

ASX CEO Connect

19 February 2019

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These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements.

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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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AASB 15 superseded the existing accounting standards and interpretations for revenue and subscriber acquisition costs in the telecommunications industry. We have adopted AASB 15 from 1 July 2018 and applied the standard retrospectively to prior reporting periods from 1 July 2017 (‘transition date’). As a result, comparatives have been restated where applicable. For further detail refer to Note 1.4 ‘Adoption of the new accounting standards’ in half-year financial report.

All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences.

All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.

All amounts are in Australian Dollars unless otherwise stated.

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Who we are



Telstra is Australia's leading telecommunications and technology company with a 117 year history. Our purpose is to create a brilliant connected future for everyone.

Size and scale

1.3m

Shareholders

\$37b

Company

Public **ASX20** Company

#364 on Forbes' Global 2000

Australia's
most valuable brand

Footprint

18.0m

retail mobile services in Australia

1.7m

retail fixed voice services

3.7m

retail bundle and data services

~350

retail stores around Australia

We currently operate in
20+ countries and territories outside of Australia

People

Outside of Australia we currently employ more than
3000 people across 13 countries

Awarded 2018
Employer of Choice for Gender Equality by the WGEA* for the
4th time

* Australian Government's 'Workplace Gender Equality Agency'

Half year 2019 results | Headlines



Reported Total income ³ \$13.8 billion, -4.1%	Guidance basis ¹ Total income ³ \$13.8 billion, -3.9%	Underlying ² Total income ³ \$12.8 billion, -1.8%
Reported EBITDA \$4.3 billion, -16.4%	Guidance basis ¹ EBITDA excluding restructuring \$4.7 billion, -15.1%	Underlying ² EBITDA excluding restructuring \$3.9 billion, -11.2%
Reported NPAT \$1.2 billion, -27.4%	Reported EPS: 10.4 cents FY19 interim dividend: 8 cps ⁴	

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.
2. Underlying basis includes guidance adjustments and excludes one-off nbn DA and connection income, and one-off nbn DA and cost to connect (C2C) expenses.
3. Excluding finance income.
4. Interim dividend of 8 cents per share fully franked, comprising ordinary dividend of 5 cents per share and special dividend of 3 cents per share.

Strong customer adds and T22 momentum



Continued growth in customer numbers

Added net new mobile services in the half:

- +240k retail mobile services to 18.0m as at end of 1H19
 - +239k retail postpaid services to 8.1m as at end of 1H19
 - +115k Belong services included in net new retail postpaid services in the half
 - +261k IoT services
 - -90k prepaid handheld and -170k mobile broadband services
- +125k wholesale services to 1.1m as at end of 1H19

Mobile revenue growth +2.4% on PCP:

- Service revenue -0.3%
- Hardware revenue +9.8%
- IoT revenue +35.6%

Added net new fixed services in the half:

- +64k retail bundle and data services to 3.7m as at end of 1H19
- +22k Belong services included in net new retail bundle and data services in the half
- +308k nbn connections to 2.3m nbn™ network connections or 51% market share (excluding satellite) as at end of 1H19

Momentum in cost reduction program

- 4.2% or \$162m reduction in underlying fixed costs in first half
- ~\$900m cost reduction since FY16

On track to achieve \$2.5b net cost reduction target by FY22

Total costs in FY19 expected to be broadly flat on FY18 excluding restructuring costs

Episode NPS improvement of +2 over the last 6 months (+6 vs Dec-17)

Strategic NPS improvement of +3 over the last 6 months (+9 vs Dec-17)

We are executing against our T22 strategy



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					
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%

Leading into the 5G era

Our close relationships with key technology partners like Ericsson and Qualcomm mean we are at the global forefront of 5G and will have first-mover advantage. Our 5G preparations have included:

2017

- Our world-first 5G trial data call over mmWave using our production core network

2018

- February: our 5G Innovation Centre launched, delivering the world's first precinct of 5G-enabled Wi-Fi hotspots, Australia's first 5G connected vehicle and an end-to-end non-standalone data call on a commercial mobile network.
- August: started switching on 5G on the Gold Coast; first regional city site in Toowoomba
- September: hosted 3GPP supporting the progression of global 5G standards
- October: rollout of 5G-enabled mobile base stations in Adelaide, Canberra and Perth
- November: in partnership with Ericsson and Qualcomm, we achieved Australia's first use of a commercial 5G chipset in a form factor device over our commercial spectrum
- December: world first connection of a 5G commercial mid-band device and Australia's first 5G video call. \$386m invested to secure an additional 30-80MHz nationwide in 5G spectrum auction. **Network ready for 5G as at end of 1H19 with 207 5G mobile base stations enabled across the country at the end of the half against our target of 200**
- January: Announced partnerships to deliver Telstra customers exclusive access to 5G commercial smartphones in the first half of 2019, which will connect to Australia's first 5G-ready network



Summary



Continued growth in customer numbers

We are making good progress in executing against our T22 strategy

Our financial results reflect the impacts of the nbn rollout and increased competition

We are more than half way through estimated \$3b negative recurring EBITDA nbn impact

T22 strategy is delivering the new platforms and systems that will help us transform our business

We are leading into the 5G era

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