



16 October 2018

Office of the Company Secretary

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Annual General Meeting presentations

In accordance with the Listing Rules, I enclose the presentations of the Chairman, Chief Executive Officer and Chairman of the Remuneration Committee, which will be delivered today at the Telstra Corporation Limited 2018 Annual General Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Sue Laver'.

Sue Laver
Company Secretary

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TELSTRA ANNUAL GENERAL MEETING - 16 OCTOBER 2018

SLIDE: JOHN MULLEN CHAIRMAN

Welcome and introduction

Good morning ladies and gentlemen.

My name is John Mullen and it is my pleasure to welcome you this morning to Telstra's 2018 Annual General Meeting.

Your Directors, who include your Chief Executive Officer Andy Penn, are all here today and they join me in offering you a very warm welcome.

Thank you Uncle Ray Davison for the earlier welcome to country.

This meeting is being webcast and also I extend my welcome to those shareholders joining us online.

With a quorum present I would like to formally declare the meeting open.

A Notice of Meeting was distributed earlier which set out the business and resolutions to be considered today.

I propose to take that Notice as read.

SLIDE: ITEMS OF BUSINESS

There are 4 items of business on today's agenda:

- Presentations by myself and the CEO Andrew Penn;
- Discussion of our 2018 financial statements and reports;
- Consideration of the election and re-election of Directors; and finally,
- Consideration of the Remuneration Report.

Voting on items three and four will be conducted by poll, and that poll is now open.

If there is any reason you wish to leave the meeting early, please be aware you can still vote by completing your voting card and placing it in one of the ballot boxes near the exits.

Shareholders are also able to use the LinkVote App.

This can be downloaded from the Apple App Store, or Google Play Store, if you would prefer to lodge your vote during the meeting using a mobile phone or tablet.

I would now like to introduce my colleagues with me here today.

With me here on stage are:

Andrew Penn, Chief Executive Officer;

Sue Laver, Company Secretary;

Robyn Denholm, our Chief Financial Officer; and,

My fellow members of the Board.

Can I particularly also welcome new director Roy Chestnutt, who joined the Board in May this year, and Niek Jan van Damme who has been nominated by the Board for election at today's meeting.

I would also like to introduce Andrew Price from our auditors Ernst and Young.

Andrew is here to answer any questions you may have on the conduct of the audit, or on the auditor's report itself.

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In my remarks this morning I will only speak briefly about our 2018 financial results.

Instead, I intend to focus most of my remarks this morning on the vitally important task now underway to position Telstra for future success in what is a dynamic and rapidly changing market.

I will also touch upon the complicated and difficult issue of remuneration.

SLIDE: FINANCIAL RESULTS

Financial results

Turning first to our financial results.

Despite the very significant challenges Telstra faced in 2018, our results were in line with guidance and showed strong subscriber growth in both fixed and mobile services.

On a reported basis our Total Income grew by 3.0 per cent to \$29 billion.

Earnings Before Interest, Tax, Depreciation and Amortisation reduced by 5.2 per cent to \$10.1 billion, and Net Profit after Tax reduced by 8.9 per cent to \$3.5 billion as the effect of the NBN on Telstra's financials escalated.

Importantly this year we added 342,000 retail mobile customers, 88,000 retail fixed broadband customers and 135,000 customers on a retail bundle.

The total dividend for the 2018 financial year was 22 cents per share, comprising an ordinary dividend of 15 cents and a special dividend of 7 cents, relating to the one-off receipts received from the transition of our fixed customers to the NBN.

I will return to the topic of performance, our share price and the dividend shortly.

A perspective on profit

Firstly, though, when we talk about Telstra's profit, it's important to reflect on what that really means.

Telstra's profits come from the efforts and commitment of more than 30,000 employees, the vast majority of them Australians.

The profits we earn benefit our owners, our shareholders, the vast majority of whom are everyday Australians, including many of you in the room here today.

This year we paid \$2.6 billion in dividends to our 1.3 million Telstra shareholders.

We paid \$1.5 billion in Australian income taxes, \$200 million in state payroll taxes and a further \$100 million in other federal, state and local taxes.

This makes Telstra one of the largest contributors to corporate tax here in Australia.

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All this underpins who we are as company and defines our role, our place and the value we create in Australian society.

SLIDE: OUR ROLE IN THE COMMUNITY

Delivering sustainably

Our financial numbers and the profits we make are critical, but as we are increasingly reminded these days, a company also has to respect its social licence and ensure that it contributes to the communities in which it operates.

Telstra can be very proud of its record in this regard, especially regarding the important role Telstra continues to play in connecting and supporting communities, including in regional and remote areas, and in serving the needs of our customers in vulnerable circumstances.

As digital technologies play an increasingly central role in our lives, there remains a significant gap between those who are connected and those who are not.

To bridge that gap, this year we helped around one million vulnerable customers to stay connected. This includes assistance for people on low incomes, impacted by domestic or family violence, or living with a disability.

We also reached more than 48,000 people through our digital literacy programs and enabled over 4,000 community focused organisations to provide digital learning opportunities.

Through the Telstra Foundation, we support not-for-profits that help young people succeed in a connected world and this year invested in digital learning experiences in schools, public libraries and remote Indigenous communities. No other telecommunications company can match Telstra for its involvement in, and impact on, the communities in which we operate.

SLIDE: POSITIONING TELSTRA FOR SUCCESS

Ongoing disruption

Let me now turn to the important steps we have taken this year to position Telstra for success in a rapidly changing and increasingly difficult market.

All companies are defined by how they respond in challenging times and there is no doubt Telstra, and in fact telecommunications companies around the world, are operating in times of enormous change.

Those of you who follow trends in other countries will have seen that what is happening to Telstra is also happening to big Telco's in the US, in Europe and elsewhere.

Almost every day we see examples of Telco's restructuring their businesses, laying off employees, selling business units and in other ways seeking to adapt to this unprecedented disruption.

Of course, this challenge is not just unique to Telstra or to the telecommunications industry.

Many companies are facing huge disruption in their sectors with the rise of digital giants like Amazon, Google, and Netflix and the emergence of online competitors which have destroyed their traditional business models and fragmented their customer base.

It is sobering indeed that of the top 50 companies in Australia by market capitalisation in 1980, only 10 remain in today's top 50.

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The Millennial generation is forsaking printed newspapers for on-line news, home phones for mobiles, streamed video on demand instead of free-to-air TV, and social media instead of handwritten letters.

These were all things that my generation took for granted.

Now Telstra is right in the middle of this disruption and we are seeing the strong profits disappear that we used to make on fixed broadband, home phones, global roaming excess usage charges, the Yellow Pages, and so on.

This is an unstoppable trend. The world has changed and that change is accelerating.

To deny this would be like saying better journalism would prevent on-line media from replacing print newspapers or similarly, better marketing would persuade people to buy physical DVDs instead of downloading songs on-line.

SLIDE: THE FUTURE

The Future

Now all of this said, of course the future is far from all doom and gloom. To the contrary - the future is exciting. It is full of unknowns, it is full of disruption, but it also full of enormous opportunity.

While we are losing many of our old, profitable products and services, demand for our newer core products and services continues to grow rapidly and in the long term the strength of Telstra's networks, our assets, our balance sheet and our talented people will provide us with a great position of strength to tackle these new challenges head on.

Telecommunications networks are among the most important pieces of infrastructure in the world today and the demand for telecommunication services has never been greater.

We expect a fivefold increase in traffic on our mobile networks over the next five years.

This will be driven by smartphones, the increasingly popular streaming of high definition video on phones and in homes, cloud computing in businesses, and the rapidly-growing list of connected devices that already extends to watches, cars, air conditioners and thousands of other connected products and appliances.

But to succeed in this new world, and to find a way to translate this demand into revenue and profit, we need to completely reinvent Telstra into a new, digitally enabled business able not just to compete, but to win.

Choosing to lead – T22

We have not been sitting on our hands complaining about this changing world, but instead for a couple of years now we have been working hard on planning for these changes and defining the bold steps necessary to transform the business.

SLIDE: TELSTRA2022

This has resulted in our new Telstra2022 – or T22 – strategy, that we announced in June of this year.

T22 is about massively simplifying our operations and product set, improving the customer experience and reducing our cost base. We need to completely transform Telstra into the

telecommunications equivalent of an Amazon, Uber or Netflix. A company really easy to interact with, offering great service, clear products, and with customer interaction predominantly on-line.

But this requires a dramatic re-invention of Telstra.

Telstra's size and legacy are significant assets that have contributed to our past success.

But they are also now acting as a barrier and getting in the way of what Telstra now needs to be – a company agile and nimble enough to respond quickly to rapidly changing market dynamics.

At every AGM the issue of service performance is raised and every time we assure you that we are focussed on improving customer service.

We continue to make progress and are materially improving every year, yet there will be many people here today including friends and family of all of us, who can recount a bad customer service outcome from Telstra from time to time.

The reality is that Telstra is simply too big and too complex to ever 100% fix this issue while we rely on manual intervention. Telstra handles over 900m data and mobile connections every day, and if even a minute fraction of these go wrong, it is still a huge number of people impacted.

For Telstra to fix this once and for all, there is simply no alternative other than disrupting ourselves and becoming a digital business where instead of 35 million customer service calls per annum, these calls are all but eliminated as customers interact with us digitally.

Instead of waiting weeks for a new phone and visiting a store, you can order on-line and the phone will be delivered to you fully working and ready to go within 24 hours.

Instead of over 1,800 complicated services and products – a simple menu of 20 plans actionable at the click of a button with no contracts and instant activation.

At its core, therefore, T22 is about delivering simpler, more flexible products with a great digital service experience. Our plan is amongst the most ambitious in the telecommunications industry and includes:

- Digitising our entire core operation
- Reducing consumer plans to just 20
- Reducing 2-4 layers of management
- Eliminating the need for two thirds of customer service calls
- Continuing to provide the best network in Australia, and
- Taking out \$2.5 billion of cost

Andy Penn will provide more detail on our T22 strategy in his presentation.

Progressing our strategic investments

You may well ask why do this now, why not earlier? There are two principal reasons for this.

Firstly, to re-invent ourselves into this new Telstra means voluntarily giving up many of the earnings that came from all these legacy products such as global roaming and data overage charges.

The other reason for why now, is that we could not have moved much earlier even if we had wanted to. To undertake a transformation of this magnitude requires that we build an entirely new digital stack and IT infrastructure to support these new products and services and ways of interacting with customers.

This is why just over two years ago we announced our \$3 billion additional strategic investment. Without this we simply could not be embarking on T22 today.

Employee Reductions

Sadly, however, the hardest part of what we are doing is the impact it will have on jobs at Telstra.

We know that the loss of thousands of jobs will have a major impact on the company and on the lives of those affected, even though we will be retraining and hiring different skills at the same time to partially offset these job losses.

Let me be clear though, the objective is not to create a specific number of job losses but rather it is to radically transform interaction with Telstra to a largely digital process.

The job losses will be the end result of this transformation, not the goal in itself, and so the precise number of jobs to be lost will not be clear until we complete the program.

In addition, apart from ensuring we are treating impacted employees with dignity and care, as a Board we are measuring senior executives on the level of employee engagement that is maintained, and not by how many roles are removed.

HOLDING SLIDE OF BOARD

Executive and Board renewal

T22 is not just impacting employees but is also driving significant renewal in both the management team and amongst the board of directors.

Andy will talk about his management team, but we continue to also reshape the Board, putting in place the right balance between experience – including global telecommunications experience – and fresh thinking.

You will hear shortly from the Directors standing for election and re-election, as well as those leaving the board.

But first I'd like to acknowledge directors Steve Vamos, Russell Higgins and Trae Vassallo who have announced their intention to retire from the Board at the end of today's meeting.

Russell and Steve both joined the Board in 2009 and have come to the end of their 3 x 3 year terms and Trae, who unfortunately could not be with us today, has been a director since 2015. All three have made incredibly valuable contributions and will be missed.

On behalf of the Board and shareholders, I'd like to thank them for their hugely valuable contribution and great commitment to Telstra.

Then I am absolutely delighted that we have two new directors with significant telecommunications experience, Roy Chestnutt and Niek Jan van Damme, standing for election at this meeting.

At this time of disruption in the global telecommunications sector, and intense competition for suitably experienced directors, can I say the Board is absolutely delighted to be able to attract directors of the calibre of Roy and Niek, both senior executives from the highest levels of the telecommunications industry in the US and Europe.

Australia is a long way from Europe and the US and the commitment that both Roy and Niek Jan are making in respect of our very demanding board meeting cycle is hugely appreciated.

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Both are exceptionally experienced and capable executives with outstanding track records of managing disruption exactly like what we are going through, but in much larger overseas markets.

Shareholders would also be aware that current director Margie Seale is also standing for re-election. Margie is a highly valued and respected member of our board who has contributed a great deal to Telstra, and we are absolutely delighted that she is standing for re-election.

SLIDE: SHARE PRICE

Performance and Remuneration

Now I would like to talk to you about the important and linked issues of company performance, share price, dividends and executive remuneration.

Firstly, I hear the critics say that Telstra's performance has been poor this year. I believe that this simply is not true. In the face of the disruption mentioned earlier, Telstra has actually still managed to deliver on its guidance, make a \$3.5 billion net profit after tax, and broadly maintain market share in most segments.

What has been disappointing to all, however, is the company's share price performance and the need to cut the dividend. So when talking about "performance", I think that it is critical that this distinction be clearly made.

So why has the company's share price under-performed and why did we have to cut the dividend?

The disruption in the marketplace, new competitors, the digital revolution and so on are happening to many industries and although telecommunications is at the forefront, dealing with this and being successful in the new world is the job we are paid to do.

We are doing well in this regard, we have highly ambitious plans as to how to compete in the future, and we back ourselves to win against Optus, Vodafone and TPG. While challenging, this is not the major cause of our share price decline.

But the absolutely unique challenge we do have is the NBN which, as shareholders would know, is taking Telstra's place as the wholesale network provider of fixed services in Australia.

The NBN is the single biggest impact on Telstra's financials, and the impact is profound.

The NBN will have reduced Telstra's net profit after tax by close to a half when fully rolled out. Not a few per cent, half.

Having been privatised by the government in 1997, the government is now effectively renationalising half of the company again.

To give some scale to that impact, what we are losing through this policy of half our business is approximately equivalent to a company the size of Qantas.

This has also led to increased competition in mobiles and, in turn, the entrance of a fourth mobile operator in the form of TPG, now in a proposed merger with Vodafone.

Our net profit is the principal driver of how much dividend a company can pay, so when a company loses up to half its net profit to such a government decision, the impact on its results, on its dividend, and on its share price is obvious.

There are few precedents in Australia for a challenge of this magnitude and it sits right at the very heart of the issues we faced this year. This, and the increasing impact of it going forward, is why we had to cut the dividend and why the share price is down.

It is easy for critics to say “well just come up with a plan and a strategy to fix this”, or “fire the board and the management team and everything will be OK again”, but there is no magic bullet that can fix the loss of up to half of a company’s net profit.

We need to get real about this and acknowledge it for what it is.

My board colleagues and I are acutely aware that for many retail investors, in addition to their portfolio valuation, the dividend is an important part of their retirement income.

I would love to be able to stand before you and say that all this change is just a temporary blip and we will soon be back to the old stable world of legacy profits and an ever increasing dividend, but I cannot. Telstra’s world has changed and it is going to keep on changing.

SLIDE: REMUNERATION REPORT

Remuneration report

Before I ask Andy to address the meeting I want to make some comments on the fourth item on today’s agenda, the Remuneration Report, as this is inextricably linked to the Performance comments I have just made.

I obviously know that this is a matter of great concern, both to many shareholders as well as external stakeholders and observers.

The Chairman of the Board’s Remuneration Committee, Peter Hearl, will take you through the detail shortly but the Board is very aware that concerns have been raised around the Remuneration Report by proxy advisors and others, meaning that a substantial number of shareholders will not approve the report.

This will give us what is termed a first strike.

This is deeply, deeply disappointing to my board colleagues and me.

I simply cannot overstate the amount of time we devote to remuneration and how seriously we take the responsibility.

Some observers out there seem to think that directors sit around like the Witches of Macbeth scheming as to how they can manipulate incentive schemes to give improper benefit to already excessive executive salaries.

Let me tell you that nothing can actually be further from the truth.

The Telstra board, like other big company boards, takes this responsibility incredibly seriously and we spend an inordinate amount of time really trying to get the balance right between protecting shareholders’ interests and not over-paying executives, while motivating, incentivising and retaining the best management talent we can at the same time.

Executive remuneration in very large listed companies is always a vexed issue particularly, as in Telstra’s case, where market dynamics have been challenging and shareholder returns have not been at the level we would have hoped for.

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But the fact is Telstra is a \$35b company, with around 30,000 employees, 1.3 million shareholders and we operate at the competitive cutting edge of telecommunications markets here in Australia, as well as in markets around the world.

As I said in my earlier remarks, we are also operating in times of great challenge and volatility and the future of the company demands that we implement one of the world's largest, fastest and most complex transformation strategies.

In this environment, first class leadership could not be more critical and a number of things contribute to our being able to attract, retain and motivate high calibre executives, one of which is remuneration.

This is especially the case when attracting first class talent from overseas as we have recently done and will continue to do. These overseas executives will simply not give up well paid jobs overseas to join Telstra unless we have competitive remuneration strategies.

SLIDE: HISTORICAL CEO PAY COMPARISON

This said, I personally believe that executive salaries are too high across the board, but changing this takes time and needs to be embraced by all of corporate Australia not just one company or one industry, as the marketplace for talent is international and is industry agnostic.

We are trying to do our bit in Telstra however, and this can be seen by the fact that David Thodey's salary was lower than Sol Trujillo's, Andy Penn's salary is lower than David Thodey's, and I expect that Andy's eventual successor will receive a lower salary again.

Andy himself has seen his actual remuneration drop by almost 50% over the last two years as the company has been under pressure, so we are not only reducing overall remuneration levels, but our remuneration clearly does flex downwards with shareholder outcomes, even when management has done a good job.

This is not the time or place to argue the point, but the whole question of remuneration has become the single most difficult issue for big company boards, has become incredibly over-complicated, and has spawned a whole industry of advisors and consultants trying to help us make sense of all this.

I am old enough to remember when a CEO just earned a big salary and that was it. Then over the years stakeholders felt that compensation had to be variable and depend on performance and so the schemes became more and more complicated.

The end result of all this is that, although no doubt well-intentioned by all concerned, we have ended up with a situation where everybody is unhappy.

No two shareholders seem to agree on what is the best solution so many do not feel that their interests are being properly protected. Executives in turn often get frustrated and just wait to the end of the year to find out whether they will receive any variable compensation or not, which means their compensation is less and less driving behaviour, as was the original intent.

On top of all that, society increasingly thinks that all big company executives are paid too much anyway.

I may sound a bit facetious but do not mean to be. This year, Telstra's Remuneration Committee and Board spent a huge amount of time trying to get the 2018 result right.

We thought that we had got it right. But then, even though we believed that management fairly earned their variable compensation at a level of 47% of maximum, the board was acutely aware of the pain that shareholders experienced in 2018.

As a result, the Board chose to unilaterally exercise its discretion and the variable remuneration of the CEO and Group Executives was reduced by 30%, to an average of 33%, excluding the Group Executive Wholesale, of their maximum opportunity for the year.

Clearly, however, many shareholders thought that this was not enough.

In meeting with many shareholders before this meeting, some of the same shareholders who voted for our variable remuneration scheme last year now voted against it, even though the scheme has not changed. Some shareholders will only support Relative Total Shareholder Return, or RTSR, as a measure and some others object to our using RTSR at all.

Some shareholders want all financial metrics and some want a combination. Some are happy with our level of disclosure, some want more.

Proxy advisors who were OK with our combined scheme last year now say that they are not happy with it.

If we call a spade a spade here, the bottom line is that it would seem that for many shareholders, if they see the value of their shares diminish, then they consider that management has performed badly and should not receive any of their variable compensation, irrespective of whether management have done a good job that year or not.

Although often dressed up in other language, therefore, the issue here is clearly the outcome not the scheme, and this means that we can make all the changes we like to the scheme and we will never please everybody.

This I believe is over-simplistic and simply wrong. The share price cannot be the only metric by which we evaluate management performance.

The reality is that external factors like the NBN are very substantial drivers of Telstra's share price performance and we believe that the decline in the company's financial performance and share price would have been far worse if management had not done an excellent job in such an environment.

I would remind shareholders that Telstra's share price decline over the 2 years to June 2018 was less than our two listed competitors, TPG and Vocus, who experienced similar NBN pressures to us, and Telstra has broadly maintained market share in fixed and mobile despite the competitive environment.

Also, surely it is even more important to incentivise our executives to perform strongly in bad times than in good times and if so, then we must draw a clear distinction between share price performance and management performance.

If share price performance is really the only criterion used in measuring management performance, then in difficult times like today the payment of any variable compensation at all is going to meet with similar criticism.

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Conversely, when the share price is up investors tend to be happy with the company's strategy, support the Board, like the CEO and Management, and approve the Remuneration Report. This may also not be justified since as we all know, sometimes a rising tide lifts all boats.

All this said, if indeed we are moving to a world where variable compensation is seen principally as a bonus for positive share price development, then if this is what shareholders want we must listen. What it does mean, however, is then why do we need complicated remuneration structures at all?

Maybe there is a case for doing away entirely with all these complex schemes and just go back to a fixed salary commensurate with the difficulty of the role, with maybe one half in cash and one half in shares locked up for five years. No metrics, no adjustments, no exclusions, or adjustments and no complicated tables.

We would save thousands of hours of RemCo meetings, the Rem Report would be reduced to one page, no more need for the armies of consultants and advisors, and the AGM would be over in half the time.

All of this places the board in a very difficult situation though, as we search for solutions that satisfy everybody today and in the end, all we can do is to diligently set targets for management that we think are ambitious and deliver lasting value to shareholders despite the market environment.

This next year is also going to be a difficult year for Telstra as everyone knows, but we cannot change direction every time a proxy advisor or shareholder finds a new fault with our approach and we cannot say to management that there will be zero variable remuneration this year even if you do a great job.

We will listen, we will consult yet again, and we will do everything we can to amend and enhance our remuneration policies where it is demonstrated that we can do better, but we cannot compromise on doing what we think is right for the long term health of the company and for you, our shareholders.

I am very willing to apologise if, despite our best efforts, we have not been adequately transparent in our remuneration disclosures, or we have missed enhancements that could make our structures better. If anyone has a better solution, we would welcome it.

However, I cannot apologise for continuing to do what we believe is the right thing for the company and the right thing for shareholders in the long term.

Conclusion

In conclusion then, 2018 has been a dramatic year for Telstra.

The company delivered solid financial performance in challenging conditions.

Most importantly though, it was also a year where we took the decision to proactively and radically transform our company.

We have chosen not just to try to adapt to the change and disruption happening around us but to actually lead the transformation of the industry in Australia.

I am sure that we will make some mistakes and I am sure that despite our best efforts we will not hit 100% of our targets, but this is one of the boldest strategies adopted by a large, incumbent telco

globally and we are determined to do everything we possibly can to transform Telstra from being the leader in the old world, to being the leader in the new world of telecommunications in Australia.

Finally, and before I invite Andy to address you, let me sincerely thank you, our shareholders, for your patience, loyalty and support during what we absolutely understand is a difficult and frustrating time for you.

Let me also thank our customers for their ongoing support – without them there would be no Telstra.

And lastly but by no means least, let me thank every member of staff who works for Telstra.

We are acutely aware that we are asking more and more of you at a time when there is great concern over job security and the future, and your commitment to Telstra and our transformation process is exemplary.

The Board appreciates all that you do and I believe so too do our shareholders.

Thank you for listening and now let me introduce our Chief Executive Officer Andy Penn and invite him to address the meeting.

<ENDS>

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**TELSTRA ANNUAL GENERAL MEETING
16 OCTOBER 2018
CHIEF EXECUTIVE OFFICER SPEECH**

Welcome – Slide 1

Thank you Chairman and good morning everybody.

Thank you for joining us here in Sydney today. Welcome also to those shareholders joining us online.

This is unquestionably a critical time for Telstra as indeed it is for the whole of the telecommunications industry, not just here in Australia but globally.

We sit at the cusp of the next evolution of telecommunications technology - 5G. However, it's not just 5G on its own, 5G is arriving at exactly the same time as other transformations in technology are accelerating - software defined networks, IoT, machine learning and the cloud to mention just a few.

The combination of these create an exciting future. They also offer significant opportunities for Telstra which I will cover later in my comments. However, to take advantage of them and to be the telco of the future that we need to be, we need to build new skills and new capabilities. That is exactly what we have been doing through our investments and changes in the company and we are well placed in this regard. In fact I believe we are as well placed as any telco globally.

However, we equally face one of the most challenging times the company has ever experienced.

As the Chairman outlined, the nbn is having a profound effect on the industry and the company. As we have described many times, the financial impact alone is to reduce our EBITDA by at least \$3bn per annum and we have already had to absorb \$1.4bn of that. The impact on the bottom line and therefore EPS from which we pay dividends is even greater – an up to 50% reduction net profit after tax.

Of course I hear you say, we have known about the nbn for a long time so clearly this should not be a surprise. That is true, but at the same time, it is no simple task to simply replace \$3bn in earnings which as the Chairman has pointed out is equivalent to the entire business today for many of Australia's largest companies.

The task has also been made considerably harder by the intense and increased competition in the market.

Notwithstanding this we have been responding – pulling every lever available to us and pulling it as hard as we possibly can.

We have continued to grow customer numbers across fixed and mobile. We have refocused our efforts on our core business by restructuring and reducing our investments in Foxtel and Telstra Ventures as well as exiting Ooyala. We have continued to grow our NAS business and expand our offerings in the Enterprise market. We have delivered a \$700m reduction in fixed costs since FY16 and most importantly we have been investing in the future.

But we also believe we reached a tipping point in 2018. A point where we need to be even more radical to accelerate the changes we need to make. This is why we launched our T22 strategy in June.

We absolutely understand that we need to be held to account but during these difficult times we need to all be aligned around the challenges we face. The changes we are making, particularly around the way we serve customers in the future are more radical than anything we have seen around the world and our global peers are watching us.

I can assure you, we are doing everything in our power to make T22 a success, to continue to make this company great.

Slide 2 – Agenda

In my presentation this morning I will cover four things:

Firstly, I will provide you with an overview of how the Company performed in 2018 building on the Chairman's comments.

Secondly, I will describe the progress we are making in transforming the company both through the strategic program of investments we announced in 2016 and through our T22 strategy.

Thirdly, I will comment on why I believe there are significant opportunities as we transition to the next evolution of technology, in particular 5G. Also why I believe we are as well placed as any telco globally to take advantage of these given the preparations and investments we have been making.

Finally, I will confirm our guidance for the 2019 financial year.

Slide 3: A year of solid progress

The Chairman has already taken you through our high level financial results but I wanted to share some more detail around the operational achievements.

The ultimate measure of any business is its ability to attract new, and retain existing customers. During the year we added 342,000 new retail mobile services bringing total mobile services for Telstra to 17.7 million. This included 304,000 in the critically important post-paid hand held sector.

In fixed, we added 88,000 retail broadband services, including 48,000 from Belong, bringing our total fixed broadband services to more than 3.6 million.

We estimate our 4th quarter performance represented approximately 70% market share in post paid mobile handheld and about the same in fixed. Our nbn market share for the year, excluding satellite, ended at 51 per cent.

This strong subscriber growth has continued into the first quarter of 2019.

Revenue in our Networks, Applications and Services business NAS was up 8.6 per cent to \$3.6 billion and we continued to expand the margin in this business. Likewise we achieved growth in our global connectivity business up 5.1% in local currency with EBITDA up 3% in the second half.

Machine to machine, which is our emerging Internet of Things business, also had a strong year with revenues up 13 per cent. We are now connecting between 1,000 and 2,000 things a day whether they be sensors, vehicles or machines. We are clearly leading the market in IoT.

These are significant achievements in the face of a difficult operating environment and we are pleased with the momentum.

Customer highlights

For our customers, Episode NPS is the measure of their satisfaction with our service in relation to a particular episode. By episode I mean for example a move – so from when a customer first contacts us to advise they are moving home until they are in their new home with all of their services successfully transferred.

Other episodes include the process of buying and activating a new mobile phone or a service for an enterprise customer, how we address faults which can happen for example when someone damages our fibre and other changes our customers request to their service.

Episode NPS was up 5 points in 2018 as we continue to invest to fix pain points for customers and improve their experience with us.

For example, changes such as the introduction of our smart modem, enhancements to live chat and improvements to our digital channels has seen calls into our call centres fall 13 per cent during the year to under 40 million.

We have made a number of improvements to the Telstra 24x7 app and the number of active users increased by 22 per cent to four million during the year. A clear indication of a growing desire across our customer base for people to want to interact with us digitally.

Our media portfolio also continues to offer unique experiences and differentiated services for our mobile and fixed customers.

In 2018 another one million customers started using our Sports Live Pass across AFL, NRL and the netball. We now have 2.3 million sports fans accessing this service and expect that number to grow further with the recent addition of the A league soccer.

In the home, over 50 per cent of our fixed broadband customers are active entertainment users with either Telstra TV or Foxtel from Telstra. We now have 1.3 million Telstra TV devices in the market with active users watching more than 120 hours of free to air and streaming per month through this service.

We also had a strong year for our customers on nbn where we continue to lead adding 770,000 new nbn connections in 2018. That's somewhere in the order of 2,500 to 3,000 a day.

In fact, including nbn activations and servicing, our techs undertake approximately 20,000 – 25,000 jobs a day. We call them truck rolls – that's every time a Telstra tech is on the road doing a job for our customers – 6 million times a year.

Activating the whole country on the nbn is a huge undertaking for everyone in the industry and probably for Telstra and nbn more than any. It is why complaint levels across the industry are up.

In 2017 complaints across the industry to the industry's ombudsmen were up 40% driven largely by the ramp up of the roll out of the nbn. The good news is while industry complaints were up in 2018 it was by a much lower level – 8% and encouragingly for Telstra our TIO complaints are down around 20% for the first quarter of 2019.

This is proof of the considerable improvements that we have made to the nbn migration process for our part. It will no doubt also have been helped by the fact that Telstra's high level of capacity provisioning is giving our customers an average of more than 90 per cent of their maximum line speed during the busiest times.

One of the reasons the nbn is having such a profound impact on Telstra and the industry economically is because of where wholesale broadband prices are going under the nbn. The wholesale price is how much retail service providers such as Telstra and our competitors pay nbn for every customer every month.

Historically Telstra was the industry's wholesale provider of fixed broadband services in Australia. Indeed we still are for the homes in the country that are not yet connected to the nbn.

The price we charge our competitors for access to our network, when they provide broadband services to their customers, is set by the ACCC. On an equivalent basis to the nbn, this is currently in the order of \$20 per month per customer. The average wholesale price currently being charged by nbn to the industry is \$44 per month per customer, more than double and their plan is to increase this further to \$51 by FY22.

That is why Telstra and all of the telcos selling nbn today are facing a fixed line market where reseller margins are rapidly falling to zero. I do not believe we can simply charge our

customers more – that's not the right answer. Nor can we continue to sell nbn making little or no money.

Something needs to give. The current arrangements are unsustainable, and ultimately this can only lead to poorer service and higher prices for broadband for all Australians. Consumer prices in Australia for broadband are already among the highest in the world and they will go much higher if the wholesale price is not addressed. It has to come down and not by \$2, but by more than \$20.

I realise the Government has invested a lot of money into the nbn and the technology is being upgraded to ultimately provide faster speeds and more capacity and the current high prices are set to recover that investment.

However, that is the lot of the telco. There is not a market in the world where telcos are increasing their prices at this rate - we are innovating to provide greater speeds and capacity for customers for largely the same price.

Slide 6: New strategy – T22

Let me now turn to our T22 strategy.

There is no doubt the severity of the impact of the nbn is greater than we all predicted and that is a challenge unique to Australia. However, there are also broader challenges affecting every business in every market, across Australia and around the world. Particularly those brought about by digital disruption as you heard from the Chairman.

Telstra is not immune from these and in combination with the nbn this is why we reached a tipping point leading to the announcement of our T22 strategy in June.

The strategy has four pillars:

The first - to radically simplify our product offerings, including eliminating customer pain points and creating all digital experiences. Here we are choosing to do fewer things but to do them extremely well. I will talk about the progress we are making here shortly.

The second pillar is to establish a standalone infrastructure business to drive performance and provide future optionality post the rollout of nbn.

This business, which for now we are calling Telstra InfraCo, is already up and running. We are now in the process of setting up all of the internal commercial arrangements to ensure we maximise the value of our infrastructure and sweat these assets harder than we have ever done before.

The third pillar is to greatly simplify our structure and ways of working to empower our people and serve our customers.

On 30 July I announced my new management team that will support the implementation of our T22 strategy. With these changes we will be welcoming to the team some truly world class talent.

Michael Ebeid the former very successful CEO of SBS will lead our Enterprise business. Michael has had a long and distinguished career not just at SBS but also including the best part of a decade in telecommunications as well as in technology with IBM.

Nikos Katinakis also joins us to lead Networks and Technology. Nikos has extensive international experience through a long career in telecommunications with Ericsson, Rodgers in Canada and most recently where he was responsible for the build and operation of the incredibly innovative Reliance Jio mobile network in India.

Christian von Reventlow will also join us on 1 November to lead Product and Technology a role that he has most recently performed for Deutsche Telecom. In this role Christian had responsibility covering all of Deutsche Telecom's operations globally including T-Mobile in the US. Christian is a globally regarded leader in telecommunications technology having worked in the industry in both Europe and Silicon Valley.

In addition to Michael, Nikos and Christian a number of my other executives have stepped into their new roles. Robyn Denholm who is on stage with me today is our new Chief Financial Officer, Alex Badenoch is heading up the overall Transformation Program in addition to her responsibilities as Group Executive of HR and Brendon Riley commenced as CEO of our newly established InfraCo business last week. Along with David Burns Group Executive of Global Business Services, Carmel Mulhern Group Executive Corporate Affairs and Michael Ackland Group Executive Consumer and Small Business that makes up the whole team who are all with us here today.

In addition to the changes to my team over the last quarter we have already reduced 1-2 layers of management across most of the organisation and increased the spans of control across the top 300 leaders in the company by 30%. We have also announced more than 2,600 of the 8,000 roles we are reducing as part of our T22 implementation.

The fourth pillar of our T22 program is to deliver industry leading cost reduction and portfolio management.

Our productivity program is well established. We have already delivered \$700m of the \$2.5bn commitment we have made and we are targeting a further reduction in fixed costs this year of more than \$400m.

One of the key drivers of our costs are the charges we have to pay nbn for access to their network – this is the wholesale price I mentioned earlier. By the time the nbn is fully rolled out we expect these to reach \$2.5bn per annum and our productivity program is targeted to fully offset these.

Also as part of our focus on portfolio management we have already announced the restructure of Telstra Ventures and last week we completed the exit of our US-based intelligent video business Ooyala. This was completed via a management buy out with upside sharing arrangements for Telstra if the business achieves profitable growth and is sold in the future.

Slide 7: Leaving legacy behind

One of the biggest challenges in developing the T22 strategy was balancing the critical need to transform against the legacy built up over decades. By legacy I mean legacy in systems, legacy in products and legacy in processes.

There are two reasons companies like Telstra find it hard to leave this legacy behind.

The first is, you need to have built the new technology platforms to migrate to. I am going to come back to this.

Secondly, there is often value in the legacy from fees and charges customers have historically paid on old plans and companies and their shareholders find these hard to let go. That is why we have made it very clear that T22 is likely to eliminate up to \$500 million in revenues for our services over the next three years, with excess data charges being the first example.

That is not an insignificant amount of profit for the company but we believe this is the right thing to do. It is the right thing to do for our customers and it is the right thing to do for our shareholders because ultimately we believe this will be more than offset by more and better services per customer, lower costs from simplicity and new sources of growth.

Too often this legacy sits at the heart of the pain points our customers are experiencing which is why we are committed to systematically removing them.

As an example, in July we launched new Peace of Mind data plans, making excess data charges a thing of the past on many of our new mobile plans.

Before that our customers had been telling us the fear of excess data charges were stopping them getting the most out of their mobile plans.

Peace of Mind data removes that fear, removes that frustration, removes that pain point and is an example of the type of business we are becoming under T22. The feedback we are getting from our customers on these plans is incredibly positive.

Shortly we will also stop charging customers for rental phones, a move we expect will benefit up to 300,000 customers.

We also plan to drop charges for call number displays on many of our older phone plans, benefitting more than 60,000 customers.

We also plan to shift to a new digital billing experience, with direct debit as a default.

This means as customers take up our digital billing experience, Telstra will no longer charge late payment fees, charges for over the counter cash payments or paper bill fees, as customers will be on direct debit with a digital receipt.

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In preparation for the phasing out of papers from the start of next financial year we will stop charging our customers the \$2 fee.

These are just some examples of the legacy fees and charges that we are designing out of our plans and removing for our customers.

Our next big launch for consumers comes later this month with a focus on choice giving customers flexibility to choose and pay for only the services they want. In the meantime we have also launched our digitally connected workplace service for our small and medium sized business customers.

Slide 8: Strategic investment

So let me now come back to the first reason companies find it hard to leave legacy behind and that is you first need to have built the new technology platforms to migrate to.

In a company like Telstra this is no small undertaking. The size and complexity of our network, systems, products and processes is enormous. The number of interactions we have with our customers and that our systems record is in the hundreds of millions a year, the number of transactions on our network is in the hundreds of billions.

In 2016 we announced we would be investing up to \$3 billion of additional capital on a strategic program of investment centred on creating the networks for the future and digitising our business.

So far we have invested around \$1.8 billion, including \$1.5 billion on networks and \$300 million on digitisation.

An important part of the networks program is preparing for 5G. I am going to come to 5G when I make some comments on growth but our network is now 5G ready.

In the meantime, there are other ongoing investments in our mobile network which are not 5G. 4G will be with us for a long time and we continue to lead in 4G having launched the first gigabit service, Voice over LTE and 4GX delivering twice the speed of normal 4G.

During the year we also launched LTE-Broadcast to enable more efficient video streaming.

We also added 500 new mobile sites, including those within the Black Spot program. That is more than one a day and we added another 400 small cells and upgraded a further 1,100 mobile sites.

For IoT we have built two networks servicing different use cases.

Our CATM1 network for IoT has been enabled nationally, with around three million square kilometres of coverage ideal for higher data volume mobile solutions such as connected vehicles.

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Telstra's narrowband IoT networks extends even further to 3.5 million square kilometres aimed at low data volume, long battery life, fixed solutions such as electricity metres and street lights.

We are one of the first carriers in the world to offer both IoT technologies, CATM1 and narrowband.

Service reliability and resilience, of course, remains a key factor for our customers and a key network differentiator for Telstra.

You can never guarantee there will be no service interruptions in telecommunications. Our network is the combination of a very large network of physical assets –250,000 kms of fibre, 9,500 mobile towers, 5,000 exchanges and 200,000 routers, servers and other devices. It does get damaged every day by all sorts of things. You would be surprised by how much damage a cockatoo and other wildlife can inflict on a mobile tower.

However, despite some incidents, since June 2016 we have improved resiliency and redundancy and reduced our mobile outage hours by more than 80 per cent.

The network investments we have been making have been critical to build the capacity we will need in the future. They have also enabled us to create the software defined foundations on which we are now rolling out our core business operations and customer systems.

To achieve true straight through digital experiences the customer systems have to be integrated into the network through a software layer called our OSS. All of this work has been completed with our investments over the last two years.

We now have not only the network upgrades completed but also the core computer systems on which we are now building the new product set which is part of our T22 program.

Without these investments we simply could not implement T22.

Slide 9: Growth

Before turning to guidance let me just make a few comments on growth.

There is no doubt we are facing an extraordinarily challenging environment right now. However, it is important that we do not lose sight of the opportunities for growth which do exist in the future. In this regard I am going to comment on two in particular, 5G and Internet of Things.

From previous evolutions of mobile technology we know three things that I believe will also be relevant for 5G.

- Firstly the industry enjoys positive growth in the first couple of years of the rollout of a new mobile generation or G. Early adopters will pay more to get access to the

technology first and the industry seeks to achieve a return on the significant capital investments that it has made rolling out the new G.

- Secondly those Telcos that perform the best are those that lead and adopt the new technology first and fast. This is exactly what we did with 3G and 4G and it is what we are doing with 5G.
- Thirdly it is impossible to predict all of the opportunities and use cases that the new G will enable at the earlier stage of its evolution. However, take up rates and adoption tends to be faster and more significant than initially contemplated. I have no doubt that this is going to be the case with 5G as it was with 4G and as it was with 3G.

We are very well advanced in our preparation for 5G. Our network is 5G ready.

Our 5G Innovation Centre on the Gold Coast has been at the centre of our activities.

In April we enabled the world's first precinct of 5G-enabled Wi-Fi hotspots.

Also in April we trialled Australia's first 5G connected car.

We are also already rolling out 5G technology on our network and have more than 200 5G sites planned to be live around Australia by the end of this calendar year.

While commercial devices for 5G are not yet available our 5G readiness program means we can trial and test them as soon as the manufacturers make them.

As I mentioned in my opening, it is not just 5G on its own, 5G is happening at a time many other technologies are arriving at scale.

To the layman it might already feel like technology is everywhere but the reality is very few industries are fully automated or digitised.

Most "things" are not connected.

Most data is not analysed to drive productivity improvements and new opportunities.

This is all about to change as the world of the Internet of Things arrives and Telstra is at the forefront of this technology.

Launching services in a range of sectors including mining, logistics, agritech, smart metering and this is why we remain incredibly excited and optimistic about the future.

Guidance

Before finishing up, I would like to take you through our guidance.

The FY19 guidance we presented to the market at our full year results included an assumption regarding the nbn rollout in FY19.

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Subsequently on 31 August, nbn released their latest Corporate Plan and this included a slower rollout than previously estimated.

While the lower volumes impact Telstra's outlook for FY19, it is anticipated these changes will be financially positive to Telstra over the full rollout due to the effects of the natural hedge.

We provided the market an update to guidance including this change last month. Our FY19 guidance is otherwise unchanged.

In FY19 we expect total income in the range of \$26.2 to \$28.1 billion.

We expect FY19 EBITDA, excluding restructuring costs to be in the range of \$8.7 to \$9.4 billion.

FY19 additional restructuring costs are expected to be around \$600m.

We expect FY19 net one off nbn Definitive Agreement receipts less nbn cost to connect, to be in the range of \$1.5 to \$1.7 billion.

We expect capex to be in the range of \$3.9 to \$4.4 billion.

Finally, we expect free cashflow to be in the range of \$3.1 to \$3.6 billion.

Conclusion

In closing I would like to add my thanks to that of the Chairman to our dedicated and hardworking team.

I know we are going through a challenging time at the moment and returns to shareholders are not what we would all like them to be. There is not an employee in the company who is not working extremely hard to deliver for our customers and for you our shareholders.

I am incredibly impressed with how passionately the whole team has embraced the need for change and engaged with our new T22 strategy.

Moreover they are doing so showing incredible resilience and courage against the background of the uncertainty created by the changes we need to make.

Thank you, and I will now hand back to the Chairman.

Annual General Meeting

2018



John Mullen
Chairman



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 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 2018 and in our 2018 Annual Report which was lodged with the ASX on 16 August 2018 and 31 August 2018 (respectively) and available on Telstra's Investor Centre website www.telstra.com/investor.

In addition to the risks and uncertainties outlined above, there are particular risks and uncertainties in connection with the implementation of Telstra2022 including the response of customers to changes in products, the risks of disruption from changes to the organisation structure; that detailed business plans have not been developed for the entirety of the strategy and the full scope and cost of Telstra2022 may vary as plans are developed and third parties engaged; Telstra's ability to execute and manage Telstra2022 in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed) and Telstra's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the plan.

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ITEMS OF BUSINESS

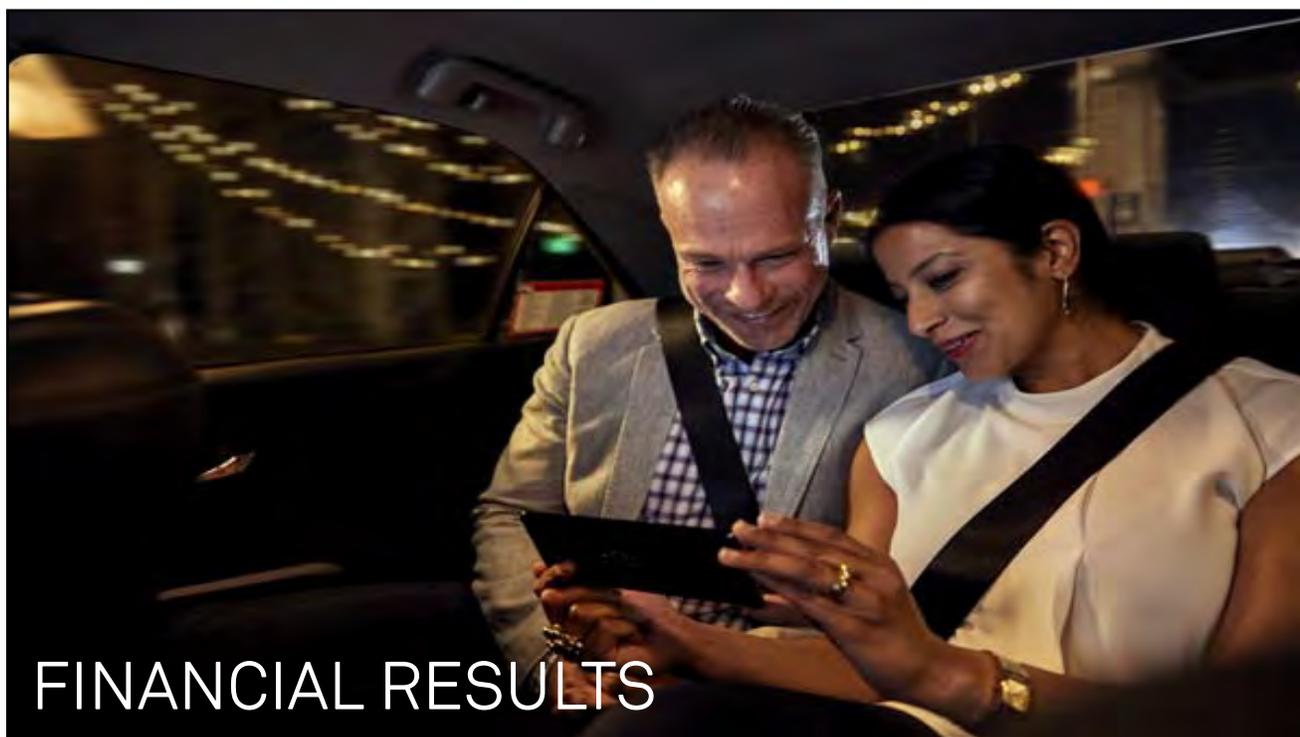
ITEM 1 Chairman and CEO Presentations

ITEM 2 Discussion of Financial Statements and Reports

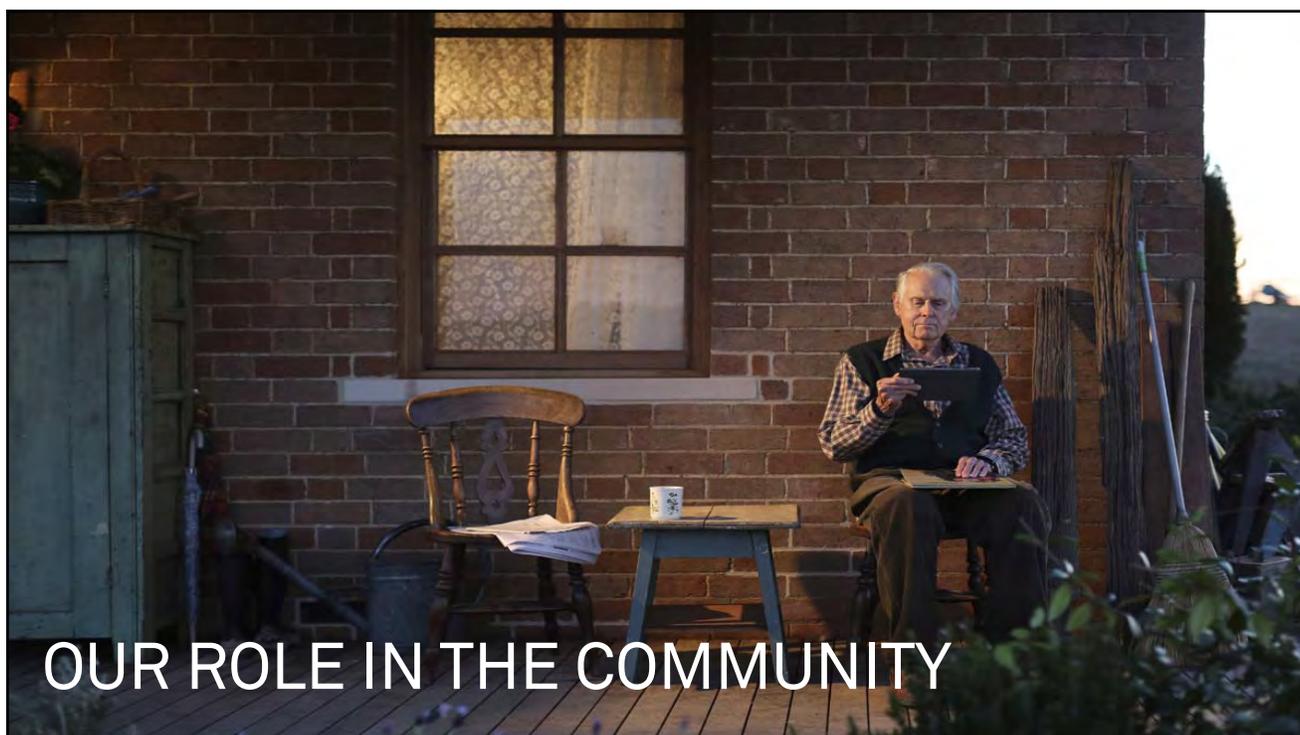
ITEM 3 Election and Re-election of Directors

ITEM 4 Remuneration Report



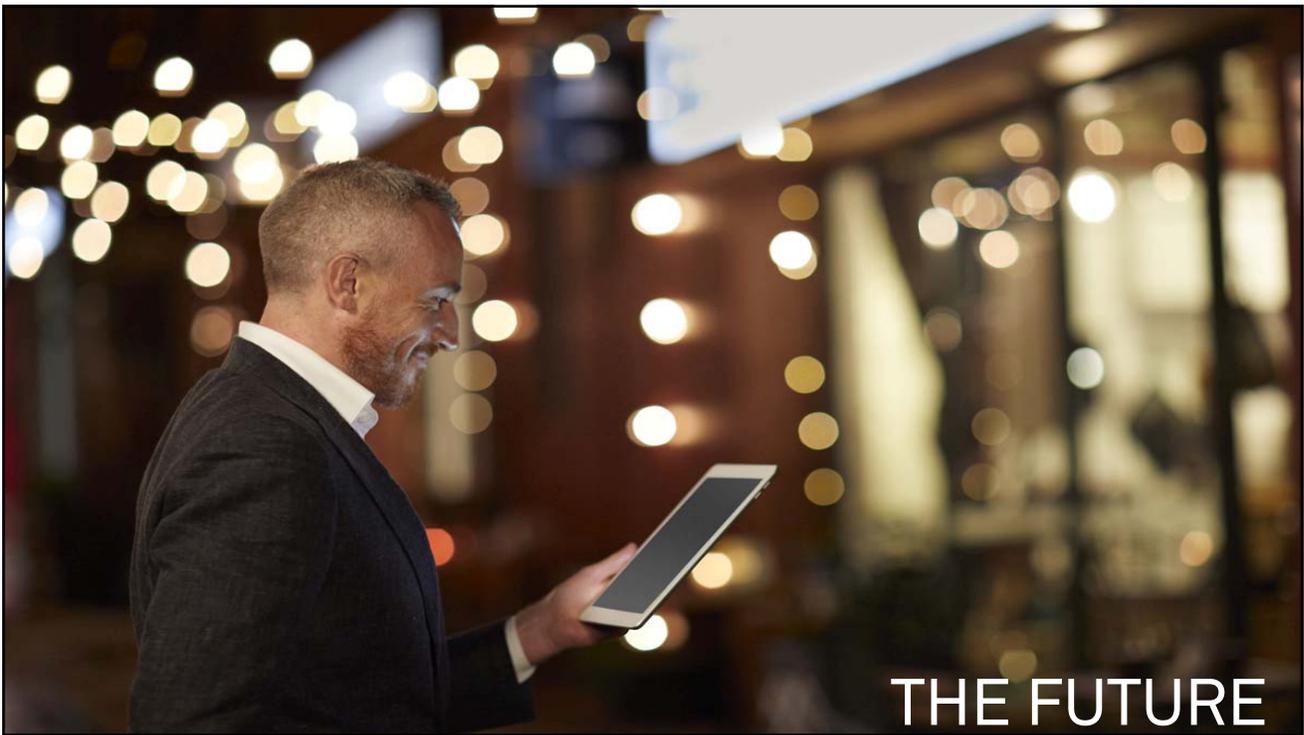


FINANCIAL RESULTS



OUR ROLE IN THE COMMUNITY

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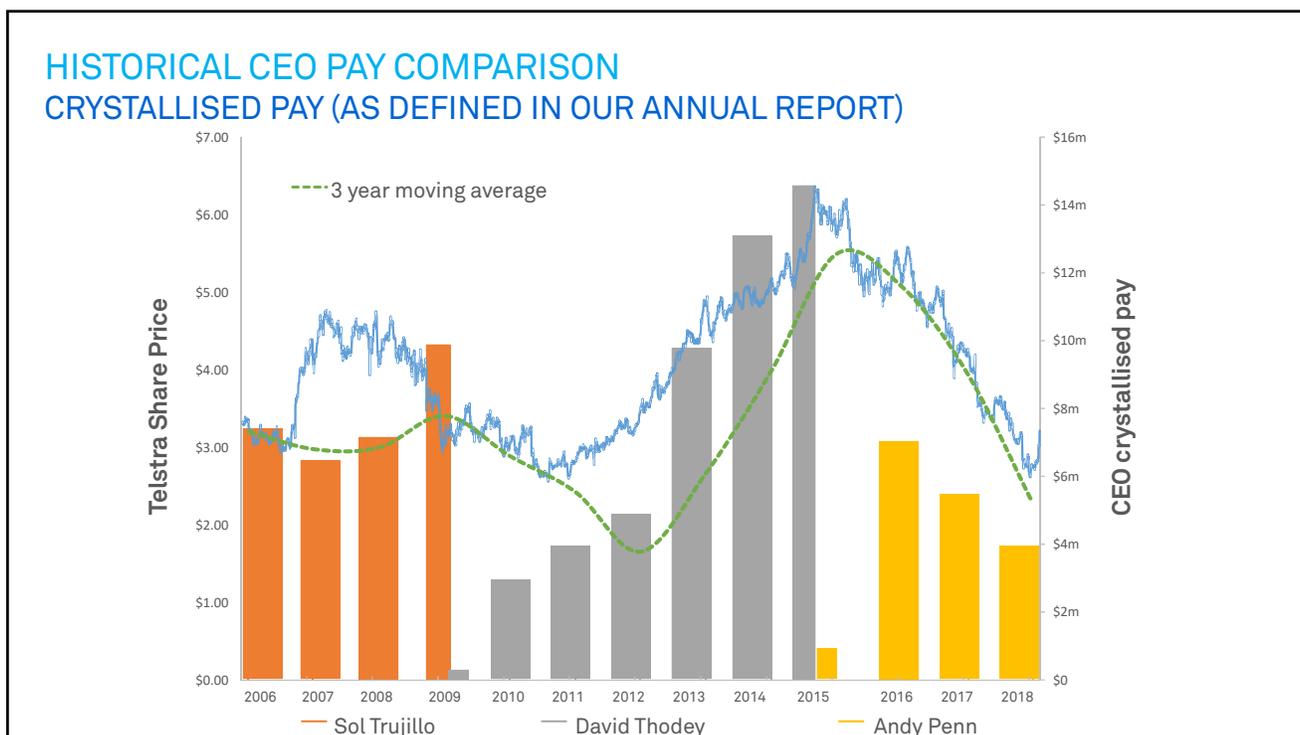
Telstra2022

- Digitising our entire core operation
- Reducing consumer plans to just 20
- Reducing 2-4 layers of management
- Eliminating the need for two thirds of customer service calls
- Continuing to provide the best network in Australia
- Taking out \$2.5 billion of cost



COMPETITIVE MARKET – INDUSTRY ISSUE
SHARE PRICE PERFORMANCE: FY 2016 TO FY 2018







Andrew Penn
Chief Executive Officer



AGENDA

-  **FY18 company performance**
-  **Progress in transforming the company**
-  **Future opportunities**
-  **FY19 guidance**

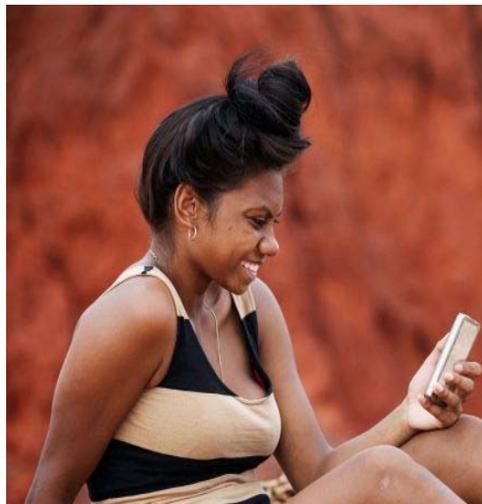


A YEAR OF SOLID PROGRESS

- Added 342,000 retail mobile subscribers, bringing total to 17.7 million
- Added 88,000 retail fixed broadband customers, bringing total to 3.6 million
- Network Applications and Services revenue increased by +8.6% to \$3.6 billion
- Global connectivity revenue increased by +5.1% in local currency, second half EBITDA +3%
- Strong Machine to Machine (IoT) revenue growth +13%



CUSTOMER HIGHLIGHTS



- Episode Net Promoter Score +5 points compared to June-17
- Improved digital experience: calls into contact centres reduced by 13% in FY18; Active 24/7 App users +22% to 4 million
- Unique experiences through our media portfolio: 2.3m Sports Live Pass users; >50% of Telstra homes are active entertainment users; 1.3m Telstra TV devices in market
- Leadership in nbn: 770k new nbn connections, 51% nbn market share (ex-satellite)



NATIONAL BROADBAND NETWORK

Telstra2022

Strategic pillars	Radically simplify our product offerings, eliminate customer pain points and create all digital experiences	Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout	Greatly simplify our structure and ways of working to empower our people and serve our customers	Industry leading cost reduction program and portfolio management		
Enabled by our \$3b investment program	New digital platforms					
	Australia's largest, fastest, safest, smartest and most reliable next generation network					
Delivering	Market leading customer experience	Simplified products, business and operating model	Extended network superiority and 5G leadership	Achieve Global High Performance Norm in employee engagement	Net cost productivity of \$2.5bn by FY22	Post-nbn ROIC > 10%



LEAVING LEGACY BEHIND



STRATEGIC INVESTMENTS

~\$1.8B INVESTED TO DATE



- Continue to lead in 4G: launch of 1st gigabit service, Voice over LTE, 4GX delivering twice the speed of normal 4G
- LTE-Broadcast launched to enable more efficient video streaming
- Added 500 new mobile sites (inc. black spots) plus ~400 small cells and upgraded a further 1,100 mobile sites
- IoT coverage: Cat M1 enabled nationally to 3 million km²; Narrowband IoT to 3.5 million km²
- >80% reduction in mobile customer outage hours since June 2016

GROWTH



Our network is 5G ready...

- Australia's first 5G Innovation Centre
- World first precinct of 5G-enabled Wi-Fi hotspots.
- Australia's first 5G connected Car
- >200 5G ready sites planned to be live around Australia by the end of this calendar year

FY19 GUIDANCE

	FY19 guidance ¹ (Updated 6 September 2018)
Total income ²	\$26.2b to \$28.1b
EBITDA excluding restructuring costs	\$8.7b to \$9.4b
Net one-off nbn DA receipts less nbn net C2C	\$1.5b to \$1.7b
Restructuring costs	~\$0.6b
Capex	\$3.9b to \$4.4b
Free cashflow	\$3.1b to \$3.6b

1. This guidance assumes wholesale product price stability and no impairments to investments or core assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY19 is broadly in accordance with the nbn Corporate Plan 2019. The guidance is provided on the basis of AASB15. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex.
2. Excluding finance income.



CONCLUSION

Thanks John and good morning fellow shareholders.

Our Remuneration Report details the remuneration framework and outcomes for Directors, the CEO and certain Senior Executives for the 2018 financial year.

Through our Remuneration Report we seek to enable you, our shareholders, to understand the links between our strategy, our business performance and remuneration outcomes.

In preparing this year's report, we have built on last year's report and further enhanced the transparency of our reporting. In particular, we have provided more detail on the targets set by the Board which drive variable remuneration outcomes and our performance against them.

Last week the Chairman also provided a letter to shareholders outlining in even greater detail the background to the 2018 Executive Variable Remuneration Plan (or EVP for short) its outcomes and the targets for our 2019 plan. Our disclosure of targets and outcomes is at the leading edge of ASX20 companies. No other ASX20 company provides the level of transparency for future annual variable targets as we have provided in our shareholder letter.

Further to the comments the Chairman has already made on remuneration in his opening remarks, I will focus on CEO and Senior Executive remuneration for the past year.

The two components of remuneration for the CEO and Senior Executives are "Fixed Remuneration" and "Variable Remuneration".

Each year we review CEO and Executive Fixed Remuneration in light of the company's remuneration budget, each executive's individual performance, their specific accountabilities and their remuneration relative to comparable roles in the ASX20.

The CEO received a modest 2.8% increase to his Fixed Remuneration effective 1 October 2017. It is important to note his fixed remuneration had not changed since he was appointed CEO in May 2015, so this equates to a less than 1% fixed remuneration pay rise per year since then.

With respect to Variable Remuneration, there are two important aspects I'd like to highlight this morning in relation to the 2018 financial year.

The first is the alignment between our remuneration structure and outcomes relative to both company performance and shareholder value.

The second is the Board's exercise of significant restraint in determining the outcome under the EVP. At its sole discretion, your Board reduced the EVP outcome by 30 per cent, after taking account of some critical issues, including your shareholder experience over the 2018 financial year.

As I explained at last year's meeting, the 2018 financial year saw the introduction of the then new EVP. This plan replaced our previous more traditional short-term and long-term incentive plans.

As the Chairman has highlighted, our remuneration structure is designed to tie executive financial rewards to the success of our strategy and shareholder outcomes. The EVP is fundamental in delivering against these objectives by combining both short and long-term performance assessments. Under the 2018 financial year plan:

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- the amount executives can receive is dependent on whether Telstra achieves particular financial and customer targets set by the Board and their individual performance
 - 65% of the award opportunity is delivered over the longer term through the use of equity, with a portion vesting over two years and another larger portion subject to Telstra's share price performance compared to other ASX100 companies (commonly referred to as Relative Total Shareholder Return or RTSR) measured over a 4 or 5 year period, and
 - finally, the Board maintains absolute discretion to ensure remuneration outcomes for executives are appropriate in the context of Telstra's performance, our customers' experience and our shareholders' expectations. Taking these factors into account in respect of the 2018 financial year, the Board reduced the EVP outcome for executives by 30%, which I will now explain in a bit more detail.

Telstra's full year results for the 2018 financial year were in line with guidance, delivering solid results in the context of very challenging market conditions, including dramatic technological change, and vastly increased competitive intensity.

Two of the three financial measures of the plan achieved or exceeded their targets, and one of the two customer experience measures exceeded its target.

Together with the progress made in defining our T22 strategy, the overall performance demonstrated reasonable delivery against our plan. This produced an initial outcome of 47% of the maximum payout opportunity under the plan (other than for the Telstra Wholesale executive who was subject to different targets for regulatory reasons, which is explained in our report).

However, the Board recognised that your shareholder experience was far less than satisfactory, after taking account of the decline in total shareholder returns over the 2018 financial year, coupled with the fact that Telstra underperformed against the ASX market and relevant peers in that respect.

In light of these issues, and as I've already said, the Board exercised its sole discretion and reduced the plan outcomes for the CEO and Group Executives for the year by 30%.

As a result, the CEO and Group Executives (other than Telstra Wholesale) received 33% of their maximum opportunity under the plan. For the CEO, this adjustment meant that his outcome under the plan was reduced by \$1.35 million for the 2018 financial year.

The actual pay and benefits the CEO and Senior Executives received or became entitled to in the 2018 financial year were also significantly lower compared with last year. For the CEO, his remuneration was 28% lower in comparison to last year and has almost halved in comparison to two years ago.

In addition, the CEO and Senior Executives did not receive any awards under the Long-Term Incentive Plan for the 2016 financial year, which was tested on 30 June 2018, as the minimum performance targets were not met.

Another component of our framework is our executive share ownership policy. This requires our CEO and Senior Executives to hold Telstra shares to the value of 100% of their Fixed Remuneration, within five years of appointment to Group Executive level. Andy continues to hold in excess of 100% of his fixed remuneration in Telstra shares, so he too shares your experience as a shareholder.

Turning to non-executive Director remuneration, non-executive Directors are remunerated with set fees and do not receive any “performance based” pay. This enables non-executive Directors to maintain independence and impartiality when making decisions affecting the future direction of the company.

Other than the change to Remuneration Committee fees which took effect from 1 July, 2017 and which we explained last year, there were no changes to the Board or other Committee fees during the year.

The Chairman’s Board fee has not changed since 2014, and the non-executive Director base fee has not changed since 2012.

To align the interests of non-executive Directors with those of our shareholders, we have in place a Director share ownership policy. In August, 2018, to further strengthen the alignment of our interests, the Board increased the minimum shareholding requirement to 100% of the value of the annual non-executive Director base fee. These shares must be acquired within five years of appointment. So we also share your experience as a shareholder.

As we have emphasised this morning, our executive remuneration structure is designed to align remuneration outcomes with company performance and long-term shareholder value creation. We believe the final Board determined remuneration outcomes for the CEO and Senior Executives for the 2018 financial year are consistent with this and the Board (other than Mr. Penn) has recommended shareholders vote in favour of the adoption of the Remuneration Report.

We recognise that, despite the action by the Board to reduce executive remuneration outcomes for 2018, a number of you are disappointed with this year’s remuneration outcome.

As the Chairman mentioned earlier, we will receive a first strike on our Remuneration Report today based on the proxy and direct voting position, which is now being shown on the slide behind me.

In both our 2018 Remuneration Report and the Chairman’s shareholder letter, we have provided information about our EVP for 2019, including why we believe shareholder interests are reflected in the plan we have set for management and the targets which underpin their variable pay opportunity, which are focused on delivery of our ambitious and bold Telstra 2022 strategy.

Following this meeting, we will continue to engage with our shareholders and other stakeholders, and listen to your feedback. We will consider opportunities to further enhance our reward structure. We will also continue to focus on the alignment of your interests with the interests of our executives, and the generation of long-term shareholder value.