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The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Investor Day – media release

I attach a copy of a media statement for release to the market.

Regards



Carmel Mulhern
Company Secretary

For personal use only

Telstra details strategy as sales momentum builds

29 September 2010 – Telstra today detailed its strategy and outlined a company program to grow market share, simplify company processes, reduce operating costs and improve customer service.

“Telstra has an opportunity to grow thanks to an unmatched portfolio of products and brands, scale advantages, network and engineering skills, and a large customer base,” Chief Executive Officer David Thodey said today.

“Our long-term growth strategy takes advantage of changes in technology, a growing sales and marketing-led culture and simpler company systems that lower our costs. The strategy must be implemented irrespective of the National Broadband Network.

“Over the next decade we will also build long-term value for shareholders by leveraging these strengths and generating profitable new growth businesses. This will include opportunities here and in Asia, online and mobile content, and network-based applications and services.”

Mr Thodey also reported growing sales momentum in July and August as consumers responded positively to recent price changes, new bundled offers, new products and customer service improvements.

In the first two months of 2010/11 the company –

- Sold 165,000 bundled offers, bringing to 490,000 the total number sold since their introduction nine months ago.
- Sold 64,000 T-Hub™ and T-Box™ services, bringing to around 100,000 the total number sold since the products were launched in April and June 2010 respectively.
- Added 73,000 post-paid mobile subscriptions (compared to a net gain of 91,000 in 2009/10).
- Added 32,000 fixed broadband subscribers (compared to a net loss in 2009/10) and 176,000 wireless broadband subscribers (compared to a net gain of 608,000 in 2009/10).
- Lost fewer fixed-line telephony customers than for any two-month period since 2007.
- Attracted 33% more unique visits to online content sites and 18% more unique visits to mobile content sites than a year earlier.

“There is growing momentum in the business as customers respond positively to the initiatives we have taken over the past nine months including the introduction of competitive bundled offers, better value broadband plans, and devices like T-Hub™ and T-Box™,” Mr Thodey said.

Over the past nine months Telstra has improved the value of fixed and wireless broadband plans. The company has also introduced new pre- and post-paid mobile browsing packs, small business mobile plans, capped pre-paid mobile plans and bundled offers. It also launched the T-Hub™ fixed home phone and T-Box™ IPTV service, and expanded the Telstra Store network by 75 to 209 stores nationwide.

Customer service improvements have also contributed to growing sales momentum. In the past year Telstra has introduced weekend technician appointments, scrapped charges for calling the company, linked employee performance-based pay to customer satisfaction, established a dedicated team to manage home movers, introduced a premium service to help customers install equipment or trouble-shoot problems, and removed several ‘nuisance’ fees. These measures have seen a one-third reduction in complaints to the Telecommunications Industry Ombudsman, and a 4.6% improvement in customer satisfaction surveys.

Mr Thodey also provided a detailed breakdown of a \$1 billion investment – announced last month – to fund the company's 2010/11 strategy to grow market share, simplify company processes, and improve customer service.

The \$1 billion investment will meet growing demand for mobile phone handsets, T-Box™ and T-Hub™ devices, develop new digital services for business customers, fund new network applications and services, conduct additional promotion and advertising, and simplify company systems.

“This strategic investment will help Telstra prepare for the future by taking advantage of new revenue streams, and utilises our recently upgraded IT systems and networks to further improve customer service and satisfaction,” Mr Thodey said.

Mr Thodey also outlined a significant company-wide program – known internally as ‘Project New’ – that will simplify the business, improve customer service and save unnecessary costs. The program will be self-funding in 2010/11, and will substantially reduce costs in the following years. The program involves 500 employees implementing 27 programs to reduce spending on third parties, improve Telstra's online customer service, improve field workforce productivity, simplify prices and reduce the company's operating costs.

Mr Thodey announced a set of management targets linked to the new strategy including –

- Customer satisfaction – a 6% improvement in customer satisfaction scores and a 30% reduction in complaints to the Telecommunications Industry Ombudsman in 2010/11.
- Simplification – a 10% increase in retail productivity and 35% of customer transactions to be conducted online by end 2012/13.
- Customer growth – fixed broadband market share to be maintained and wireless broadband market share to grow over three years.
- New business revenue – 20% of revenue to flow from media, international and network-based applications and services by end 2012/2013.

Mr Thodey also reassured investors that, based on current performance, the company could comfortably continue to pay shareholders an annual dividend of 28-cents per share should the board elect to do so in its regular reviews.

“Telstra's Board has always been acutely aware of the importance of dividends to shareholders. Because of our strong free cash flow, Telstra could comfortably fund a 28-cent share dividend in 2010/11,” Mr Thodey said.

“The purpose of our strategy in 2010/11 is to improve the company's long-term EBITDA and cash flow, which will underpin our ability to fund dividends in the future.”

Mr Thodey concluded by outlining how Telstra will have changed in three years.

“Telstra will be faster and more customer-centric. We will have lower costs and higher productivity. We will have sales and marketing expertise to match our network and engineering experience. And we will have capitalised on profitable new growth businesses in media, international markets and network-based applications and services,” he said.

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