

11 November 2015

**Office of the Company Secretary**

The Manager

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**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Morgan Stanley European TMT Conference – presentation material**

In accordance with the Listing Rules, I attach the material to be presented to investors at Morgan Stanley's European TMT Conference in Barcelona on 11 November, for release to the market.

Yours faithfully



**Damien Coleman**  
Company Secretary



# TELSTRA

MORGAN STANLEY  
EUROPEAN TMT CONFERENCE  
11 NOVEMBER 2015

ANDREW PENN  
CHIEF EXECUTIVE OFFICER

WARWICK BRAY  
CHIEF FINANCIAL OFFICER













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# WE ARE AUSTRALIA'S LEADING TELECOMMUNICATIONS AND TECHNOLOGY COMPANY

<b>People</b>  <b>~36,000<sup>1</sup></b> employees across 20 countries	<b>One of Australia's largest shareholder bases</b>  <b>1.4m</b> shareholders	<b>Australia's 7<sup>th</sup> largest listed company</b> <b>The world's 13<sup>th</sup> largest listed telco</b>  <b>A\$66.0b<sup>2</sup></b> market capitalisation as at 30 October 2015	<b>Australia's largest fully integrated IP network</b>  <b>95%</b> of Australian businesses covered by our network
<b>Australia's largest mobile network</b>  <b>4G</b> service reaching 94% of the Australian population	 <b>16.7m</b> Domestic retail mobile services		<b>Launched Australia's largest Wi-Fi network</b>  <b>2m</b> Australian Telstra Air hotspots by 2020
	 <b>6m</b> Fixed voice retail services	 <b>3.1m</b> Fixed data retail services	 <b>2.8m</b> Australian Foxtel Pay TV subscribers

1. Number of employees and span of countries as at 30 June 2015.  
 2. Share price of A\$5.40, 12,226m shares on issue.  
 3. Telstra is a 50% owner of Foxtel.  
 Source: Telstra Annual Report 2015.

# OUR VISION AND STRATEGY

<b>Purpose:</b>	To create a brilliant connected future for everyone			
<b>Vision:</b>	To be a world class technology company that empowers people to connect			
	Customer service	Technology	Networks	Delivery
<b>Strategy:</b>	Improve customer advocacy 	Drive value and growth from the core 		Build new growth businesses 

# FY16 PRIORITIES

Continue to consolidate our network leadership

Up the ante on our productivity programme

Win in the NBN market and transform our cost to acquire

Continue to invest in long term growth

Bring to life what it means to be a world class technology company

# OUR NBN STRATEGY: SETTING OUR SERVICES APART

OFFERING THE BEST CONNECTION, BEST NETWORK EXPERIENCE



CREATING ONLY WITH TELSTRA PRODUCT & MEDIA EXPERIENCES



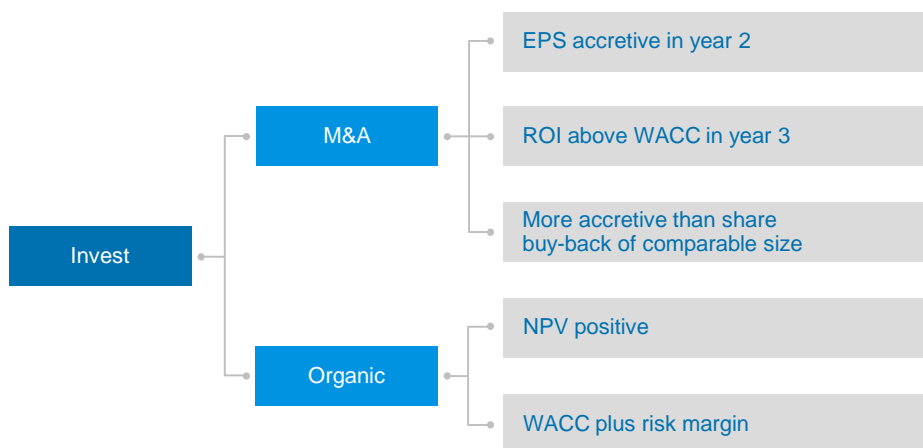
SEGMENTING OFFERS & PERSONALISING SERVICE



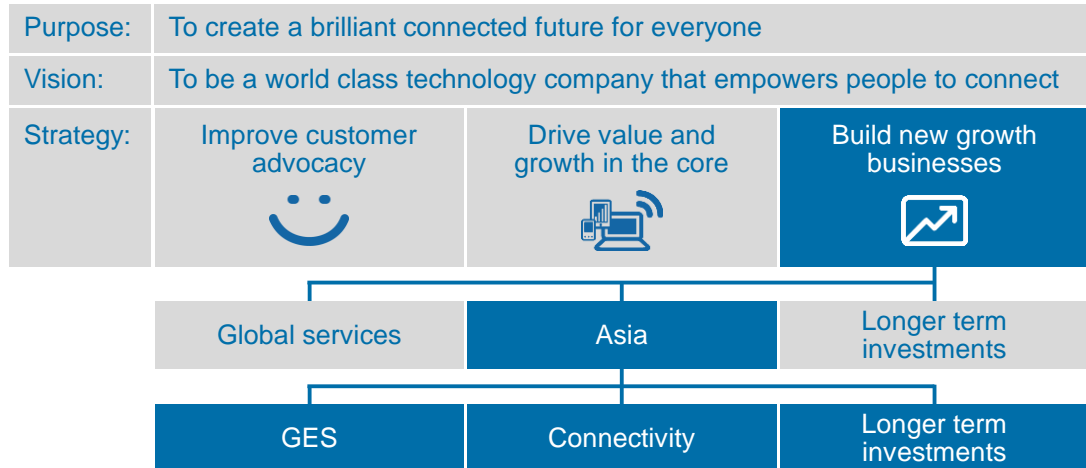
# CAPITAL & PORTFOLIO MANAGEMENT

FISCAL DISCIPLINE			
OBJECTIVES	1 MAXIMISING RETURNS FOR SHAREHOLDERS	2 MAINTAINING FINANCIAL STRENGTH	3 RETAIN FINANCIAL FLEXIBILITY
PRINCIPLES	<ol style="list-style-type: none"> <li>1. Maintain balance sheet settings consistent with a single-A credit rating</li> <li>2. Ensure dividend remains fully-franked and seek to increase it over time<sup>1</sup></li> <li>3. Target medium-term capex/sales ratio ~14% excluding spectrum payments</li> <li>4. Over a full year we will not borrow to pay the dividend or fund capital returns</li> <li>5. Maintain flexibility for portfolio management and to make strategic investments</li> </ol>		


# INVESTMENT GUIDELINES



# ASIA IS AN INTEGRAL PART OF OUR STRATEGY



# NAS – KEY TO OUR STRATEGY

Vision	World class connectivity and service solutions <i>Creating transformational customer experiences</i>					
Our key differentiators	Customer focused approach	Market leading innovative solutions	Integrated offerings	Best networks	Scale and reach	
Our strategic priorities	Drive customer advocacy leadership		Evolve business mix, grow internationally		Strengthen foundation for profitable growth	
	<ul style="list-style-type: none"> <li>Digitisation of customer experience</li> <li>Strengthened integrated service management</li> <li>Process improvement</li> </ul>		<ul style="list-style-type: none"> <li>Growing software centric services globally e.g. Cloud, SDN</li> <li>Expanding security, mobility, mid-market services</li> </ul>		<ul style="list-style-type: none"> <li>Globalising operating model</li> <li>Transforming business towards a scalable global platform</li> <li>Increasing standardisation and automation</li> </ul>	

## FY16 GUIDANCE<sup>1</sup>

MEASURE	FY15 BASELINE	FY16 GUIDANCE
Total income	\$26.6b	Mid-single digit growth
EBITDA	\$10.7b	Low-single digit growth
Capex to sales	13.9%	~15%
Free cashflow	\$5.0b	\$4.6b - \$5.1b

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1. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex.



## TELSTRA FULL YEAR 2015 RESULTS



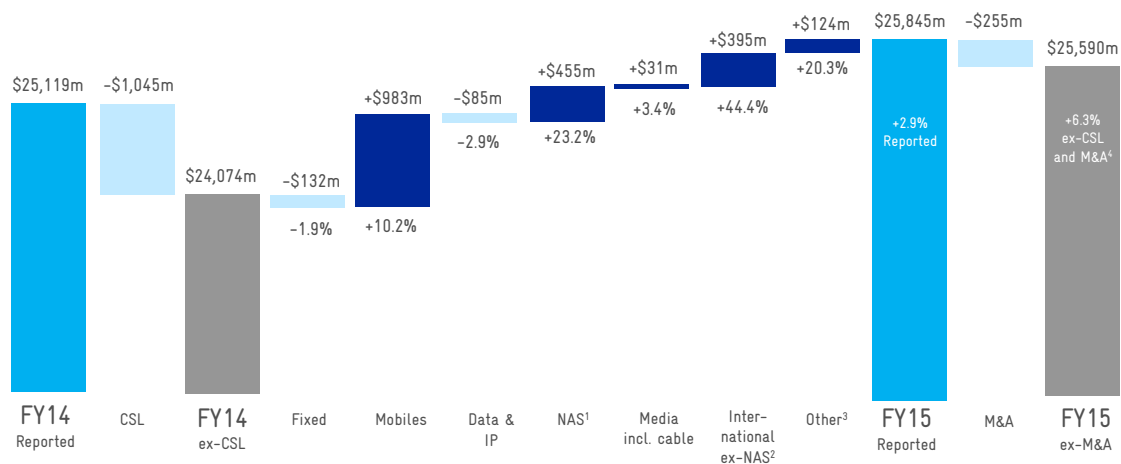
## GROUP RESULTS – INCOME STATEMENT

	FY14	FY15	GROWTH (reported basis)	GROWTH (guidance basis <sup>1</sup> )	GROWTH (guidance & ex- CSL basis <sup>2</sup> )
Sales revenue	\$25.1b	\$25.8b	2.9%	1.9%	6.3%
<b>Total income<sup>3</sup></b>	<b>\$26.3b</b>	<b>\$26.6b</b>	<b>1.2%</b>	<b>2.3%</b>	<b>6.6%</b>
Operating expenses	\$15.2b	\$15.9b	4.6%	2.5%	8.0%
<b>EBITDA</b>	<b>\$11.1b</b>	<b>\$10.7b</b>	<b>-3.5%</b>	<b>2.0%</b>	<b>4.5%</b>
Depreciation and amortisation	\$4.0b	\$4.0b	0.8%		
<b>EBIT</b>	<b>\$7.2b</b>	<b>\$6.8b</b>	<b>-5.9%</b>		
Net finance costs	\$1.0b	\$0.7b	-28.0%		
Income tax expense	\$1.7b	\$1.8b	6.4%		
<b>NPAT from continuing operations</b>	<b>\$4.5b</b>	<b>\$4.3b</b>	<b>-5.8%</b>		
<b>(Loss)/Profit from discontinued operations</b>	<b>-\$0.2b</b>	<b>-</b>	<b>n/m</b>		
<b>NPAT<sup>4</sup></b>	<b>\$4.3b</b>	<b>\$4.3b</b>	<b>-0.9%</b>		
<b>Basic earnings per share<sup>4</sup> (cents)</b>	<b>34.4</b>	<b>34.5</b>	<b>0.3%</b>		

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1. Guidance basis assumed wholesale product price stability, no impairments to investments, excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The FY15 guidance baseline excluded the FY14 CSL profit on sale of \$561m from FY14 income and EBITDA.
  2. Guidance and ex-CSL is on a guidance basis and excluding FY14 sales revenue from CSL operating of \$1,045m, profit on sale of \$561m and net EBITDA of \$822m (including profit on sale of \$561m and operating EBITDA of \$261m). CSL was divested in May 2014.
  3. Total income excludes finance income.
  4. NPAT and basic earnings per share from continuing and discontinued operations.



## PRODUCT PERFORMANCE SALES REVENUE GROWTH MAINTAINED



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1. Network Applications and Services (NAS) includes domestic and international NAS.
  2. International includes China Digital Media (Autohome) and global connectivity. Excludes CSL and international NAS. CSL was divested in May 2014.
  3. Other includes NBN Infrastructure Services Agreement, Health, Software and miscellaneous product revenue. Prior period includes NBN Information Campaign and Migration Deal.
  4. Underlying sales revenue growth is calculated from a FY14 baseline which excludes operating revenue from CSL.





## PRODUCT PERFORMANCE: MOBILES CONTINUED REVENUE GROWTH

MOBILES	FY14	FY15	GROWTH
Revenue	\$9,668m	<b>\$10,651m</b>	10.2%
- Postpaid handheld	\$5,006m	<b>\$5,389m</b>	7.7%
- Prepaid handheld	\$879m	<b>\$994m</b>	13.1%
- Mobile broadband	\$1,287m	<b>\$1,290m</b>	0.2%
- Machine to Machine	\$101m	<b>\$113m</b>	11.9%
- Hardware	\$1,493m	<b>\$1,886m</b>	26.3%
- Other <sup>1</sup>	\$902m	<b>\$979m</b>	8.5%
EBITDA margin	40%	<b>40%</b>	-
Customers	16.0m	<b>16.7m</b>	4.1%
Postpaid handheld ARPU ex. MRO <sup>2</sup>	\$66.57	<b>\$69.51</b>	4.4%
Postpaid handheld ARPU inc. MRO	\$58.70	<b>\$61.94</b>	5.5%
Postpaid handheld churn	10.3%	<b>11.5%</b>	+1.2pp

1. Other includes satellite, wholesale and interconnect.

2. Prior year adjustment due to an incorrect omission of a number of Telstra Business MRO accounts from the calculated ARPU.

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- Mobile services revenue growth of 7.2% was strongest rate of growth in three years.
- Postpaid handheld revenue growth driven by 1.6% SIO growth and 4.4% ARPU ex. MRO growth through improved plan mix across segments, including business and enterprise.
- Prepaid handheld revenue growth driven by 3.5% unique user growth and 6.7% ARPU growth due to higher data usage.
- M2M continues to grow due to successful expansion into transport and banking sectors.
- Handheld, mobile broadband and M2M businesses showed slower 2H growth than 1H. Postpaid handheld slowed due to lower excess data rates and higher data allowances.
- Retail mobile customer growth of 664,000 including 298,000 in 2H15 (1H15 366,000).



## PRODUCT PERFORMANCE: FIXED SOLID RESULTS WITH CONTINUED FIXED DATA GROWTH

FIXED	FY14	FY15	GROWTH
Revenue	\$7,076m	<b>\$6,944m</b>	-1.9%
- Fixed voice <sup>1</sup>	\$4,032m	<b>\$3,746m</b>	-7.1%
- Fixed data <sup>2</sup>	\$2,218m	<b>\$2,379m</b>	7.3%
- Other fixed <sup>3</sup>	\$826m	<b>\$819m</b>	-0.8%
EBITDA margin – fixed voice	59%	<b>55%</b>	-4pp
EBITDA margin – fixed data	41%	<b>41%</b>	-
Fixed voice customers – retail	6.2m	<b>6.0m</b>	-4.2%
Fixed data customers – retail	3.0m	<b>3.1m</b>	6.4%
Fixed bundle customers – consumer	1.8m	<b>2.1m</b>	13.6%

1. Fixed voice includes PSTN and voice revenue. FY14 restated to exclude \$2m local number portability now recognised as other fixed revenue.

2. Fixed data includes fixed broadband and data revenue.

3. Other fixed includes customer premises equipment; intercarrier access services (including ULL) and payphone. FY14 restated to exclude \$251m NBN Infrastructure Services Agreement (now in other sales revenue), \$4m of advertising media content revenue (now in media); and includes \$86m voice services (previously Sensis and Advertising) and \$2m local number portability (previously fixed voice).

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- Fixed voice revenue decline lowest in five years driven by improved product offers and customer retention, and ARPU decline maintained at 4.3%.
- Retail fixed data revenue growth driven by highest subscriber growth in three years (+189,000) and 1.1% ARPU growth.
- Fixed data EBITDA margin includes underlying improvement offset by upfront costs in connecting NBN customers.
- In FY15, we grew NBN connections by 126,000 to 211,000.
- 280,000 retail bundles added driven by the success of Entertainer bundles and strong offers in market.
- 71% of the retail fixed data customer base now on a bundled plan.



## NBN DEFINITIVE AGREEMENTS

### NBN INCOME OF \$811m

NBN	FY14	FY15	GROWTH
Income	\$640m	<b>\$811m</b>	26.7%
- Commonwealth agreements and other Govt. policy commitments <sup>1</sup>	\$259m	<b>\$132m</b>	-49.0%
- Infrastructure Services Agreement (ISA) <sup>2</sup>	\$316m	<b>\$516m</b>	63.3%
- PSAA <sup>3</sup>	\$66m	<b>\$163m</b>	147.0%

- Reduction in receipts from Commonwealth Agreements following full recognition of Information Campaign and Migration Deed in FY14.
- Strong growth in infrastructure access (ISA income) and disconnections (PSAA income) driven by increased progress of NBN rollout.
- The transit build within the ISA is complete, while the access stream of work is ongoing.
- Telstra signed a contract with NBN in December 2014 to provide planning and design services and new Definitive Agreements became effective in June 2015 to support the NBN multi technology build.

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1. This includes retraining and TUSMA booked as other income, and Information Campaign and Migration Deed booked as other sales revenue, TUSMA income is net of the levy paid. All items in "other" segment.  
 2. Infrastructure Services Agreement booked as other sales revenue and other income in Telstra Wholesale segment.  
 3. Per Subscriber Address Amount (PSAA) booked as other income and recognised in "other" segment.

