

1 May 2013

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Macquarie Australia Equities Conference – presentation and speech

Attached is a copy of a presentation and speech to be delivered by Mark Hall, Deputy Chief Financial Officer, at Macquarie's Australia Equities Conference today. In accordance with the Listing Rules, this is for release to the market.

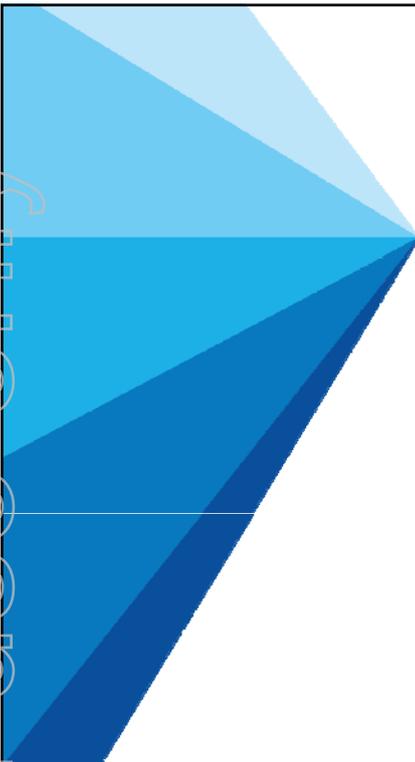
Yours faithfully



Damien Coleman
Company Secretary

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TELSTRA UPDATE MACQUARIE AUSTRALIA EQUITIES CONFERENCE

MARK HALL, DEPUTY CHIEF FINANCIAL OFFICER



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- ▶ 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.
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AGENDA



- 1. STRATEGIC PRIORITIES
- 2. CAPITAL MANAGEMENT FRAMEWORK
- 3. GUIDANCE

OUR STRATEGIC PRIORITIES ARE DELIVERING



IMPROVE
CUSTOMER
SATISFACTION



RETAIN
AND GROW
CUSTOMER
NUMBERS



SIMPLIFY
THE
BUSINESS



BUILD NEW
GROWTH
BUSINESSES

IMPROVE CUSTOMER SATISFACTION



WE ARE LISTENING TO OUR CUSTOMERS



GOODBYE LONG-TERM CONTRACT
HELLO FREEDOM
NEW NO LOCK-IN PLANS ON THE NETWORK WITHOUT EQUAL

WHILE CONTINUING TO INVEST \$1.2B IN WIRELESS CAPEX FOR FY13



WE ARE CHANGING THE WAY OUR CUSTOMERS TALK ABOUT TELSTRA



RETAIN AND GROW THE NUMBER OF CUSTOMERS




AN EYE-POPPING AMOUNT OF ENTERTAINMENT
NEW TELSTRA ENTAINER BUNDLE

ENTERTAINMENT LIKE NEVER BEFORE \$115/MTH CALL US TO GET THE FULL DETAILS ON THE ENTAINER BUNDLE	11 FOXTEL ON T-BOX CHANNELS WHICH YOU GET INSTANTLY INSTALLED	OVER 8000 MOVIES & TV EPISODES TO RENT ANY 1 DAY	100MB HIGH SPEED BROADBAND
UNLIMITED LOCAL & NATIONAL CALLS	FAMILY CALLS BENEFIT	MOBILE BUNDLE BENEFIT	500MB OF MOBILE BROADBAND DATA ON SELECTED PLANS

IT'S HOW WE CONNECT 

- 2.1M 4G DEVICES
- NEW BUNDLED PLANS INCLUDING
 - HIGH SPEED BROADBAND
 - UNLIMITED LOCAL AND STD® CALLS
 - 11 FOXTEL ON T-BOX CHANNELS
 - FAMILY CALLS BENEFIT
 - 500 MB OF MOBILE BROADBAND DATA ON SELECTED PLANS
- 1.6M BUNDLED CUSTOMERS

SIMPLIFY THE BUSINESS



REDUCE BILL SHOCK 	USAGE ALERTS 	REDUCING CALL TRANSFERS
REDUCE CALL HOLDING TIMES 	14 DAY CUSTOMER CARD 	24x7 APP

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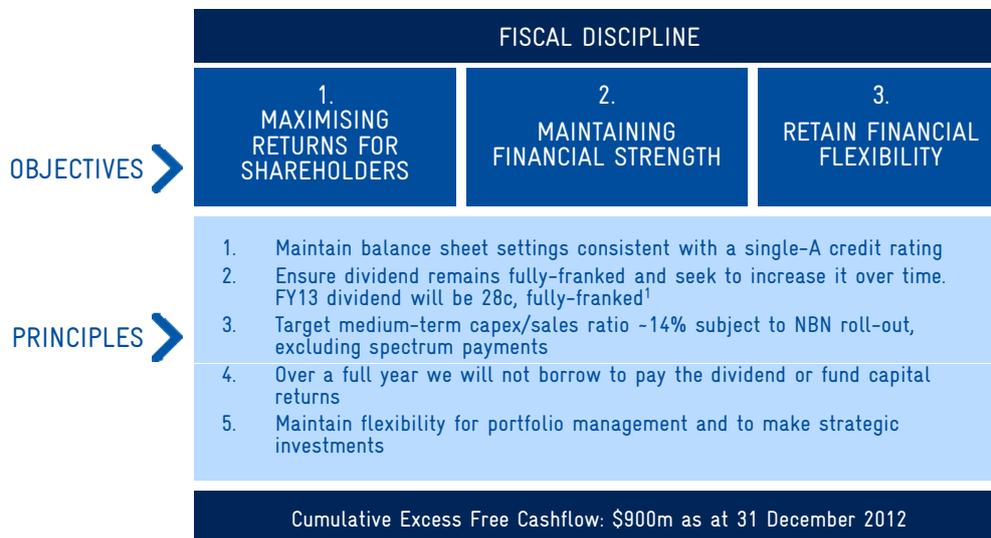
BUILD NEW GROWTH BUSINESSES



NAS	<ul style="list-style-type: none">➤ DEPARTMENT OF DEFENCE CONTRACT SIGNED FOR \$1.1B OVER SIX AND A HALF YEARS➤ NEW GLOBAL APPLICATIONS AND PLATFORMS BUSINESS
ASIA	<ul style="list-style-type: none">➤ SINGAPORE DATA CENTRE OPENED➤ JETSTAR CONTRACT SIGNED
MEDIA	<ul style="list-style-type: none">➤ SENSIS TRANSITION CONTINUES➤ FOXTEL DELIVERING REVENUE, EBITDA AND CUSTOMER GROWTH

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CAPITAL MANAGEMENT STRATEGIC FRAMEWORK



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

2013 GUIDANCE¹ GUIDANCE UNCHANGED



MEASURE	FY12 REPORTED	FY12 EX TELSTRACLEAR	FY13 GUIDANCE
Total Income	\$25.5b	\$25.0b	Low single digit growth
EBITDA	\$10.2b	\$10.3b	Low single digit growth
Capex			~15% of sales
Free Cashflow	\$5.2b	\$5.1b	\$4.75 – \$5.25b
Dividend ²			28 cps fully franked

1. Guidance assumes wholesale product price stability, no impairments to investments, excludes any proceeds on the sale of businesses, adjustments on the sale of TelstraClear and the cost of spectrum purchases
 2. Dividend subject to the Board's normal approval process for dividend declaration and there being no unexpected material events

SUMMARY



1. CONTINUED REVENUE, PROFIT AND CUSTOMER GROWTH

2. OUR STRATEGIC FOCUS REMAINS UNCHANGED

3. ON TRACK FOR FULL-YEAR GUIDANCE

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Macquarie Australia Equities Conference
Mark Hall, Deputy Chief Financial Officer

1 May 2013

In my presentation I will cover three topics.

Firstly, I will touch on our strategy and how we are delivering against it.

Secondly, I will provide an update in relation to our capital position.

Finally, I will conclude with some comments on our fiscal year 2013 guidance which we are confirming here today.

Upfront I will say that I am not here to discuss the National Broadband Network or alternative Government policies. What I can say is that we remain focussed on meeting the commitments we have under our agreements with NBN Co. and the Commonwealth.

We will continue to work constructively with the government of the day. Should the government or policy approach change we will sit down to re-negotiate if that is needed - our position is that we will act in the best interests of our shareholders and maintain the value of the current deal for our shareholders.

Turning to our strategic priorities.

Some of you might be familiar with our four strategic priorities which have been in place since 2010. They are:

- improving customer satisfaction;
- retaining and growing the number of customers;
- simplifying the business; and
- building new growth businesses.

These remain the key focus for us. I will take you through each of these in turn, starting with customer satisfaction.

You may have heard David Thodey describe improving customer satisfaction as a marathon in which we've just got through the first 10 kms. We are improving, but there is still a lot to be done.

We are listening to our customers and putting them at the centre of everything we do. For example, our customers are telling us they want more predictability and greater control of their mobile and data usage even when they are not on a 24 month contract.

As a result, we have recently introduced No Lock-In plans. These plans will allow customers to experience the Telstra network with the freedom of a "no fixed term" contract. This is, in effect, a month-to-month plan which is perfect for customers who need flexibility due to their

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lifestyle, or who want to frequently upgrade their handset.

Later this year we will be introducing shared data plans. This will enable our customers to pool wireless data allowances across four devices on a single bill. It will be excellent for users with multiple mobile data devices and also for families, allowing parents to see how much data their children are using on each device. This will be handy for the bill payer in my family.

Our customers associate Telstra with a superior wireless network. To maintain this network supremacy we are investing \$1.2 billion into our wireless network this fiscal year. This will provide us with 4G coverage to 66% of the population by June this year.

As part of this investment, we are broadening the scope of our 4G network by adding a second wireless frequency, 900MHz spectrum, to better cater for increasing mobile use in regional areas.

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The lower frequency of this spectrum improves signal range and depth making it ideal for use in areas where improved range or signal reliability is required.

We are also trialling the next generation of wireless 4G technology, known as LTE-Advanced with plans to introduce it later this year in areas with heavy traffic demand over a greater distance. LTE-Advanced uses the 900MHz and 1800MHz spectrum bands together, allowing more data to be carried faster, unlocking more capacity for growing mobile usage.

Capacity is critical for us, as over 50% of our mobile customers use a smartphone. The average Australian is now spending 12 hours per week accessing the internet on a mobile device and the majority of these customers use their smartphone to watch video content. This customer demand is driving a rapid increase in data traffic on our network.

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And we are also trialling small cell networks – known as heterogeneous networks, or HetNets for short, to expand network capacity in busy locations such as city centres and sporting stadiums. This can complement our existing network by targeting high traffic areas where it would be difficult to build additional large scale base stations.

We believe the investments I have just highlighted will help Telstra to maintain our network differentiation and advantage.

Finally, we are continuing with our journey to create a culture of customer advocacy within our company. Our aim is to change the way our customers talk about Telstra. This has been the largest cultural change program undertaken within our company.

It is core to our strategy and we firmly believe it creates value. Customer advocates:

- stay with us for longer,
- recommend us to their family and friends
- and buy more products and services.

To demonstrate how serious we are about customer advocacy, we have now completed our 10 millionth customer survey. Our customers are providing us with rich information on the quality of their Telstra experience and we are using this to improve our level of service and challenge our business processes.

Furthermore, 40% of our Telstra staff annual incentive plans are now based on achieving a step change in our customer advocacy metric.

Although as you've heard we're doing a lot to improve the customer experience, we recognise that a lot more needs to be done.

We will provide more information at our full year results on progress with our customer advocacy journey.

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Moving on to our second strategic priority of retaining and growing customer numbers.

Mobiles continues to provide a growth engine for the company. In the 3rd quarter we have grown net customer numbers across all of our mobile categories.

Our 4G network supremacy is delivering mobile market share to Telstra. Since launch in September 2011:

- we have grown our 4G customer base to 2.1 million customers.
- This includes:
 - 1.4 million handsets;
 - 150,000 tablets;
 - 370,000 dongles
 - and 225,000 wifi hotspots.

Our mobile pre-paid handheld business is growing strongly. Prepaid handheld revenue grew 8% at the half. This was driven by a

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combination of increased active customer volumes and stronger ARPU. Both the customer growth and the ARPU growth is the result of our market leading Pre-Paid Cap Encore offer, and also a differentiated device range which includes 4G.

On the fixed side, the number of our fixed broadband customers taking a bundle is now at 57% of our fixed broadband base.

Last month, we introduced a range of new fixed "Entertainer" bundles which combine

- high speed broadband,
- unlimited local and STD calls,
- mobile phone benefits
- and for the first time, 11 Foxtel on T Box channels, such as
 - FOX8,
 - Cartoon Network,
 - and Discovery included through a new T-Box.

On top of this, 500 megabytes of mobile broadband data is now included for the first time on a selection of the new bundles.

Importantly for us, bundled customers with voice and broadband services are less likely to churn. We expect the new bundles will stimulate increased sales activity as we approach the end of this fiscal year.

Now, onto our third strategic priority....of simplifying the business.

The simplification of our business continues to deliver financial and customer service benefits. More simplification initiatives have been completed, helping to drive continued productivity inside Telstra. I will share a few examples now.

We recognise that in certain situations such as when customers change plans it causes a complicated bill, sometimes causing a condition

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that we describe as Bill Shock. Customers with bill shock have had a negative experience and may phone our contact centres which drives cost into our business.

So we have simplified billing in these situations by applying new rates for the full billing period. Previously, we split the bill between old and new plans, which was hard for our customers to understand. We believe this change will result in fewer calls to contact centres, less TIO complaints and importantly a better customer experience.

Another initiative we have introduced to prevent bill shock is to give customers more information about their plan usage prior to receiving a bill.

3 million SMS and MMS messages are now sent every month alerting consumer customers when they reach 80% and 100% of their plan usage to help them manage their spend.

We also recognise that customers sometimes experience bill shock when they return from an overseas trip. Smartphones are an exceptionally helpful tool for international travel – providing access to online maps, restaurant reviews, social networking and email for example.

But some customers don't fully appreciate the volume of data that these activities use nor the cost of mobile data applied to mobile roaming by overseas Telcos.

To address this, we will soon be launching new data alerts and will send our customer an SMS alert for each 20MB of international roaming data usage. This will help our customers to manage their data usage overseas.

We have also broadened the skill sets of our contact centre consultants enabling them to handle calls in more situations without having to transfer to a technical expert. Over 600 agents were upskilled in February and a further 300 in

March. This will result in more effective and efficient customer interactions.

Other process improvements have seen the number of customers waiting on hold for more than two minutes reduce by almost 80%.

We have introduced a 14 Day Customer Card which allows our customers to contact the same technician who visited their premises, should they need to. In April more than 14,000 cards were provided to customers. Our technicians are no longer judged on how well they fixed a fault but on how satisfied the customer was with their visit.

We are also seeing productivity benefits as more and more customers transact with us on-line.

We now have 780,000 active users on our 24x7 app which is available on the iPhone, Android, iPad and on Facebook. The 24x7 app enables our customers to monitor their call and data usage,

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top up their prepaid account and view their bills. In upcoming releases we are planning to release additional functionality allowing customers to purchase new services from us. We will start with simple add-ons such as data packs, and progress to more complex transactions.

While we are anticipating around \$1 billion of productivity savings as an outcome of the Simplification program this year, further restructuring is needed across the business, this will inevitably mean headcount reductions in some areas and increases in others, such as 350 smart jobs in Canberra and Melbourne we recently announced to support the Defence contract. Some products are in decline and we need to invest in capability to support growth opportunities like NAS.

Simplifying the business enables us to deliver better quality of service to our customers and the resultant cost savings enable us to invest in our

growth businesses which I will now update you on.

Our Network Applications and Services business is experiencing double digit revenue growth. We recently signed a 6 and half year, \$1.1bn contract with the Department of Defence for the provision of services including unified communications, video conferencing as well as tablet and smartphone usage.

The agreement represents the largest customer undertaking in Telstra's history and will support military operations at home and abroad, connecting troops and commanders in the field and at base.

And as I've said, it will also create 350 new positions to help serve the contract, including recruiting some of the nation's leading IT, network and security experts. Notably, these new positions will be in Australia.

We have also established a new software-focussed Global Applications and Platforms group, which will help us to benefit from growing opportunities in the software layer and mobile applications.

Growth into Asia is another of our key strategic ambitions. Pleasingly our international business is delivering double digit revenue growth as well. We recently signed a business communications contract with Jetstar worth many millions of dollars. The deal is Telstra's largest global contract to date and is the first Network Application and Services Telstra contract in Asia.

We continue to expand our capability in Asia as further evidenced by the opening of our Singapore data centre last month.

Turning to our Media business, we have had a successful re-launch of our AFL and NRL mobile apps ahead of the 2013 seasons for both sports. This enables our customers to view the games

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live on a smartphone or a tablet. These have been very successful in market and to date we have had 1.3m AFL app downloads and 800,000 NRL app downloads. The apps are available to customers across all mobile providers. At last count we have 100,000 customers who are paying monthly or season subscriptions to stream games live.

While we have a number of assets in our media portfolio, of course we are facing challenges at Sensis. Sensis is a changing business and the challenge of the transition from its old business model to the new digital model should not be underestimated – it's a completely new business model that requires greater agility and efficiency to compete. As the business continues to change, we will continue to review all aspects of our operations, to make sure we have the right resources in the right areas, so we can meet our customers' needs.

Our media assets also include our 50% stake in the Foxtel business. Foxtel results for the first half of 2013 included a full six months contribution from the acquisition of Austar. On a pro-forma basis revenue was up 7.2% to \$1.6 billion and EBITDA was up 12.1% to \$463 million. The key focus for Foxtel continues to be the growth of its customer base which is up 1.7% to just under 2.3 million.

Turning now to Capital Management which I know is an important topic for our shareholders.

Our CFO, Andy Penn outlined at our half year results, Telstra's approach to capital management remains unchanged. Our objectives are:

- o to maximise shareholder returns,
- o maintain financial strength
- o and also maintain some level of flexibility.

I will now run through our 5 capital management principles.

Firstly, we have been clear on the balance sheet settings which we believe are consistent with a single A credit rating from the major agencies.

That is to say:

- o a debt servicing ratio between 1.5 and 1.9
- o gearing between 50% and 70%
- o and an interest cover of greater than seven times.

We are at the conservative end on all of these parameters at the moment and have sufficient headroom to fund spectrum purchases which will be funded predominantly from debt. With respect to the current auction there is nothing here I can say given that we are in the middle of the auction process.

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Our second principle is to ensure that our ordinary dividend remains fully-franked and, subject to board approval, seek to increase it over time. As we have stated previously, we are constrained from increasing a fully franked dividend at the moment by our franking account balance.

Our key focus operationally is to grow the business over time which would provide the opportunity to increase our franking balance and then give us the capacity to grow dividends.

Thirdly, our medium-term capex to sales ratio target is 14%. This year, our capex to sales ratio guidance is 15% which is driven by the investment in the 4G mobile network.

Fourthly, we will not borrow to fund the dividend or capital returns and finally, maintain flexibility for portfolio management and to make strategic investments. Over the past few years we have focussed on small incremental investments that

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build on our existing capability such as TrueLocal and Ooyala for example.

Before I conclude, I would like to re-iterate that our guidance for 2013 remains unchanged. This includes low single digit growth for both total income and EBITDA, and a capex to sales ratio of 15%.

Consistent with our comments in February the outlook for EBITDA growth is at the top end of the guidance range.

Free cashflow guidance is in the range of \$4.75B to \$5.25Bn and subject to the board's normal approval process for dividend declaration and there being no unexpected material events, we expect to pay a fully franked dividend of 28 cents per share in fiscal 2013.

So in conclusion, we have continued revenue, profit and customer growth. Our strategic focus

remains unchanged and most importantly we are on track for full year guidance.

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