

29 October 2015

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Investor Day 2015

In accordance with the Listing Rules, I attach the presentations and the CEO's and CFO's speeches to be delivered at Telstra's Investor Day on Thursday 29 October 2015 for release to the market.

Yours faithfully



Damien Coleman
Company Secretary



TELSTRA INVESTOR DAY OCTOBER 2015



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ANDREW PENN

CHIEF EXECUTIVE OFFICER






Vision, strategy and key priorities for 2016

Today's agenda

2016 outlook and guidance



OUR VISION AND STRATEGY

Purpose:	To create a brilliant connected future for everyone			
Vision:	To be a world class technology company that empowers people to connect			
	Customer service	Technology	Networks	Delivery
Strategy:	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

FY16 PRIORITIES

Continue to consolidate our network leadership

4G and 4GX mobile network		VoLTE	Asian data network presence		Telstra Air Wi-Fi network
Measures	Expanded 4G footprint		More Wi-Fi hotspots		
	Further deployment of small cells		Deployment of next gen LTE		
	Additional mobile base stations		Improved peak network speeds		

FY16 PRIORITIES

Up the ante on our productivity programme

Measures	Untangle complexity	Simplify our processes and systems	Realise acquisition synergies	Optimise Global Contact Centre operations
	Improved net cost out			
	Improved NPS			
Improved first call resolution				

FY16 PRIORITIES

Win the NBN market and transform our cost to acquire

- Offer unique product and media experiences
- Automate and digitise the customer migration experience
- Platform to win and retain customers
- Simple process = improved customer experience



Measures	Improved NPS
	Improved costs to acquire
	Improved costs to connect

FY16 PRIORITIES

Continue to invest in long term growth

Core		Emerging	
FIXED 	MOBILE 	NAS 	SOFTWARE
DATA & IP 	MEDIA 	ASIA 	HEALTH
Measures	Revenue growth driven by improvement in key operational metrics		
	Aggregate EBITDA growth		

FY16 PRIORITIES

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



Delivering innovative products and solutions through our co-creation approach to research and development



Accelerators and early stage

Collaboration and partnering

New methods and technology

Early stage product and strategy development

Human capital required to support innovation

Measures

World firsts

Awards

Innovation

ORGANISATIONAL STRUCTURE

CEOLT



Andrew Penn
Chief Executive Officer



Warwick Bray
Chief Financial Officer



Stuart Lee
Group Executive, Telstra Wholesale



Kate McKenzie
Chief Operations Officer



Carmel Mulhern
Group General Counsel



Katherine Paroz
Acting Group Executive, Human Resources



Joe Pollard
Chief Marketing Officer & Group Executive, Media



Brendon Riley
Group Executive, Global Enterprise & Services



Tony Warren
Group Executive, Corporate Affairs



Cynthia Whelan
Group Executive, International and New Businesses



Karsten Wildberger
Group Executive, Telstra Retail

AGENDA

Topic	Presenter
NBN	Kate McKenzie, Chief Operations Officer Karsten Wildberger, Group Executive, Telstra Retail Mark Hall, Deputy Chief Financial Officer
Productivity and Capital Management Framework	Warwick Bray, Chief Financial Officer
Asian Strategy – Global Enterprise Services	Cynthia Whelan, Group Executive, International and New Businesses Martijn Blanken, Group Managing Director and Chief Customer Officer, Global Enterprise and Services
Network Applications and Services (NAS)	Brendon Riley, Group Executive, Global Enterprise and Services David Burns, Group Managing Director, Global Services

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FY16 GUIDANCE¹

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.



THE NBN PLAN IN THE NEW WORLD

KATE MCKENZIE, CHIEF OPERATIONS OFFICER



TELSTRA'S ROLES IN THE NBN IMPLEMENTATION ASSET OWNER AND COMMERCIAL SUPPLIER

In addition to being a Retail Service Provider of NBN Co's services, Telstra fulfils two roles.

TELSTRA AS AN ASSET OWNER

Under the revised Definitive Agreements (DAs), our role continues to be a supplier of infrastructure to NBN Co, and to disconnect existing copper and HFC broadband networks as the NBN is enabled.

Under the Multi-Technology Mix (MTM) we are also transferring ownership of assets to NBN Co for use in their MTM network.

Our role under the DAs includes:

- Assist NBN Co to plan and integrate their network
- Prepare infrastructure and assets for hand over
- Address matching of premises prior to connection
- Disconnection of premises from legacy networks

While we work to optimise the experience for our customers.

TELSTRA AS A COMMERCIAL SUPPLIER

Telstra performs contestable work under commercial arrangements to assist NBN Co to plan, design and construct their MTM network.

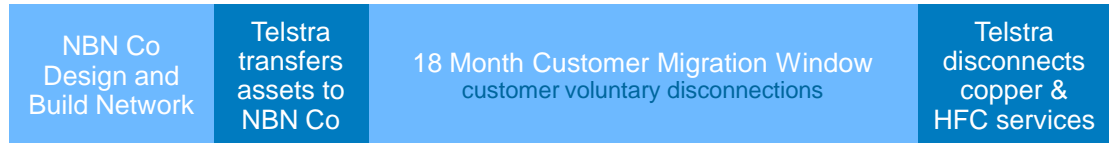
We have a proven track record with quality planning and design services completed for NBN and projects like the "1,000 Node Trial".

We've put in place an Interim Maintenance agreement to support NBN Co while it also looks at long term operations and maintenance options, and we are also participating in the process to bid for that work.



THE CHANGE TO THE NBN MULTI-TECHNOLOGY MIX (MTM) STILL REQUIRES CUSTOMERS TO BE MIGRATED

Regardless of MTM technology used (FTTP, FTTN, FTTB or HFC) we expect to migrate and disconnect our copper and HFC broadband networks in that area over the 18 month period from when NBN Co declares a region "Ready For Service".



Telstra transfers copper and HFC assets to NBN Co just ahead of a region being released - "Ready For Service".
At that point all of those assets become NBN Co's to operate and maintain, and no longer Telstra's.



COMPETING AS A RETAIL SERVICE PROVIDER

KARSTEN WILDBERGER, GROUP EXECUTIVE RETAIL

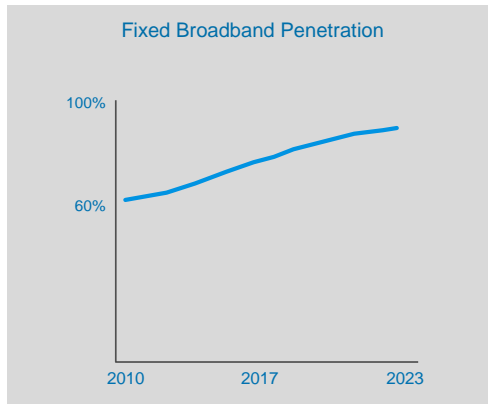


TRENDS DRIVING SIGNIFICANT GROWTH IN FIXED MARKET AS NBN ROLLS OUT

Video consumption

Internet of Things

Digitalisation of business



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



INVESTING IN OUR NBN CUSTOMER EXPERIENCE

Our NBN Customer Promise

We make it easy to move to the NBN with:

- The best plan
- Our leading gateways
- More value with Telstra Air, Australia's largest Wi-Fi network
- And a choice of self or professional installation

We are simplifying our fixed operating environment

- Increase digital functionality
- Simplify our products and increase automation
- Deliver lower cost operating model to sustain long term profitability
- Remove network management activities associated with maintaining copper

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IT'S HOW
WE CONNECT 

NBN ECONOMICS

MARK HALL, DEPUTY CHIEF FINANCIAL OFFICER

IT'S HOW
WE CONNECT 

DEFINITIVE AGREEMENT RECEIPTS

Disconnection and ownership receipts provide a non recurrent income stream during the NBN Rollout (cease with rollout)

Other Income FY15 \$163m PSAA and \$142m Ownership receipts

Duct, Rack and Backhaul receipts are an ongoing income stream during and beyond the rollout (average 30 years)

Sales Income FY15 \$374m

Commonwealth Agreement receipts include an ongoing income stream for managing USO services (20 year contract)

Other Income FY15 \$132m

NBN ROLLOUT CHANGES THE WIRELINE ENVIRONMENT

New RSP environment

- Wireline environment will change with a higher proportion of bundling offers and differentiation for speed/data and content between RSPs.
- NBN Access payments will lower RSP Margins. Telstra will partially offset this with lower spend on legacy in line with the NBN rollout.

Telstra Cost Challenges and Opportunities

- NBN Access payment will impact all RSP Margins and will increase our Directly Variable costs.
- Costs of migrating customers initially high but will reduce.
- Lower spend on copper network gains traction once roll-out substantially progressed.

PRODUCTIVITY

WARWICK BRAY, CHIEF FINANCIAL OFFICER



PRODUCTIVITY IS IMPORTANT



WE ARE COMMITTED TO INCREASED PRODUCTIVITY



WE WILL MEASURE PRODUCTIVITY AGAINST COSTS IN THE FINANCIAL ACCOUNTS



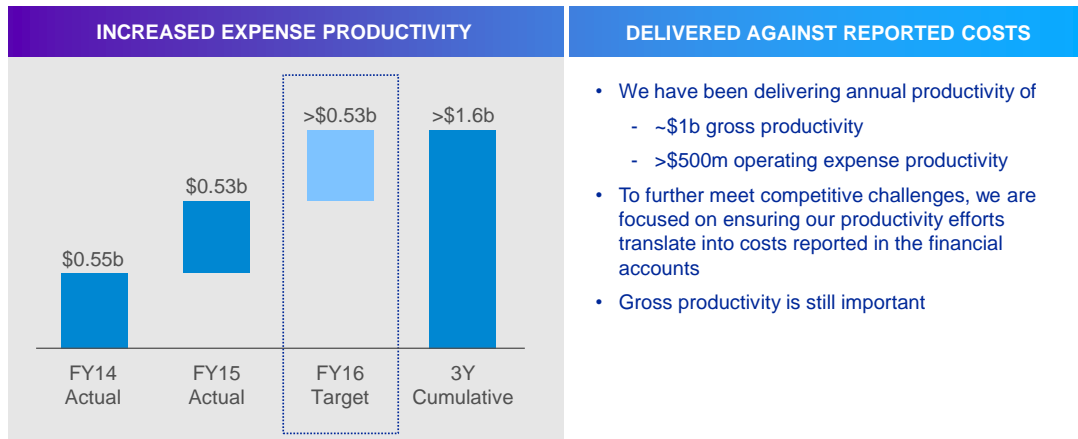
WE WILL PROVIDE GREATER IDENTIFICATION OF NET COST GROWTH, PRODUCTIVITY AND RE-INVESTMENT



DIGITISATION, SIMPLIFICATION AND RIGHT FIRST TIME WILL LEAD TO PRODUCTIVITY AND BETTER CUSTOMER OUTCOMES



WE ARE COMMITTED TO INCREASED PRODUCTIVITY



- We have been delivering annual productivity of
 - ~\$1b gross productivity
 - >\$500m operating expense productivity
- To further meet competitive challenges, we are focused on ensuring our productivity efforts translate into costs reported in the financial accounts
- Gross productivity is still important



WE WILL PROVIDE GREATER IDENTIFICATION OF NET COST GROWTH, PRODUCTIVITY AND RE-INVESTMENT

COST CATEGORIES FY15	DESCRIPTION
<p>Core DVC</p> <p>FY15 \$6.4b or ~40%</p>	<ul style="list-style-type: none"> • Core DVC includes variable costs – or goods and services purchased – directly associated with core revenue. For example <ul style="list-style-type: none"> - Mobile costs of goods sold and network payments - NAS costs of goods sold - Service fees to Foxtel for our Foxtel from Telstra offering
<p>Core non DVC</p> <p>FY15 \$8.0b or ~50%</p>	<ul style="list-style-type: none"> • Our largest cost category – includes recurring costs in our core that are largely independent of scale • Includes labour associated with significant deals that scales with revenue (e.g. NAS and NBN contracts)
<p>New business & corporate</p> <p>FY15 \$1.5b</p>	<ul style="list-style-type: none"> • New business and M&A costs associated with our investment decisions • Includes corporate impacts



OUR TARGETS BY COST CATEGORY

COST CATEGORIES FY15	TARGET
<p>Core DVC</p> <p>FY15 \$6.4b or ~40%</p>	<ul style="list-style-type: none"> Costs assessed on an efficiency basis. For example <ul style="list-style-type: none"> Costs directly matched with revenue Costs linked to business growth Unit cost reductions
<p>Core non DVC</p> <p>FY15 \$8.0b or ~50%</p>	<ul style="list-style-type: none"> Our target is an annual net cost reduction after adjustment for significant deals and events Productivity gains more than offsetting inflation, wages and volume growth
<p>New business & corporate</p> <p>FY15 \$1.5b</p>	<ul style="list-style-type: none"> New business and M&A costs evaluated against business cases

DIGITISATION, SIMPLIFICATION AND RIGHT FIRST TIME WILL LEAD TO PRODUCTIVITY AND BETTER CUSTOMER OUTCOMES

SIX PRODUCTIVITY THEMES	EXAMPLE INITIATIVES
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- Getting it right for customers first time, e.g. ADSL and PSTN
- Digital self service for assurance
- Automation of product activation process, e.g. NBN
- Digitising our customer facing and internal processes
- Simplified product experience

OUR COMMITMENT



WE ARE COMMITTED TO INCREASED PRODUCTIVITY



WE WILL MEASURE PRODUCTIVITY AGAINST COSTS IN THE FINANCIAL ACCOUNTS



WE WILL PROVIDE GREATER IDENTIFICATION OF NET COST GROWTH, PRODUCTIVITY AND RE-INVESTMENT



DIGITISATION, SIMPLIFICATION AND RIGHT FIRST TIME WILL LEAD TO PRODUCTIVITY AND BETTER CUSTOMER OUTCOMES

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IT'S HOW
WE CONNECT 

CAPITAL MANAGEMENT FRAMEWORK

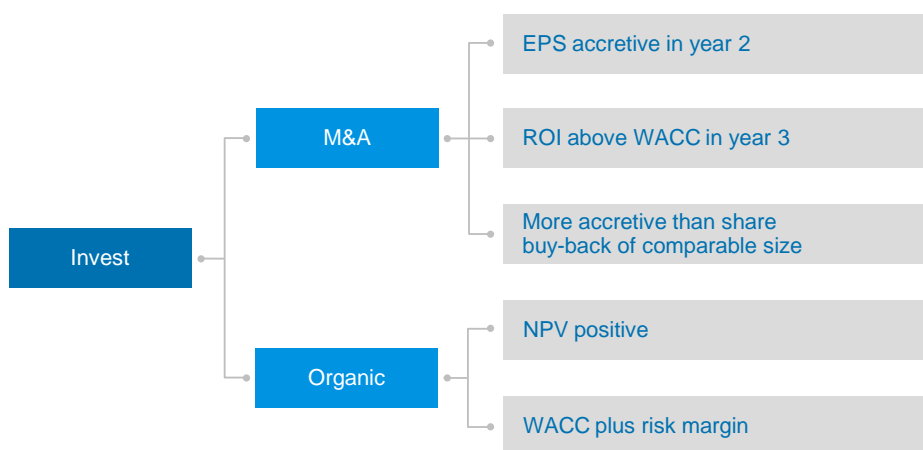
WARWICK BRAY, CHIEF FINANCIAL OFFICER

IT'S HOW
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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"> 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 		

INVESTMENT GUIDELINES



Q&A



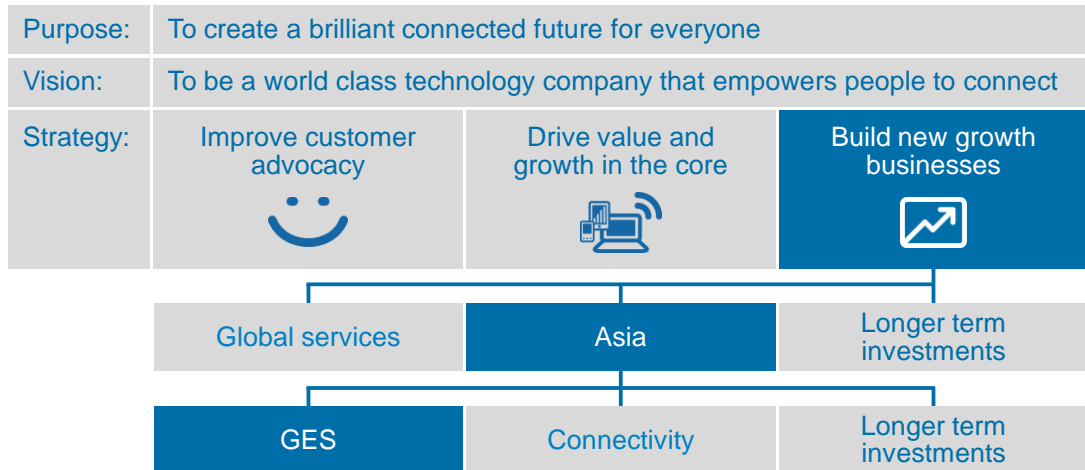
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CYNTHIA WHELAN
GROUP EXECUTIVE – INTERNATIONAL
AND NEW BUSINESSES



ASIA IS AN INTEGRAL PART OF OUR STRATEGY



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IT'S HOW
WE CONNECT 

MARTIJN BLANKEN
GMD AND CHIEF CUSTOMER OFFICER – GES








IT'S HOW
WE CONNECT 

CURRENT ASIAN ASSETS AND CAPABILITIES

A leading regional platform for growth

Number 1 low latency provider in Asia	Access to 230 countries & territories 	Global Delivery Centre	2,000 GES International staff members 
More than 2,000 POPs worldwide	Licenses in 20 countries and regions	Interest in more than 26 cable systems	2.5 TBPS capacity to be added in the next 12 months
Number 1 high capacity network in Asia 	Licence holder in PRC	25 data centres in Asia 	

PACNET INTEGRATION ON TRACK TO ACHIEVE TARGET COST SYNERGIES

 One Global Sales and Services Team	 <p>TELSTRA Pacnet is now part of Telstra DISCOVER A WHOLE NEW DYNAMIC <small>looking to work with you? visit us at</small> BRING IT ON <small>www.telstraglobal.com</small></p>	 Network upgrades and consolidation
 One Brand		 People integration
 One Product Catalogue		 Integrated Service Delivery

TELSTRA PBS JOINT VENTURE

Headquarters in Shenzhen

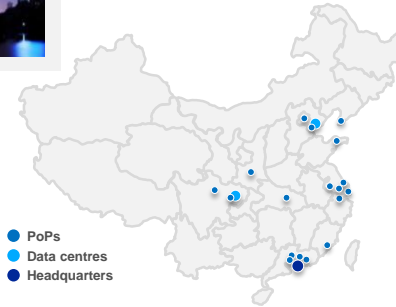


27 POPs in 22 cities

2 data centres in Tianjin and Chongqing

First foreign provider with network and data centre licences in China

150+ staff in 6 cities across China



PRIORITIES

To provide in-country needs for global and China MNCs and enterprises

Align the PBS network with Telstra's global network

Expand Pacnet SDN to PBS' data centre operations

Expand our NAS product portfolio in China

telkomtelstra

OUR PRIORITIES

Initiate Market Leading Offers

- Managed Cloud
- Unified Communications
- Managed Security Products

Penetrate Indonesian Enterprise and MNC market

Offer an end to end delivery model

Grow our customer base and create advocates

OUR BUSINESS

Officially launched in May 2015



Fully operational with 71 employees

- Simplified the IT architecture
- Optimised the customer experience
- Replicated Telstra's NAS strategy

4 customers and 200 sites under contract

Operating Indonesia's only Customer Experience Centre



CONCLUSION

ASIA IS A KEY COMPONENT OF OUR STRATEGY

WE HAVE CLEAR AMBITIONS AND WE ARE EXECUTING AGAINST PLAN

WE ARE LEVERAGING OUR CORE CAPABILITIES AND ASSETS IN THE REGION

GES WILL CONTINUE TO BE A KEY DRIVER OF LONG TERM GROWTH

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BRENDON RILEY
GROUP EXECUTIVE – GLOBAL
ENTERPRISE AND SERVICES



RAPIDLY EVOLVING MARKETS

50% of surveyed CEOs said they are not fully prepared for a cyber security event – KPMG

60% of businesses were outsourcing their UC&C management to a third party provider – IDC

Public Cloud Services to hit USD\$107B globally in 2017 @ 23.4% CAGR - IDC

77% of respondents plan to increase their spending on SaaS – Gartner

WAN services, Ethernet to private and public cloud services, combined will exceed \$300 billion by 2017- IDC

DISRUPTIVE TECHNOLOGIES

- Growing adoption of software-defined technologies
- New benchmarks for agile, digital customer service

SOLUTION CONVERGENCE

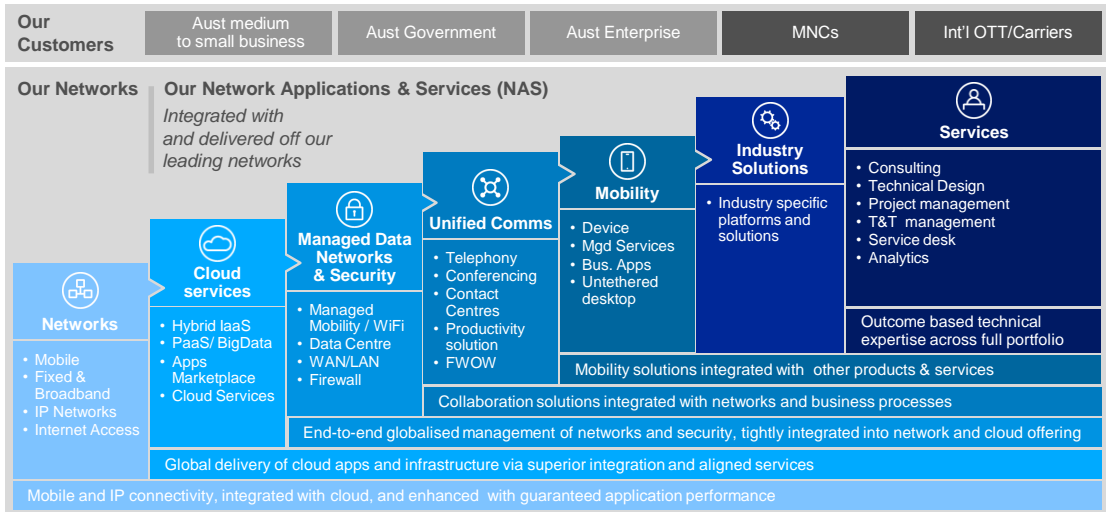
- Customers increasingly require integrated solutions
- NAS and connectivity continue to merge

GLOBALISATION

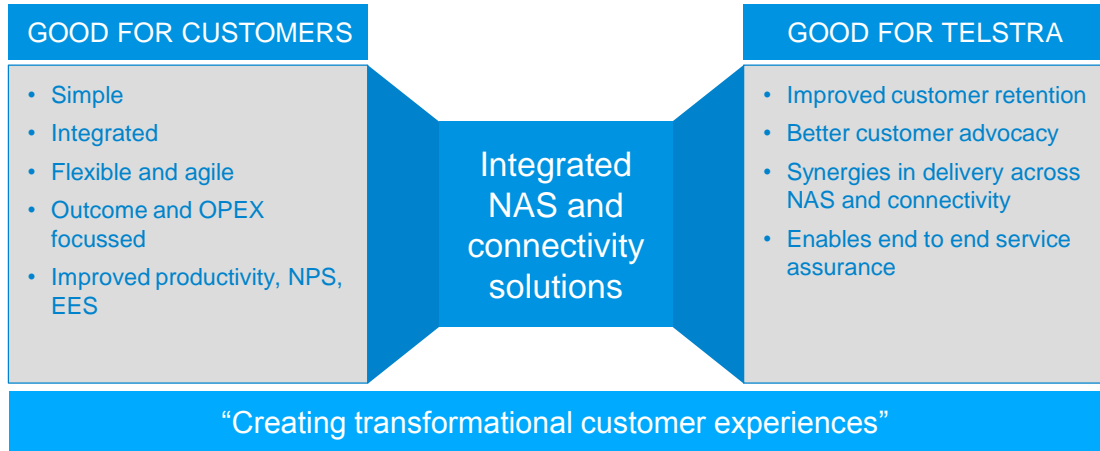
- Markets increasingly globalised
- Growing demand for internationally seamless and integrated offerings

- Double digit growth across NAS markets in Australia and Asia
- Cloud market growing at ~18% CAGR to FY18

GES PORTFOLIO AND CUSTOMERS



NAS –VALUABLE FOR OUR CUSTOMERS AND OUR BUSINESS



CUSTOMER CASE STUDY: KOMATSU AUSTRALIA

Telstra will facilitate the future of Komatsu's ICT and Machine to Machine strategy over the next 3 years

Telstra and Komatsu



- Relationship began in 2000 – Komatsu an early adopter of Telstra cloud services
- Telstra provides telecommunication and strategic ICT services including M2M:
 - ‘Zero touch’ remote download of performance diagnostic data from over 700 pieces of Komatsu equipment from the mines
 - Real-time access to data in Sydney, removing need to unplug recording equipment; increasing efficiency

*“We’re committed to business innovation and staying one step ahead of our customer’s needs – and it’s **only through relationships with key partners like Telstra** that this is possible...”*

- Sean Taylor, MD and CEO, Komatsu Australia

*“Telstra understands where we’ve come from and more importantly where we want to take our business, and we **feel very confident** that our technology and business is future proofed to allow us to compete in a continually evolving and competitive landscape.”*

- Ian Harvison, CIO, Komatsu Australia

NAS – KEY TO OUR STRATEGY

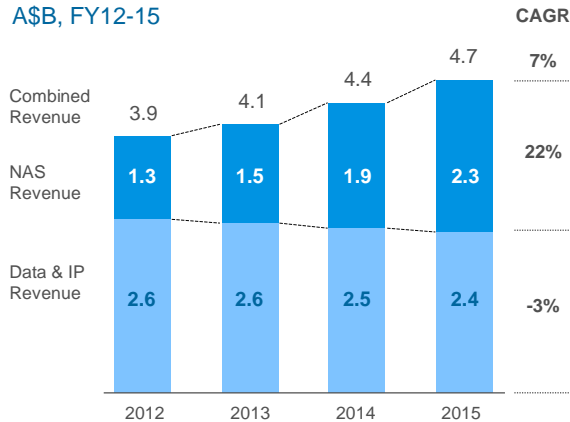
Vision	World class connectivity and service solutions <i>Creating transformational customer experiences</i>					
Our key differentiators	Customer focused approach	Market leading innovative solutions	Integrated offerings	Best networks	Scale and reach	
Our strategic priorities	Drive customer advocacy leadership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

DAVID BURNS
 GROUP MANAGING DIRECTOR –
 GLOBAL SERVICES

STRONG REVENUE GROWTH

DATA & IP + NAS (AUSTRALIA)¹

A\$B, FY12-15



FY15 ACHIEVEMENTS

- Maintained strong revenue growth and **market position** in connectivity and network centric services
- **Integration** of new capabilities
 -
 -
- Further **growth in capability** through acquisition
 -
- Expansion of **Global capabilities**
- **Industry awards** for service excellence and innovation
- Strategic **partnerships** with **global vendors**



Page 51 1. Data & IP + NAS excludes wholesale services and international.



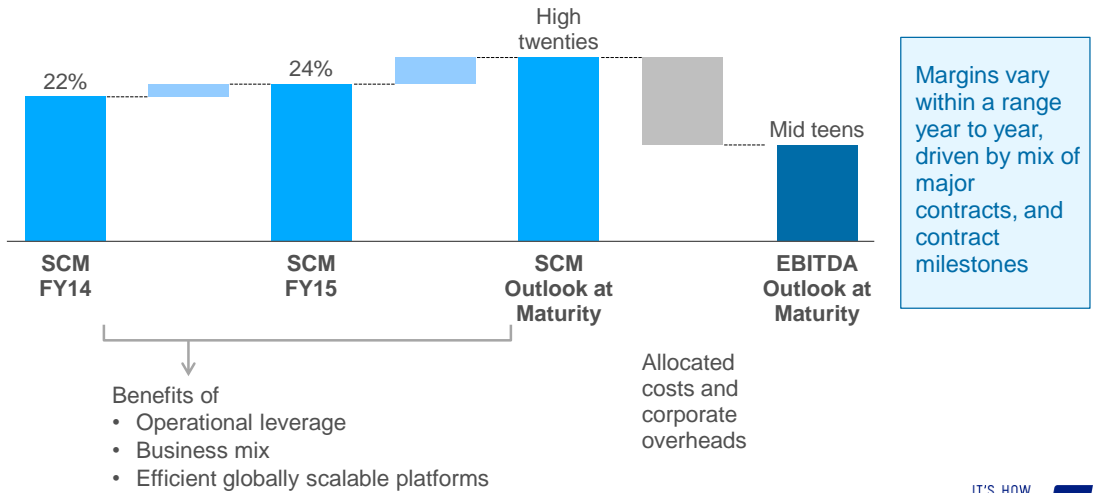
OUR NAS JOURNEY AND OUTLOOK

	Inception	Growth (Today)	Maturity
Business focus	<ul style="list-style-type: none"> • Acquiring foundation customers • Building capabilities and platforms for small and medium businesses domestically as well as corporates and MNCs internationally 	<ul style="list-style-type: none"> • Optimising operational leverage and grow scale • Transforming service delivery to efficient globally scalable platforms • Evolving business mix to higher margin contracts and software-based services 	<ul style="list-style-type: none"> • Optimising efficiency • Continuous innovation • Continuing to evolve the business mix to optimise profitability
Scale	Low	Expanding	High
Organic revenue growth	Highest	Strong	At market
Service contribution margin (SCM)¹	Low twenties	Mid twenties	High twenties
Direct contribution margin (DCM)¹	Low double digits	Mid teens	Low twenties
EBITDA margin¹	Negative	Single digits	Mid teens
ROIC	Negative	< WACC	> WACC

Page 52 1. SCM, DCM and EBITDA margin excludes International NAS portfolio



CURRENT PERFORMANCE AND MEDIUM TERM OUTLOOK



Q&A



OUT NOW ON iPad



INTRODUCTION

Good morning and welcome everyone.

Thank you for joining this Telstra investor briefing.

Outside of our results announcement and Annual General Meeting, this is the first opportunity I have had to address investors since taking on the role as CEO six months ago. I will therefore take the opportunity to reflect on our vision, our strategy and the roadmap we have laid out for 2016.

I said when I started in the role that you should not expect significant change in direction with my appointment. That remains the case.

In my previous role I was intimately involved in the development of our strategy and it is the right strategy.

What I have announced since my appointment is a vision, a clear vision to make Telstra a world class technology company that empowers people to connect.

This is not a change of strategy. This is about raising the bar.

As our market continues to evolve, technology pervades everything we do. The traditional worlds of telecommunications and technology are converging. This is providing significant opportunities for Telstra, significant opportunities to expand our operations and the markets in which we compete. But it also requires us to invest in new capabilities.

At the same time, there is no doubt the dynamics in our core markets have changed. The competitive environment has increased in fixed, mobiles and media. We are also further down the path towards full migration to the NBN.

As the market knows, the migration to NBN has a material impact on the long term financials of Telstra. NBN's most recent roll out plan will now see this completed by end of calendar 2020.

Over the last 5 years we have achieved growth in mobiles, global enterprise services and significant productivity improvements. This has enabled us to offset the loss of earnings from Sensis, reduced fixed voice revenues and the sales of CSL and Telstra Clear.

Over the next 5 years we will need to repeat at least the same level of performance to offset the negative impact on our earnings from the NBN. In particular, we will need to continue to drive growth and drive our productivity programmes further than before.

Over the same period we will receive the one off payments — the PSAA payments — that partly compensate Telstra shareholders for the loss of long term earnings from the NBN. These will cease of course, once migration is complete.

Our capital allocation decisions during this period will balance the opportunities we have for investment in growth and new capabilities with capital management initiatives. Our key focus in this regard, will be to continue to drive growth in shareholder value.

Warwick will speak further about the capital management framework we use for making such decisions shortly.

Vision, strategy and key priorities

In the meantime I am going to spend my time this morning making some comments on our vision, our strategy and our key priorities for 2016.

I will then run through the rest of the agenda for today.

Finally I will make some comments on our financial outlook for 2016 and confirm guidance.

Our vision and strategy

OUR PURPOSE AND OUR VISION

Our purpose is to create a brilliant connected future for everyone.

Our vision is to become a world class technology company that empowers people to connect.

As I mentioned before, the rate of technology innovation and digital disruption is accelerating. The demand for connectivity and technology right across the marketplace is growing.

Telstra sits in the middle of these trends and that is why we need to become a world class technology company. A world class technology company with

- World Class customer service;
- World Class technology;
- World Class telecommunications networks; and
- World Class delivery

I want to comment on each of these in turn – service, technology, networks and delivery.

In a period of incredible technological change and disruption, one thing remains more important than ever – customer service.

We have spent the last 5 years executing a programme designed to put the customer at the heart of everything that we do. Central to this has been the rollout of the Net Promoter System. This has been a huge project given the size of the company and the number of daily interactions we have with our customers. However, this information gives us a great insight across all customer segments, products and key transactions.

The feedback we receive from customers is integrated into our planning and investment processes. It is also integrated into our leadership incentive structures.

This is what has enabled us to increase our NPS score 5 points in the last 12 months.

Of course the task is not done, I know we still have much to do to improve customer service at Telstra. We still experience too many points of failure, too many times when we let our customers down. And I am certainly not saying we are anywhere close to world class yet but we have the systems and measurement processes in place to help us on that journey. Moreover, during my time as CEO, my commitment is to continue to make customer service our number 1 priority.

Let me move to world class technology.

Technology is an increasingly important aspect of our services to and interactions with customers. It is also an increasingly important factor in how we run our networks through network function virtualisation leading us into a world of software defined networks.

Telstra is no longer just a telephone company, technology pervades everything we do. We have access to some of the best technology and technology thinking from around the world. The benefits of this are already playing out in our network application services as we partner with some of the world's best technology companies to deliver solutions to customers.

Today the services aspect of revenue from enterprise and government customers is almost equivalent to our traditional carriage sales. Today we are already delivering world class technology solutions.

We have received numerous awards for our Cloud services — from Cisco, Polycom, Frost and Sullivan.

Similarly we have received multiple awards for our Managed Services.

These awards are simply proof points of what our customers already know. Telstra is leveraging its deep technological capabilities and those of its partners from around the world to provide leading edge networks and services for its customers in Australia and throughout the region.

As we look to continue to grow we will continue to invest in, and grow our technology capabilities.

It is also critical that we continue to invest in our networks.

So let me move to the topic of world class telecommunications networks.

There is virtually no technology innovation today that does not fundamentally rely on an underlying communication network. Today virtually all technology is connected and the performance of that technology is dependent on the quality and speed of the network.

Technology innovation and digital disruption is breaking down the barriers between traditional telecommunications and traditional IT. This is why we are committed to have the best telecommunications networks.

In fixed, even with NBN not all networks are the same. How the network performs in the home, the received experience of the customer are critical points of differentiation.

Our Next IP network for businesses is the most reliable and extensible in Australia, and can now be accessed from 230 countries and territories across the globe. It is also dynamic and intelligent, enabling our customers to scale bandwidth, and deliver application level quality of service.

Our data and submarine cable network now represents one third of all lit traffic in the Asia Pacific region. This year it was recognised by Gartner as best for both Low Latency and High Capacity Networks.

And of course our position in mobiles speaks for itself.

In 2014, we were the first in the world to launch commercial LTE Advanced Carrier Aggregation for Category 6 devices combined with network support for up to 300 Mbps peak speeds; In September, we backed this up with the world's first Category 11 mobile hotspot, capable of peak speeds of up to 600Mbps, along with Australia's first Voice over LTE service on our network.

We were the first to introduce services on the APT700 mobile band; and first to launch LTE-B stadium event broadcast.

This year, we won a Mobile World Congress award for our LTE Advanced Network for Emergency and Enterprise Services (LANES) which prioritises mobile network capacity to emergency services organisations.

This month we also retained our position as 'best in test' in the second annual P3 CommsDay Mobile Benchmark. However this is only half the story as it measures only relative network performance within the footprint of our competition. We estimate the geographic footprint of Telstra's network to be double that of our next nearest competitor.

Finally we received Best Mobile Carrier and Asia Carrier of the Year at the 2015 Telecom Asia Awards.

Our obsession with network performance is not about bragging rights. You cannot deliver world class technology, you cannot deliver world class customer experience unless you back it with world class networks.

STRATEGY

In addition to world class customer service, world class technology and world class networks we need to have world class delivery which brings me to our strategy.

I mentioned before that our vision is not a change of strategy, it is about raising the bar. It is about lifting our level of aspiration.

As the NBN migration is closer to us now we need to find new ways to move faster and execute better. In relation to our three strategic pillars we need to find.

- New ways to continue to improve customer advocacy and lift this to the next level;
- New ways to not only drive value from the core but grow from the core as well; and finally
- We need to find new areas of growth in which to invest and to ensure we continue to grow earnings over the long term.

Priorities

FY16 PRIORITIES

Against this background we are pursuing five key priorities in 2016. We will go into more detail on some of these this morning.

In the meantime let me make some summary comments:

Network Leadership

First we will continue to **consolidate and invest in our network leadership**.

Telstra operates the largest fixed network in Australia with over 5100 exchanges, including over 2800 ADSL enabled exchanges extending ADSL broadband to 92% of Australian homes and businesses, and with our extensive retail HFC broadband network passing over 2.8M homes. We use this network to supply services to our retail and wholesale customers.

Over the last two years we have improved the experience for more than 2 million retail and wholesale customers on ADSL and HFC with backhaul upgrades, port augmentation and customer migration projects. And over the next two years we will continue to invest in our networks significantly increasing our exchange backhaul capacity, port availability, and expanding our line quality across the country.

All of these fixed services are underpinned by over 225,000 km of fibre, including the worlds longest un-regenerated 100Gbps fibre spanning the country from Perth to Sydney.

Our recently launched Telstra Air service is Australia's most extensive WiFi network with over 4000 public hotspots already in service including new WiFi partnerships with Councils, and with over 200,000 registered Telstra Air members extending this coverage via shared home WiFi gateways.

In Asia we will complete the integration of Pacnet globally giving us almost 400,000 kilometres of submarine cable representing one third of all lit capacity in the region, data centres and 125 owned points of presence.

In mobiles, as you know we have increased our capex to sales ratio to 15% for 2016 and 2017 to extend our 4G and 4Gx networks to deliver more square kilometres of coverage, more reliable voice and data, fewer dropouts and faster download speeds.

Productivity

Our second priority is to lift the level of aspiration in our **productivity programme**. Warwick is going to go through exactly what this looks like later.

There are still many opportunities to simplify our systems and processes. Complexity drives bad experiences for our people and our customers, as well as cost for our business. It also impacts advocacy.

We will also focus on improving productivity by realising synergies from our acquisitions including Pacnet which will be covered off by Martijn in his presentation today.

Another major productivity initiative is across our Global Contact Centres focussed on our right first time objectives.

Finally eliminating costs as a consequence of the migration to NBN will also be an important part of our productivity programme.

In today's session on productivity Warwick will outline how we will measure our progress not only at the gross level as we have in the past but how we are delivering productivity into our bottom line results.

NBN

Our third priority for 2016 is winning in NBN and **transforming the order-to-activate process to reduce the cost of migrating customers across**:

Last month, we started to progressively transfer to NBN Co, parts of Telstra's copper network, in readiness for the launch of its fibre-to-the-node products. This activity represents a fundamental structural change, both for the industry and in the shape of Telstra's business and financials.

Going forward, as an access seeker, as opposed to the network owner and operator, we are determined to become Australia's leading provider of consumer and business services on the NBN network.

As Karsten will discuss in his presentation, we are already the leading service provider on the NBN and this is a position we have fought hard for.

We have a clear strategy to differentiate our services based on network quality, unique products and content experiences that are better with Telstra.

The NBN rollout is not yet at scale. But it will need to scale quickly if all premises are to be connected in the next five years. So it is even more important we get our processes, particularly activation, right. This isn't just about lowering our costs; it's about improving the customer experience.

One example of improving the customer experience is the work we are doing on further automating and digitising the customer connection experience. This will further improve data accuracy, offer real time validation and enable our customers to create their NBN order quicker.

There is a strong correlation between improving our processes and improving customer service, and reducing cost. Ultimately we are looking to improve our NPS, our costs to acquire and our costs to connect.

Growth

Our fourth priority in 2016 is the **acceleration of our growth agenda**: We need to continue to grow in our core business, across our mobile; fixed broadband; data and IP portfolios as well as our NAS business.

In addition we will continue to invest in emerging growth areas such as Health and Software businesses, and our operations in Asia. We are focused on growing these businesses to scale, sooner.

Asia forms an integral part of our growth strategy and Cynthia and Martijn will provide more detail on some of the initiatives that are underway to increase our presence in the region.

We have focused on offering new media content for our customers to further differentiate our core products. From this week our customers are able to experience Telstra TV putting them in control of what they watch and providing them with even greater value entertainment choices in the home,

Technology

Finally our fifth priority is bringing **to life what it means to be a World Class technology company.**

When I say technology company, I am not suggesting we aspire to become Microsoft, IBM or Google. However, we do provide window for our customers into what is possible with technology today. We are also able to deliver this with our partners through our networks.

Ensuring we stay ahead of the technology curve will require us to continue to invest in initiatives such as our start-up accelerator program, muru-D which, identifies and supports start-ups to create valuable technology products and services.

Telstra Ventures, which since its inception in late 2011 has invested approximately \$200 million in 24 emerging technology companies around the globe. For example: (i) Zimperium offers protection for mobile devices against the next generation of advanced mobile attacks; (ii) Whispir offers an enterprise-grade global messaging platform which automates communication flows; and (iii) Matrixx offers next generation software to provide real-time analytics for Telcos.

Telstra Ventures' mission is to source and invest in world class innovation which is strategically relevant to Telstra. The team based in Australia, Silicon Valley and China and has reviewed more than 3,000 investment opportunities to date.

The Gurrova Innovation Lab which was opened in Melbourne in July is the centrepiece of our extensive innovation and technology research capabilities. Some examples of the work underway at Gurrova include the connection of haptic robots to rural ultrasound equipment, the design of portable systems that can locate lost people in remote areas and the development of sensor applications to predict when equipment or structures may fail.

And our partnership with Pivotal, running agile methodologies for web and mobile application development.

So in summary we have a clear vision, our strategy remains unchanged and we have five clear priorities for 2016 aimed at raising the bar on our level of aspiration.

We will cover more of this through our agenda this morning and you will hear from several members of the Telstra executive team on some of these key areas of focus.

Org Structure

I will take you through the agenda in a moment but first I wanted to reflect on the management changes we have implemented.

As you know we recently announced some changes to the senior executive team. In making these changes I had 5 important objectives.

- One, to flatten the structure
- Two, to separate out our new growth areas to improve the level of focus on them
- Three, to lift the level of significance of marketing in the organisation

- Four, to bring fresh talent into the team; and
- Five, to improve diversity at the senior executive level

Today we have with us representative members from the CEO leadership team being those that report directly to me.

You will also hear from members of the broader Executive Committee, representing the key executives in the company.

In particular you will hear from

- Warwick Bray, Chief Financial Officer
- Kate McKenzie, Chief Operations Officer
- Karsten Wildberger, newly appointed Group Executive Telstra Retail
- Brendon Riley, Group Executive, Global Enterprise and Services
- Cynthia Whelan, newly appointed Group Executive Telstra International and New Businesses
- Martijn Blanken, Group Managing Director and Chief Customer Officer of GES
- Mark Hall, Group Managing Director Finance and Deputy CFO, and
- David Burns, Group Managing Director Global Services

Agenda

Turning to the agenda, on NBN **Kate** will talk about Telstra's role in the NBN under the new Definitive Agreements.

Karsten, will present on our role as a Retail Service Provider and how we are differentiating ourselves in the market and **Mark**, will share with you how we think about the economics of the NBN for Telstra from both a Definitive Agreements perspective as well as an RSP.

Warwick, will share with you how we are stepping up our commitment on productivity and changing how we hold ourselves accountable for costs and productivity across the business.

Warwick will also step you through the capital management framework as mentioned earlier.

Cynthia will provide an update on the Asia strategy that I first presented to the market at last year's Investor Day. I know there is a lot of interest on how we are thinking about Asia which is linked to what Warwick will cover in terms of how we are thinking about capital allocation decisions both strategically and financially.

Focusing on GES International, Martijn will discuss how we have executed against that strategy over the past 12 months.

Finally **Brendon and David**, will provide insight to our NAS business — as a standalone business and a complement to our carriage business.

They will also detail our expectations of its financial performance and discuss the factors that will help drive profitability including the margin analysis that we promised.

Slide 12 – Guidance

OUTLOOK

Before I hand over to our first presenters I want to finish by making a few comments on the current trading environment and to reiterate what I said at the AGM about our outlook. I will also confirm our guidance for 2016.

I mentioned before that the market has become more competitive. This is best illustrated by the increase in data allowances we have seen in both fixed broadband and mobile.

On the fixed side, the last 12 months have seen all key competitors in the broadband market move to a hero above the line, unlimited data claim, either as part of a bundled plan or naked offer. Operator headline access prices have also been moving downward either as permanent price reductions or tactical discounts over the same period.

While headline prices in mobiles have remained relatively stable, all operators are providing higher data allowance. On some plans data allowances have more than tripled over the last 12 months.

As a consequence growth in ARPU has slowed. Post paid hand held ARPU excluding MRO in Q1 2016 was down slightly on Q1 2015 although Q1 2015 was a very strong quarter up more than \$3 on Q1 2014.

ARPU was up slightly on a sequential basis on Q4 2015.

Regarding customer additions.

Our fixed voice and fixed data customer additions continue previous encouraging trends.

On mobile, post paid hand held net adds follow similar trends to this time last year.

Our half year outcome on mobile will depend on our performance in the lead up to Christmas. This period is particularly important in pre paid handheld and pre paid mobile broadband where we are seeing significant competitor activity.

Notwithstanding these trends our guidance for 2016 remains unchanged.

We project mid single digit growth in total income and low single digit growth in EBITDA. Free cash flow is expected to be between \$4.6 billion and \$5.1 billion. Capital expenditure is expected to be around 15 per cent of sales to fund increased investment in our mobile network.

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

As I announced at the AGM, in relation to wholesale pricing there have been two decisions that have been made by the ACCC since we announced our results in August

- Firstly in relation to wholesale prices for Mobile Terminating Access Services. We estimate that the net effect of this in FY16 will not be material on reported EBITDA but will result in a reduction in reported revenue of approximately \$350 million. We had not factored this into our capex plans and to this extent we will not make this adjustment to sales for the purpose of setting our capex spend in 2016.
- Secondly in relation to the Final Access Determination for fixed line services. The estimated reduction in reported revenue and EBITDA in FY16 of the ACCC's final access determination decision for is expected to be up to \$80m. This covers the period from 1 November from which the new prices take effect.

As I said at our AGM, we are disappointed in this decision given that it does not follow the ACCCs own fixed price principles. We have relied on in making key decisions for shareholders in relation to NBN. We are therefore considering our options for appeal.

That concludes my presentation. I will now ask Kate, Karsten and Mark to make their way to their stage.

Thank you

[END]

Productivity is important

Thank you, [Mark]. And good morning.

Today's presentation will cover firstly, an update on productivity, and secondly our capital management framework.

On productivity and costs, I will give you some detail on:

- Firstly, our track record on delivering productivity and our commitment to delivering increased productivity
- Secondly, our commitment to measuring productivity against costs reported in the financial accounts
- Thirdly, our commitment to providing greater identification of net cost growth, productivity and re-investment across three cost categories; and
- Finally, how we will deliver increased productivity and better customer outcomes through digitisation, simplification and getting our processes right first time, even more of the time.

Committed to increased productivity

Let me start by highlighting that productivity is just as important in the future as it has been in the past.

Over the past few years we have achieved approximately \$1 billion in gross productivity improvements annually. Around ~\$500-550 million annually of this has been achieved through reduced expenses.

We are now entering into a period of increased competition for our mobile and fixed broadband businesses. As part of our response to meet this competitive challenge, we need to ensure our productivity efforts translate into reported cost improvements in the financial accounts, at the same time as we raise our productivity targets.

Andy outlined in his presentation today that productivity is a key priority for this financial year. To re-iterate on some of Andy's earlier messages - we need to move faster and untangle complexity in our business. We need to simplify our processes and systems to unlock better outcomes for our people, for our customers, and for our shareholders.

We are changing how we hold ourselves accountable for costs and productivity across the business, by targeting increased productivity and shifting focus from gross productivity, to managing underlying cost outcomes – that is, productivity that you can see in our reported accounts.

Although cost-out will be our primary focus and primary measure, we will also continue to pursue \$1 billion of annual gross productivity to maintain delivery of other productivity such as incremental revenue, avoided cost, capex and cash benefits.

Greater identification

To manage underlying cost outcomes, we are breaking our costs into three categories, and we will manage each cost category against a cost target.

These three identified cost categories are consistent with our full year FY15 cost disclosures.

I will go through each of the three cost categories in turn, and go to our targets on the next slide:

Firstly, core Directly Variable Costs – or DVCs.

Our core business includes costs supporting fixed, mobiles, NAS, data & IP and media products. Our core DVCs are directly associated with, and vary with, these revenue streams. These costs totalled \$6.4b in FY15.

Core DVCs includes mobile costs of goods sold and network payments; NAS costs of goods sold; and Service fees to Foxtel for our Foxtel from Telstra offering.

The second category of costs are core non DVCs. Core non DVCs are our largest category of costs and include recurring expenses for operating our core business that are largely independent of scale.

These costs totalled \$8b in FY15. These costs also include some labour expenses that do scale with revenue – for example, labour costs associated with NAS, NBN commercial works and the NBN Definitive Agreements.

The last category of costs are new business and corporate costs. These costs totalled \$1.5b in FY15. This category includes:

- firstly, new business costs incurred by International – including Autohome and Pacnet – GES International, Health and the Telstra Software Group
- secondly, M&A; and
- finally, corporate impacts including, for example, bond rate movements.

Targets by cost category

So, how will we measure productivity?

For each of the three identified cost categories, we will manage costs against a target.

Our productivity aspiration will be measured in a different way. We will aim to achieve productivity based on changes in costs in our financial accounts rather than the concept of gross productivity. We will measure this way internally and report this way externally.

Our new approach is better for investors because we are more tightly controlling reinvestment.

For our first category of costs – core DVCs – we will provide more commentary externally on the efficiency of our costs. With these costs, we are less concerned with their growth, but we are very concerned about the efficiency.

This means that these costs should be directly matched with revenue or there should be a strong link to business growth – for example increased costs linked to increased hardware or services revenue. We will also seek a decline in unit costs – for example – through improved purchasing.

For our second category of costs – core non DVCs – our target is a net cost reduction year-on-year. This means that we are targeting productivity gains to more than offset inflation, wages and volume growth.

We will however, make adjustments for significant deals and events that have a large impact on costs – for example; increased NBN commercial works; increased NAS labour on large, new contracts; and increased NBN migration.

For our third category of costs – new business costs, M&A and corporate – we will assess M&A and new business costs against the original business case. Growth in these costs is an investment decision for each portfolio, and whilst we are currently focused on revenue growth, we will increase our cost management focus for these businesses over time. Furthermore, each year, some of these businesses may be moved into the core.

Productivity program

Let me move to how will we deliver productivity?

We have implemented a new productivity operating model where accountability, and incentives for execution and cost management have been devolved to business units and line managers.

Productivity is now built into line of business cost targets across the CEO Leadership Team.

Finance will measure and report productivity outcomes, and a small central productivity team influences the shape and targets of our productivity program.

Our productivity program is structured around six themes – starting from the top of the slide and working clockwise:

Firstly: improve customer interactions through digitisation and simplification. This includes eliminating bad volumes, increasing automation, reducing process complexity to deliver customer outcomes right first time, and increasing the number of transactions that are digital.

Removing complexity and reducing the time and effort required for our employees to serve our customers, and for our customers to achieve the outcomes they want, will improve customer advocacy, improve our employee experience and lower our operating expenses.

More specifically, with regards to getting it right for the customer first time. We are providing our front line sales staff with service diagnostic capabilities for ADSL and PSTN customers. These capabilities will be used at the time of the customer order and will result in improved accuracy of orders and subsequent automation, enable upfront identification of the required level of manual work - including truck rolls to an exchange - and the removal of issues that may cause delays and rework.

Today these tests are carried out after the order has been taken. By performing these diagnostics at the time of the customer order, we will significantly reduce errors and increase our speed to activation.

Improvements in assurance are also important. We are continuing to digitise more service transactions within our mobile and on-line based channels.

Overall, we receive approximately 7 million assurance calls per year for ADSL, cable, NBN, PSTN and business broadband products. If given a choice, 75% of these customers would rather go online and self-serve to resolve their problem. This represents an opportunity for our customers, and for us, to reduce call volumes into our assurance contact centres.

Specific examples of initiatives that reduce call volumes include:

- extending self-care capabilities for our ADSL customers, via our 24/7 app; and
- the Telstra Broadband Assistant application for our cable, NBN and PSTN customers. This application is a desktop software application that sits in the background with the ability to help detect, diagnose and proactively let customers know when there's a problem with their service. It then provides step by step instructions to help fix it fast.

Furthermore, we are also improving our diagnostic self service capability in our on-line applications, so that up to 50% of problem types can be resolved by users, resulting in fewer assurance calls and fewer truck rolls.

With regards to NBN activation, today our NBN order to activation process is relatively manual compared to our established fixed voice and broadband products. However, our NBN order volumes are growing as we work hard to win NBN customers and the NBN footprint continues to grow.

This year, we are increasing automation of our NBN activation process, reducing the time to a working service, while reducing the customer and employee effort required to achieve a market leading NBN experience

Our second productivity theme is product and sales optimisation. This includes simplifying our customer product offers, improving sales execution, and increasing the proportion of sales through digital channels to deliver both customer, and productivity benefits.

We are continuing to simplify and digitise our product offerings. This is targeted at improving the customer experience and reducing calls to our contact centres. For example:

- Firstly, through increasing automation we are simplifying the experience for our International Roaming customers using our Travel Pass product. The simplified product structure - including unlimited calls, unlimited SMS and a data allowance per day when roaming in 41 countries - combined with automated self-care functions from your mobile phone, will significantly reduce international roaming calls to our contact centres.
- Secondly, we have recently launched Block Charging capabilities for high data users, with automated real time data usage meters and alerts. This notification capability, combined with digital activation capability for additional data packs via our 24x7 app or SMS, removes the need for customers to call our contact centres.

Continuing our focus on digitisation, in FY16 we are also expanding the use of digital signatures and digital document delivery within our sales and contracting interactions with business and enterprise customers.

A FY15 pilot for our Telstra Business customers demonstrated an up to 95% reduction in errors, and a 70% - 90% reduction in document turn-around times. These reductions greatly improved our contracting productivity.

Additionally, we continue to improve productivity through our platform and product rationalisation program. Our focus continues to be on removing legacy platforms and products. Examples of this include our legacy dial-up services and 2G network platforms.

Our third productivity theme is enabling the future IT network.

We will adopt new technologies within our network and IT applications which will enable further automation and streamlining of our processes, and lower our costs.

Through increased automation across our platforms, we are enabling improvements in our core processes, including across our end to end activation processes.

As described previously, NBN activation is a particular focus, and our IT focus in this area is a key enabler of reducing NBN activation costs.

Additionally, we are adopting new technologies to simplify our IT environment. For example, our increased use of cloud and modular API enabled IT services are supporting shorter development cycle times and lowering complexity in our IT environment.

These improvements are currently enabling the increase in digital sales and service transactions mentioned previously. They will also lower our overall cost to deliver change in our IT environment.

We continue to simplify both our IT and core network through platform and application rationalisation. A large number of IT applications are targeted for reduction in line with our IT strategy.

We continue to target rationalisation of our legacy network platforms and take advantage of cost reductions through the introduction of new technologies. For example, using software defined networks will help us realise cost reductions from power savings and reductions in the required physical space in our exchanges.

Furthermore, within our core network, we are enabling productivity and improved customer experience through increased automated monitoring and analytics. For example, we are building capabilities in our network to detect and resolve problems proactively. This capability will remove avoidable events in our business by fixing issues before customers are impacted.

Additionally, our predictive network data analytics capabilities will enable us to remove work effort by reducing our line failure rates, and corresponding truck rolls, through proactive targeting of areas of high line failures.

Our fourth productivity theme is being a fitter and faster organisation. This includes streamlining our operating model and structure to create a simpler and more effective organisation.

Our environment, enabled by technology, continues to change at an accelerating rate. Not only does this present new business opportunities; to continue as a market leader, we need to make decisions and deliver better customer outcomes, quicker and more efficiently.

We will continue to simplify our organisational matrix and make appropriate changes to improve work efficiency, accountability to increase the speed of decision making, and reduce duplication.

We will continue to embed digital capabilities and ways of working into our internal processes, for example, digitising our procurement approvals process is resulting in a 50% reduction in cycle time for up to 85% of our approval volumes.

Our fifth productivity theme is supplier partnerships for business outcomes. This includes working with our partners to reduce rework and remove bad volumes. In particular, we are working with our partners to improve our end to end workflow for our activation episodes, through increasing automation and removing errors.

Additionally, we are looking to consolidate suppliers. For example, within our enterprise business, our top 20 suppliers account for approximately 60% of our supplier spend. The rest of our spend is spread across a long tail of vendors.

We are focussed on reducing the size of the tail in order to reduce costs and improve pricing outcomes with scale.

Our last productivity theme is realising synergies from acquisitions. This includes optimising the performance and synergies of our new businesses. Specifically, in the short term this includes realising the previously announced A\$65m synergies from our Pacnet acquisition. Martin will discuss our progress against these synergies later in today's presentations.

Our commitment, summary

To summarise, we are making a number of commitments on productivity.

Firstly, we are committed to delivering increased productivity – that is, productivity that you can see in our financial accounts.

Secondly, we are committed to providing greater identification of net cost growth, productivity and reinvestment in future external results announcements. That is:

- We will report our performance externally against our three identified cost categories
- We will provide more commentary on the efficiency of our DVC spend; and
- We will target a net cost reduction in our core non DVCs after adjustment for significant deals and events.

Finally, we have set ourselves up to deliver on our productivity commitments with a decentralised operating model structured around six productivity themes.

Digitisation, simplification and getting our processes right first time, will lead to increased productivity and better customer outcomes.

This is now the end of the productivity section.

Capital management framework

Turning to our capital management framework.

Capital management framework

You would all be familiar with our capital management strategy which has been in place since 2012. It's underpinned by a clear focus on optimising for the following:

- One, maximising returns to shareholders, through both dividends and capital growth
- Two, maintaining financial strength; and

- Three, retaining financial flexibility

These core objectives are supported by five principles that provide the structure and definition for what this means at a practical level.

Whilst there is no change to these principles, it is an important time to reflect upon them given the challenges and opportunities of the NBN, investment opportunities and competition.

The principles are:

- One, maintaining balance sheet settings consistent with a single A credit rating. This strong rating is important for us as a frequent issuer of debt in international markets.
- Two, our longer term objective is to grow dividends over time based on growth in sustainable earnings, and to ensure those dividends are fully franked. Our dividend policy remains unchanged, and future dividends will be subject to the Board's normal semi-annual approval process. This remains our key priority. Over the next five years, it is important we grow our business and increase productivity so that we can more than offset the financial impacts of the NBN and therefore, grow sustainable earnings.
- Three, excluding spectrum payments which we will fund via debt and cash reserves, our target medium term capex to sales ratio is 14%. As previously announced, over the next two years that ratio will be 15% as we see an opportunity to consolidate our leadership in mobile.
- Four, over the course of a year, we will not borrow to either pay the dividend or to fund capital returns.
- And five, we will retain the financial flexibility for portfolio management and to make strategic investments where our target hurdles rates can be achieved.

Investment guidelines

As regards to our investment criteria and target hurdle rate.

As we have previously advised, our guideline M&A criteria are:

- To be EPS accretive in year two
- To have a Return on Investment above our weighted average cost of capital by year three; and
- Any acquisition needs to be more value accretive than a share buyback of a similar magnitude.

From time to time, there may be acquisitions for special capability where we may make an exception to these criteria, such as Ooyala. We would not expect these exceptions to be a significant part of our overall investment.

Turning to organic investments. These include investments in our capital programme and start up investment, such as the investment in the Philippines were we to pursue that opportunity.

Our criteria for organic investments are a NPV that is positive, using a WACC plus an appropriate risk margin.

In closing this session, we re-affirm our commitment to our Capital Management Strategic Framework and our Capital Management Principles.

We have a clear commitment to delivering shareholder value via growth in fully franked dividends over time based on growth in EPS on a sustainable basis. This remains our key priority.

In order to invest in the future and thereby lay the foundation for stronger, more sustainable, and more stable shareholder returns, and as part of our broader growth strategy, we will continue to:

- One, invest organically in the core,

- Two, pursue external opportunities where our existing investment guidelines are met,
- Three, consider selective longer term horizon strategic investments, and
- Four, undertake a measured approach to capital management.

In relation to our capital management alternatives, our preference is to participate in options that involve the distribution of available franking credits, and where possible, those options that provide an enduring EPS benefit to our entire shareholder base - such as off market buy-backs.

Thank you.

I will now invite [Andy, Karsten, Kate and Mark] to join me back on stage, and then we will open it up to questions from the floor on the first three sessions today.