOMER CHARTER INTO CULTURE • MEASURE ONGOING IMPROVEMENT
CUSTOMER ADVOCACY	• IMPLEMENT NET PROMOTER SCORE (NPS) BY JULY 2012 • CHANGE PROGRAM CURRENTLY BEING DEPLOYED

SUMMARY

SIGNIFICANT INDUSTRY CHANGE

NBN READY

GROWING NEW REVENUES

REMAIN CORE TO TELSTRA

WHOLESALER OF CHOICE

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Questions?

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WHOLESALE

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