



19 September 2016

Office of the Company Secretary

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Retail Shareholder Information Meetings

In accordance with the Listing Rules, I attach the presentation to be made at the Telstra Retail Shareholder Information meetings, for release to the market. The meetings are being held at the following locations:

Location	Date
Melbourne (and Adelaide & Perth venues via webcast)	19 September 2016
Sydney (and Canberra venue via webcast)	20 September 2016
Brisbane	21 September 2016

A recording will be available for viewing after the event at www.telstra.com.au/aboutus/investors/key-dates/shareholdermeetings.

Yours faithfully

Damien Coleman
Company Secretary

Telstra retail shareholder information meeting 2016

Andrew Penn,
Chief Executive Officer

Warwick Bray,
Chief Financial Officer



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- All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences.
- All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.
- All amounts are in Australian Dollars unless otherwise stated.
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Andrew Penn, Chief Executive Officer



Full Year 2016 Highlights

Reported, continuing and discontinued basis

↑ Net profit after tax
\$5.8 billion, +35.9%



Added 560,000 retail mobile customer services



Retail fixed broadband customer growth of 235,000



Retail fixed bundle growth of 322,000



nbn connections grew by 289,000 to 500,000



GES income grew by 11.5% including 55.5% growth from GES International

\$1.8 billion profit on the sale of Autohome shares

\$1.5 billion to be returned to shareholders via capital management

Final dividend of 15.5 cents per share

↑ EPS of 47.4 cents, +37.4% (31.6 cents, -5.7% on a continuing basis)







Strategic NPS 4 points lower

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We are committed to strengthening our network leadership

<p>Network interruptions</p> <ul style="list-style-type: none"> • Network interruptions impacted customers in 2H16 • Undertaken extensive end to end review of core networks involving international experts to help pinpoint sources of potential risk and reduce the likelihood of future outages 	<p>Speed</p> <p>Average speed of a 4G customers device has improved by 25%</p> 	<p>Recovery</p> <p>Mobile network recovery time 8x faster compared to February 2016</p> 
<p>Network resilience program</p> <p>\$250 million investment announced in FY16 including:</p> <ul style="list-style-type: none"> • Mobiles: \$50 million to improve recovery time and improve monitoring • Core: \$100 million to improve resilience and reliability • Broadband: \$100 million to increase ADSL capacity to meet customer demand 	<p>Coverage</p> <p>Largest mobile coverage reaching 99.3% of the population and extending over 2.4 million sq. km</p> 	



Warwick Bray, Chief Financial Officer



Group results – Income Statement

	FY15 ¹	FY16	GROWTH (reported basis)	GROWTH (guidance basis ²)
Sales revenue	\$25.4b	\$25.8b	1.9%	4.7%
Total Income ³	\$26.1b	\$27.1b	3.6%	6.3%
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	\$10.5b	\$10.5b	-0.6%	2.6%
Net profit after tax (NPAT) from continuing operations	\$4.1b	\$3.8b	-6.9%	
Basic earnings per share from continuing operations (cents)	33.5	31.6	-5.7%	
Profit from discontinued operations ¹	\$0.2b	\$2.0b	n/m	
NPAT from continuing and discontinued operations	\$4.3b	\$5.8b	35.9%	
Basic earnings per share (cents)	34.5	47.4	37.4%	

1. FY15 reclassified to reflect Autohome being a discontinued operation. FY16 profit from discontinued operations includes \$1.8b profit from the sale of Autohome shares.

2. This guidance assumed wholesale product price stability from the beginning of the financial year and no impairments to investments, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excluded externally funded capex.

3. Total income excludes finance income.

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Group results – financial measures

	FY15	FY16	GROWTH (reported basis)	FY16 (guidance basis ¹)
Capex ²	\$3.6b	\$4.0b	12.7%	
Free cashflow	\$2.6b	\$5.9b	126.3%	\$4.8b
Ordinary dividends per share from continuing operations (cents)	30.5	31.0	1.6%	
Ratios				
Capex to sales ²	13.9%	15.2%	+1.3pp	15.2%
Payout ratio ³	91%	98%	+7pp	
Gearing	48.3%	43.9%	-4.4pp	

1. This guidance assumed wholesale product price stability from the beginning of the financial year and no impairments to investments, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excluded externally funded capex.

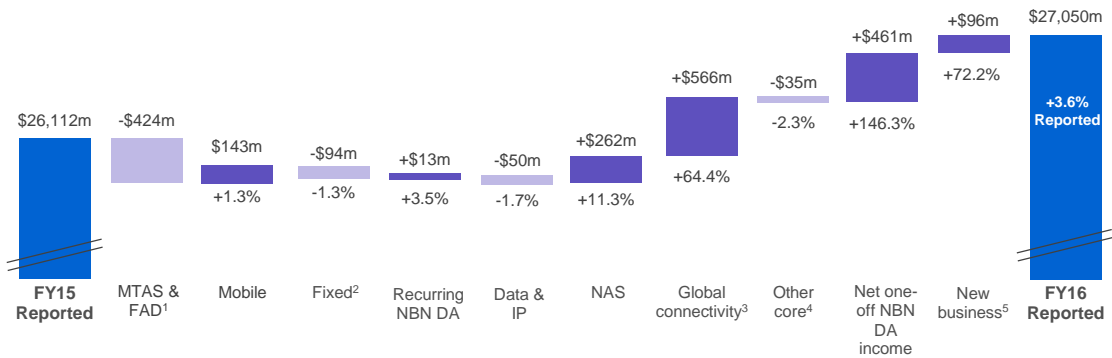
2. Capex is defined as additions to property, equipment and intangible assets including capital lease additions, excluding expenditure on spectrum, measured on an accrued basis. Capex excludes externally funded spend.

3. Payout ratio from continuing operations. FY16 payout ratio excluding impairment 93%. Payout ratio from continuing and discontinued operations FY16 65% (FY15 88%).

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Product income performance



1. MTAS and FAD income impacts across Mobile \$356m, Fixed \$64m and Data & IP \$4m as per guidance schedule.
2. Fixed domestic includes TUSOPA income FY16 \$187m (FY15 \$122m).
3. Global connectivity includes GES international results across fixed, data & IP, NAS and mobile.
4. Other core includes distribution from Foxtel, media and other miscellaneous income.
5. New business includes Telstra Health, Telstra Software Group and Telstra Ventures.

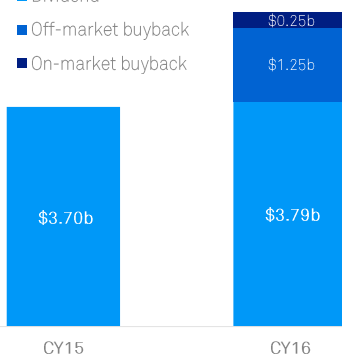
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Capital and portfolio management

Shareholder returns

- Dividend
- Off-market buyback
- On-market buyback



Dividend

FY16 ordinary dividend of 31.0c (+1.6%)

\$1.5b Capital Management Program

\$1.25b off-market buy-back

Tender discount range of 6% to 14% to the market price¹

Important dates:

- 30 September 2016: Closing date for tenders²
- 3 October 2016: Buy-back date

For Australian tax purposes, the off-market buy-back price will have two components:

- Capital component of \$1.78 per share
- Fully franked dividend component equal to the difference between the buy-back price and the capital component

\$0.25b on-market buy-back

Expected to commence following completion of off-market buy-back

1. Market price means the weighted average price of Telstra's ordinary shares on the ASX as Telstra may determine in its discretion over the five trading days up to and including the date the Tender Period closes, calculated to four decimal places, as determined by Telstra.
2. Neither the off-market buy-back nor the subsequent on-market buy-back will be made directly or indirectly in or into the United States.

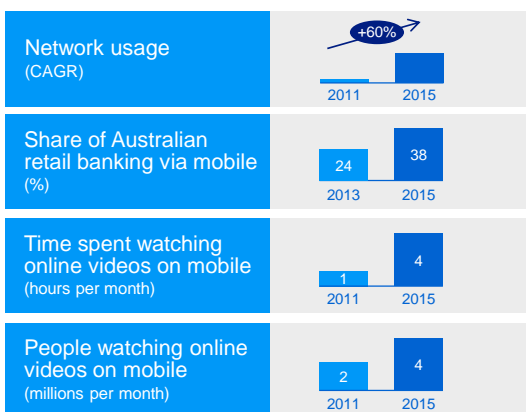
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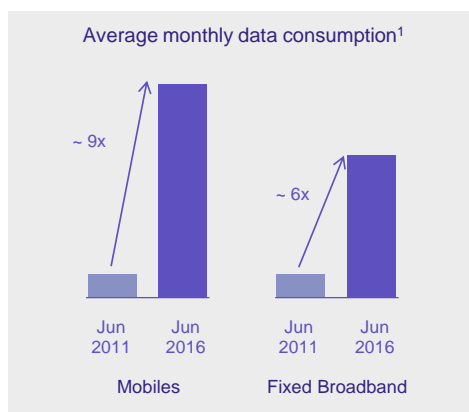
Andrew Penn, Chief Executive Officer



The demand for connectivity services continues to grow



Source: Bain & Company, Nielsen, Telstra network data



1. Average Monthly Data Consumption is defined as the total amount of data across Telstra's 3G/4G and fixed networks divided by the total number of mobile and broadband users including Retail, GES and Telstra Wholesale customers.



Lifting our investment to match our aspiration

Up to \$3 billion additional capital expenditure over the next three years, resulting in increased capex to sales¹ of ~18%

- **Networks** – to deliver next generation networks
- **Digitisation** – to radically simplify our core and improve the ways we work
- **Customer experience** – to offer a seamless and simple customer experience across all interactions

Investments will deliver significant customer and financial benefits and drive market differentiation

Targeting returns in excess of our Return on Invested Capital and consistent with investment guidelines for organic investments

Our capital management framework will continue to underpin all future capital allocation decisions

1. This assumes wholesale product price stability and excludes mergers and acquisitions and purchase of spectrum. The capex to sales ratio also assumes the nbn™ rollout is in accordance with the nbn Corporate Plan 2016 and excludes externally funded capex.



Capital Management Framework

FISCAL DISCIPLINE			
OBJECTIVES	1 MAXIMISING RETURNS FOR SHAREHOLDERS	2 MAINTAINING FINANCIAL STRENGTH	3 RETAIN FINANCIAL FLEXIBILITY
PRINCIPLES	<ol style="list-style-type: none"> 1. Maintain balance sheet settings consistent with a single-A credit rating 2. Ensure dividend remains fully-franked and seek to increase it over time¹ 3. Target medium-term capex/sales ratio ~14% excluding spectrum payments 4. Over a full year we will not borrow to pay the dividend or fund capital returns 5. Maintain flexibility for portfolio management and to make strategic investments 		
Capex/sales ratio ² will increase to ~18% in FY17, FY18 and FY19			
Cumulative excess free cash: \$4.4b as at 30 June 2016			

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

2. This assumes wholesale product price stability and excludes mergers and acquisitions and purchase of spectrum. The capex to sales ratio also assumes the nbn™ rollout is in accordance with the nbn Corporate Plan 2016 and excludes externally funded capex.



2017 guidance¹

Measure	FY16 BASELINE	FY17 GUIDANCE
Total income	\$27.1b	mid to high-single digit
EBITDA	\$10.7b	low to mid-single digit
Capex to sales	15.2%	~18%
Free cashflow	\$4.8b	\$3.5b - \$4.0b

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. The guidance also assumes the nbn™ rollout is in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excludes externally funded capex. Guidance excludes the Ooyala impairment in FY16 and restructuring costs in FY17 of \$300m to \$500m.

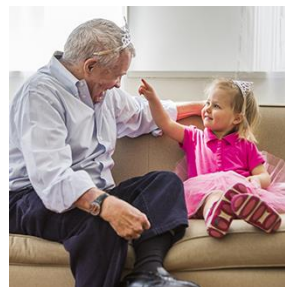
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Telstra in the community

We helped more than **one million vulnerable customers** stay connected.

60th mobile base station activated under Mobile Blackspots Program



Provided **\$175M** of value through our social and community investment programs



Reached more than **59,000** people through our digital literacy programs including Tech Savvy Seniors.



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Q&A

