



Full year 2020 results

Andrew Penn – Chief Executive Officer

How we have led through 2020



FY20 financial results in line with guidance



We are well positioned as we pass the midway point of our T22 strategy



During COVID, we have supported our customers, our people, the economy and shareholders



Maintained total dividend of 16cps¹ – returning \$1.9bn to shareholders from our FY20 results



Key principles behind our T22 strategy are more important than ever before



T22 is fundamental to the transformation of Telstra and the success of our customers

1. Total dividend of 16 cents per share fully franked comprising total ordinary dividend of 10 cents per share and total special dividend of 6 cents per share.



Financial headlines



Reported Total income \$26.2 billion, -5.9%	Reported lease adjusted ¹ Total income \$26.2 billion, -5.9%	Guidance basis ² Underlying EBITDA ³ \$7.4 billion, -9.7%
Reported EBITDA \$8.9 billion, +11.5%	Reported lease adjusted ¹ EBITDA \$8.4 billion, -0.3%	Underlying EBITDA growth ex in-year nbn headwind ³ : ~+\$40m In-year nbn headwind ³ ~\$830 million (LTD ~\$2.6b)
Reported NPAT: \$1.8 billion, -14.4% EPS: 15.3 cents, -15.5% FY20 total dividend: 16 cps ⁵	Reported lease adjusted ¹ NPAT: \$1.8 billion, -12.6%	Guidance basis ² Capex: \$3.2 billion, -22% FCF ⁴ : \$3.4 billion, +7.2%

1. Reported lease adjusted¹ includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.

2. This guidance assumed wholesale product price stability and no impairments in and to investments or property, plant and equipment and intangible assets, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumed the nbn rollout and migration in FY20 was broadly in accordance with the nbn Corporate Plan 2020. Guidance was provided on the basis of AASB16 Leases and assumed impacts consistent with management estimates. Capex was measured on an accrued basis and excluded expenditure on spectrum and externally funded capex and capitalised leases under AASB16 Leases. Refer to Full-year results and operations review – guidance vs reported results reconciliation schedule (set out in our ASX announcement titled "Financial results for the full year ended 30 June 2020" lodged with the ASX on 13 August 2020).

3. Refer to definition in the Glossary.

4. FY20 free cashflow defined as operating cash flows less investing cash flows less operating leases (reported in financing cash flows under AASB16 Leases).

5. Total dividend of 16 cents per share fully franked comprising total ordinary dividend of 10 cents per share and total special dividend of 6 cents per share.

Operating highlights



Continued growth in customers through multi-brand strategy

Mobile service net adds

- +240k retail postpaid handheld services including +86k branded, +154k Belong
- +171k retail prepaid handheld unique users
- +347k wholesale MVNO including prepaid, postpaid and IoT services
- +652k retail IoT services

Fixed service net adds

- +80k retail fixed bundle and data services including +79k Belong
- +620k nbn connections with 46% estimated market share (ex-satellite) as at end of FY20

Belong has >730k services making it one of the largest operators in Australia

Continued cost reduction

- \$615m or 9.2% underlying fixed cost reduction in FY20
- \$1.8bn underlying fixed cost reduction achieved since FY16
- 10% decline in FY20 total operating expenses (reported lease adjusted¹)

Customer experience

- T22 enabled digital engagement with our customers grew substantially
- Our aspiration is to bring all in-bound calls from Consumer & Small Business customers onshore by the end of T22
- Episode NPS declined -2 (1H20 improved +2, 2H20 declined -4)
- Strategic NPS improvement +5

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Operating highlights (cont.)



Building value

Mobile

- \$2 TMMC growth in mass market branded
- New mobile postpaid handheld pricing from July 2020 with increased data allowances and 5G included on most plans

Fixed

- nbn wholesale pricing remains the largest negative impact on our fixed business
- 71% or 2m homes with Smart Modem
- Recently announced boosts to download speeds and WiFi guarantee

NAS

- NAS FY20 EBITDA growth \$233m
- EBITDA margin +7pp to 18%

Global connectivity

- Global connectivity FY20 EBITDA growth \$90m
- EBITDA margin +5pp to 27%

Telstra Health

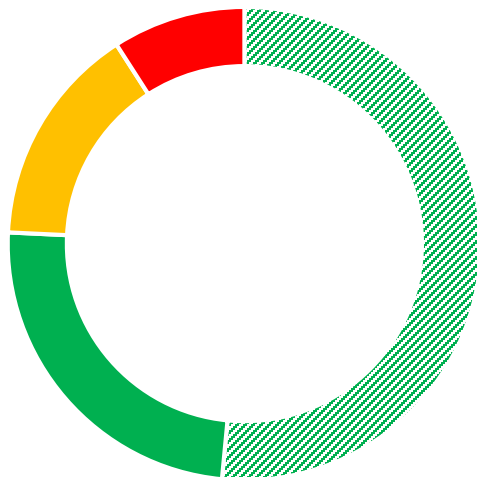
- Telstra Health FY20 revenue growth 12%
- Positive EBITDA for the first time in May 2020
- Telstra Health is strategically well positioned in growing market

T22 strategy | Passed the midway point



Achievements

T22 Scorecard metrics – as at FY20



- Completed
- On track for delivery
- Progress but below target metric
- Below target metric

T22 | Pillar One

- Reduced C&SB in market plans from ~1800 to 20. >4.8m services on in market plans
- Reduced Enterprise active products by 35% since FY18 to 422
- Delivered front end digital platforms. Increased digital service interactions to 71% and digital sales to 30%. Reduced contact centre calls by 42% since FY18 and by nearly 23m since FY16
- Active Telstra Connect Enterprise customers increased to ~6.6k
- New propositions – Telstra Plus, Telstra Purple and Gaming. >2m Telstra Plus members

T22 strategy | Passed the midway point (cont.)



Achievements (cont.)

T22 | Pillar Two

- Established Telstra InfraCo with revised asset base from July 2020

T22 | Pillar Three

- Removed on average >four layers of management. Announced 7.3k direct FTE reduction and 12k indirect FTE reduction. >10k working in Agile and 25k working from home
- Employee engagement at all time high +16pt to 83

T22 | Pillar Four

- Solid delivery on productivity - \$1.8bn
- Monetised assets announced of >\$1.5bn

T22 | Network leadership

- #1 in major mobile network leadership surveys since T22 launch
- Clear leadership on 5G
 - Expanded 5G rollout to selected areas within 53 cities and towns across Australia
 - Our 5G network covers around one third of the Australian population and we intend to extend that to 75% of the population by June next year
 - 210k 5G devices are already connected to the Telstra network

T22 strategy | Scorecard



Outcomes	Customers	Simplification	Network	Employees	Cost reduction	Balance sheet
	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 > 7% ¹
Metrics & Measures	<ul style="list-style-type: none"> ● Increase NPS 3 to 6 points pa ● Double active app users from 4m to 8m by FY22 – 6m active users by FY20 ✓ 24% of Consumer & Small Business sales transactions through the digital channel by FY20 ✓ 4,000 active Enterprise customers on Telstra Connect by FY20 ● Increase average services per customer ● Eliminate two thirds of mass market servicing calls by FY22 – one third by FY20 ✓ 2m Telstra Plus members by FY20 	<ul style="list-style-type: none"> ✓ Build and launch new digital technology stack in FY19 ● Complete Digitisation program with key products built on the new stack ✓ Simplify from ~1800 to ~20 active Consumer & Small Business plans ✓ >3m services on in-market Consumer & Small Business plans by FY20 ● Migrate all Consumer & Small Business customers to the new product range on the new digital technology stack by FY21 ● Rationalise 50% of Enterprise products by FY21 ✓ Reduce 2 to 4 management layers in the organisation ✓ 700 apps decommissioned or contained by FY20 	<ul style="list-style-type: none"> ● Lead in all key industry network performance surveys from FY19 ✓ Network ready for 5G in H1 FY19 ✓ Full commercial deployment of 5G in capital cities, major regional centres and other high demand areas by FY20 ● Deliver 5x data growth at flat costs by FY21 	<ul style="list-style-type: none"> ✓ 80% of Agile teams at level 3 of Agile Maturity by FY20 ✓ 1 quartile increase in ease of doing business management practices of Organisational Health Index (OHI) by FY20 ● Increase employee engagement score 10 points ● Reduce total FTE by 8,000 net by FY22 	<ul style="list-style-type: none"> ✓ Net cost productivity – more than \$1.5bn cumulatively delivered by FY20 ● Total costs will be flat or decline in each year from FY18 ● Absorb nbn CVC/AVC costs ● Labour cost to sales ratio to decline ~one third by FY22 ● Top quartile cost metrics for full-service telco by FY22 	<ul style="list-style-type: none"> ● Underlying ROIC to improve from FY19 to FY22 ● Monetise assets of up to \$2bn by FY20 ✓ Establish standalone infrastructure business unit with effect from 1 July 2018 ✓ High level SLA's for infrastructure business to be defined by 1 October 2018 and segment reporting by 31/12/18 ✓ Telstra InfraCo fully operational by June 19 ✓ EBITDA benefits of >\$500m p.a. from \$3bn strategic investment realised by FY21

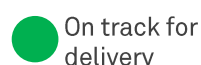
1. Post-nbn defined as FY23 on AASB16 basis. Targeted outcome reduced from >10% in August 2020.



Completed



Completed after due date



On track for delivery



Progress but below target metric



Below target metric



Early progress /development

FY21 priorities



Staying committed to simplification



Completing our Digitisation program to make a real difference to customer experience



Realising value from our strategic shift in Telstra Enterprise with our Adaptive Networks and Mobility products



Maturing our ways of working and embedding our new operating model



Extending our leadership in 5G and realising value from our strategic investment in networks. This includes launching targeted fixed wireless



Ensuring InfraCo is fully operational and driving increased value from passive assets



Continuing to deliver our \$2.5bn productivity target including \$400m in FY21



Summary



2020 has highlighted the importance of connectivity and the role we play in the digital economy



T22 is transforming us to a simpler, more digital and more agile business built around our purpose and values and a commitment to responsible business



FY20 financial results in line with guidance



Maintained FY20 total dividend of 16cps¹

1.Total dividend of 16 cents per share fully franked comprising total ordinary dividend of 10 cents per share and total special dividend of 6 cents per share.



Disclaimer



These presentations include certain forward-looking statements. The forward-looking statements are based on certain assumptions and information known by Telstra as at the date of these presentations.

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In addition, 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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The assumptions underlying and the basis upon which we have provided our FY21 earnings guidance is set out on slide "FY21 guidance". Defined terms are set out on the slide "Glossary".

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