Telstra August 2022 Debt Investor Update

Guy Wylie – Finance Executive, Group Treasurer

Nathan Burley – Head of Investor Relations

Brent Luetjens – Investor Relations

Susie Maiuto – Treasury

Simon O'Brien - Treasury

Disclaimer

Forward-looking statements

This presentation includes forward-looking statements. The forward-looking statements are based on assumptions and information known by Telstra as at the date of this presentation.

The forward-looking statements are provided as a general guide only and are not guarantees or predictions of future performance. Telstra believes the expectations reflected in these statements are reasonable as at the date of this presentation, but acknowledges they involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause Telstra's actual results, performance and achievements to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include: general economic conditions in Australia; exchange rates; competition in the markets in which Telstra operates; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; the ongoing impacts of the COVID-19 pandemic; the geopolitical environment (including the impacts of sanctions and trade controls and broader supply chain impacts); and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra operates.

A number of these risks, uncertainties and other factors are described in the "Chairman & CEO Message", "Our material risks" and "Outlook" sections of our Operating and Financial Review (OFR). The OFR is set out in Telstra's financial results for the year ended 30 June 2022 which were lodged with the ASX on 11 August 2022 , and are available on Telstra's Investor Centre website www.telstra.com.au/aboutus/investor.

In addition, there are particular risks and uncertainties in connection with the implementation of the Telstra's T25 strategy (T25). Detailed business plans have not been developed for the entirety of the strategy and the full scope and cost of T25 may vary as those plans are developed. Further there are risks associated with the Telstra Group's ability to execute and manage the elements of T25 in a sequenced, controlled and effective manner and realise the planned benefits, cost savings and growth opportunities. There are also risks and uncertainties in connection with the proposed legal restructure announced on 22 March 2021. Any restructure is a complex process and we are navigating a range of existing commercial, regulatory, operational and other requirements. There may therefore be delays in implementing some parts of the restructure, or they may not be implemented.

Telstra does not provide financial guidance beyond the current financial year. Telstra's financial ambitions to FY25 and growth ambitions across our portfolio are not guidance and there are greater risks and uncertainties in connection with these ambitions.

Investors should not place undue reliance on the forward-looking statements. To the maximum extent permitted by law, Telstra gives no representation, warranty or other assurance in connection with the currency, accuracy, reliability and completeness of any forward-looking statements, whether as a result of new information, future events or otherwise. Telstra assumes no obligation to update any forward-looking statements, and to the maximum extent permitted by law, disclaims any obligation or undertaking to release any updates or revisions to the information contained in this document to reflect any change in expectations and assumptions.

Defined terms are set out on the slide "Glossary".

No offer, invitation or advice

This presentation is not intended to (nor does it) constitute an offer or invitation by or on behalf of Telstra, its subsidiaries, or any other person to subscribe for, purchase or otherwise deal in any equity, debt instrument or other securities, nor is it intended to be used for the purpose of or in connection with offers or invitations to subscribe for, purchase or otherwise deal in any equity, debt instruments or other securities.

Information in this presentation, including forward-looking statements and guidance, should not be considered as investment, tax, legal or other advice. You should make your own assessment and seek independent professional advice in connection with any investment decision.

Unaudited information

All forward-looking figures and proforma statements in these presentations are unaudited and based on A-IFRS unless otherwise indicated. Certain figures may be subject to rounding differences.

All market share information in these presentations is based on management estimates having regard to internally available information unless otherwise indicated.

Other information

All amounts are in Australian Dollars unless otherwise stated.

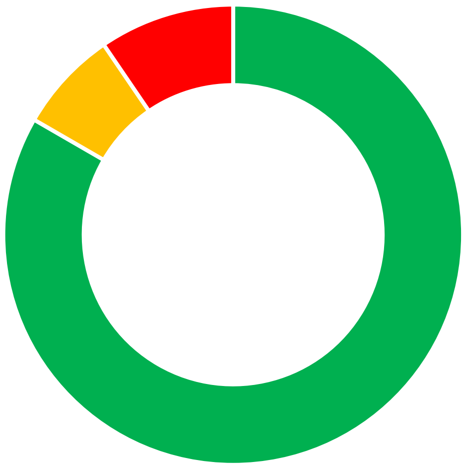
nbn™, nbn co and other nbn™ logos and brands are trade marks of nbn co limited and used under licence.

T22 achievements

Simplification & Digitisation	▪ 10.2m services on 20 simplified C&SB in market plans ▪ 4.5m Telstra Plus members ▪ C&SB digital sales increased to 48% and digital service interactions increased to 77% ▪ 71% reduction in annual contact centre calls since FY18 ▪ 100% of calls from C&SB customers now answered in Australia ▪ Enterprise digital service interactions increased to 41%
Ways of working	▪ Leaner, more efficient organisation including >17k working in Agile ▪ FTE reduction by >one-third or 26k across direct and indirect ▪ Hybrid working for all office based and contact centre employees
Productivity	▪ >$2.7b cost reduction since FY16 ▪ >$2b asset monetisation – almost $5b including Amplitel
Network leadership	▪ Australia's largest 5G network with 80% of population covered ▪ 3.5m 5G capable devices connected to the Telstra mobile network ▪ National lead in combined 4G/5G speeds
Infrastructure	▪ Completed 49% disposal of interest in Amplitel for $2.8b ▪ Proposed legal restructure: pending Court approval, we will shortly publish a Scheme Booklet giving shareholders information they need to vote at Scheme Meeting to be held on the same day as our AGM

T22 scorecard metrics

~80% metrics completed



- Completed
- Significant progress but below target metric
- Below target metric

Financial headlines

FY22 Reported

Total income: $22.0 billion, -4.7%

EBITDA: $7.3 billion, -5.0%

EBITDA lease adjusted[2]: $7.3 billion, -2.5%

NPAT: $1.8 billion, -4.6%

EPS: 14.4 cents, -7.7%

Total dividend: 16.5 cents per share[4], +3.1%

FY22 Guidance basis[1]

Underlying EBITDA[3]: $7.3 billion, +8.4%

In-year nbn headwind[3]: ~$340 million (LTD ~$3.6 billion)

Underlying EPS[3]: 14.4 cents, +48.5%

Capex[3]: $3.0 billion, +0.7%

Free cashflow after lease payments[3]: $4.0 billion, +5.9%

1. This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Refer to Full year results and operations review – guidance vs reported results reconciliation (set out in our ASX announcement titled "Financial results for the full year ended 30 June 2022" lodged with the ASX on 11 August 2022).
2. 'Reported lease adjusted' includes all mobile handset leases as operating expenses in FY21.
3. Refer to definition in the Glossary.
4. Total dividend of 16.5 cents per share fully franked comprising total ordinary dividend of 13.5 cents per share and total special dividend of 3 cents per share.

Operating highlights

Continuing to deliver growth

Mobile service net adds

- +155k retail postpaid handheld services including +121k branded +34k Belong
- +215k retail prepaid handheld unique users
- +218k wholesale MVNO including prepaid and postpaid services
- +1,024k IoT services

Fixed service net adds

- -87k retail fixed bundle and data services

- **Mobile:** +2.9% postpaid handheld ARPU growth, +14.2% prepaid handheld services revenue growth, +6.4% total services revenue growth, +$700m EBITDA growth
- **Fixed – C&SB:** +2.4% bundles and data ARPU growth
- **Enterprise** income and EBITDA growth. **Fixed – Enterprise** +2.3% EBITDA growth, +$152m NAS EBITDA growth
- **InfraCo Fixed:** $2.4b income, +3.1% core access growth
- **Telstra Health:** +13% organic revenue growth, +51% overall revenue growth to $243m

Improved customer experience

- Episode NPS improved +5 last 12 months and maintained last six months
- Strategic NPS declined -5 last 12 months and -1 last six months

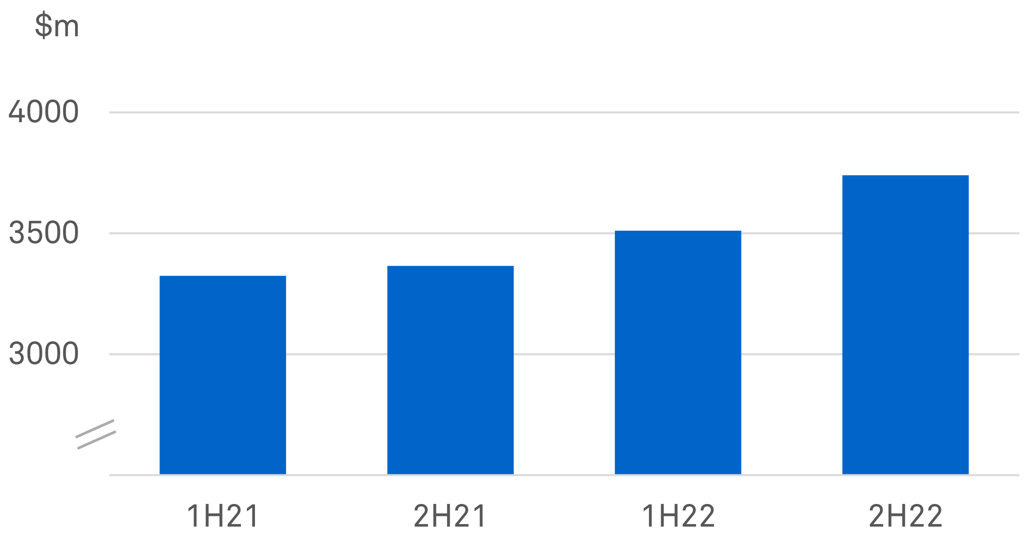
Continued cost reduction

- >$2.7b underlying fixed cost reduction since FY16
- FY22: $454m or 8.1% underlying fixed cost reduction and $906m or 5.8% decline in total operating expenses[1]

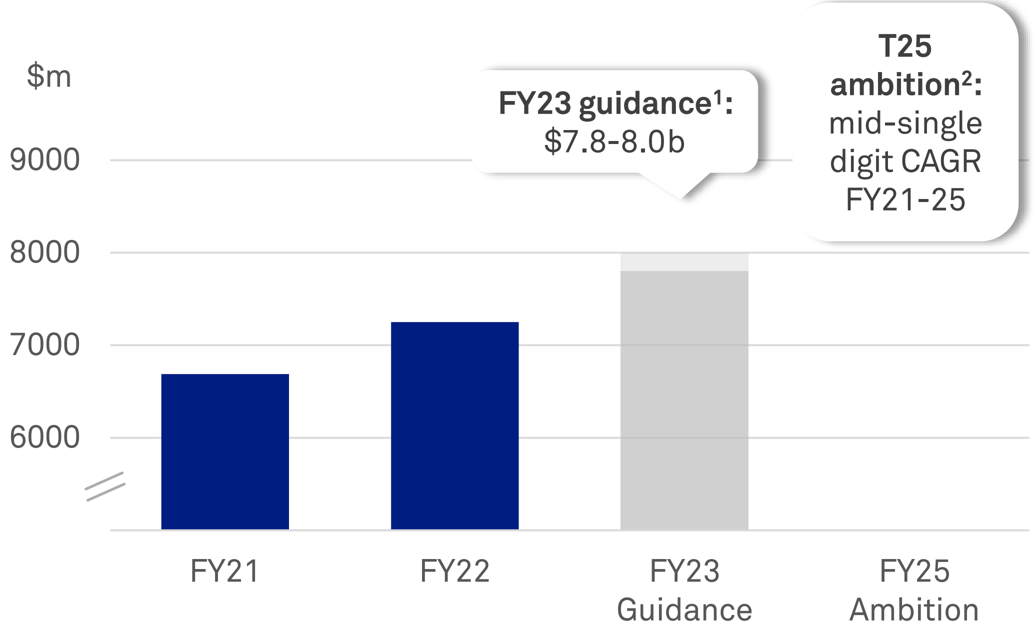
1.'Reported lease adjusted' includes all mobile handset leases as operating expenses in FY21.

Underlying EBITDA growth

Underlying EBITDA – halves



Underlying EBITDA – full year



1. This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Refer to slide "FY23 guidance".
2. Telstra's financial ambitions for its Underlying EBITDA and FY25 outcomes are not guidance and there are greater risks and uncertainties in connection with these ambitions.

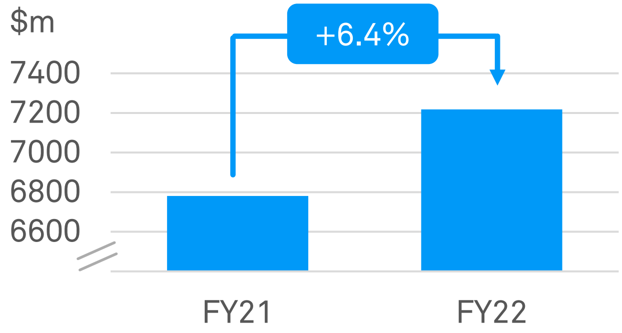
EBITDA by product[1]

	FY21	CHANGE $m	FY22	CHANGE	
Mobile	$3,297m	700	$3,997m	21.2%	Service revenue growth, plan structure, hardware and productivity
Fixed - C&SB	$139m	-84	$55m	-60.4%	Revenue reduction, growing nbn costs, partly offset by cost out
Fixed - Enterprise	$645m	15	$660m	2.3%	NAS growth offset by data & connectivity decline
Fixed - Active Wholesale	$231m	-72	$159m	-31.2%	Ongoing legacy decline partially offset by cost-out
International	$336m	51	$387m	15.2%	0.5% constant currency growth
InfraCo Fixed	$1,673m	-18	$1,655m	-1.1%	nbn commercial works decline offset by disposals
Amplitel	$300m	-6	$294m	-2.0%	Revenue growth offset by build up of costs as standalone business
Other [2]	$68m	-24	$44m	NM	Includes corporate adjustments; Health flat yoy
Underlying	**$6,689m**	**562**	**$7,251m**	**8.4%**	
Net one-off nbn DA	$802m	-569	$233m	-70.9%	Reflects nbn migration timing
Restructuring	-$211m	140	-$71m	66.4%	
Other guidance adj.[3]	$164m	-321	-$157m	NM	Gain on sales in pcp; Towers transaction costs in FY22
Reported lease adjusted [1]	**$7,444m**	-188	**$7,256m**	**-2.5%**	

1. Mobile and Fixed products include internal infrastructure costs. 'Reported lease adjusted' includes all mobile handset leases as operating expenses in FY21. No adjustment in FY22.
2. Other includes miscellaneous and Telstra Health.
3. Refer to Full year results and operations review – guidance vs reported results reconciliation which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY22 (set out in our ASX announcement titled "Financial results for the Full year ended 30 June 2022" lodged with the ASX on 11 August 2022).

Product highlights: mobile momentum and growth

Mobile service revenue growth

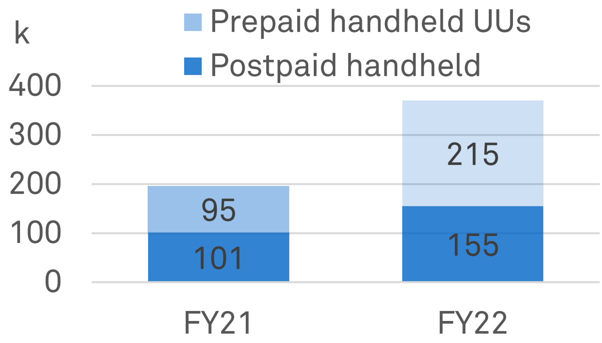


All products and segments growing

Mid-single digit growth ambition to FY25

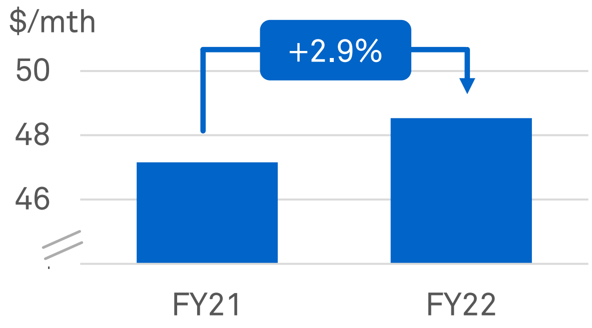
Key driver of EBITDA growth

Mobile handheld net adds



SIO growth across all segments including strong contribution from Enterprise

Mobile postpaid handheld ARPU growth

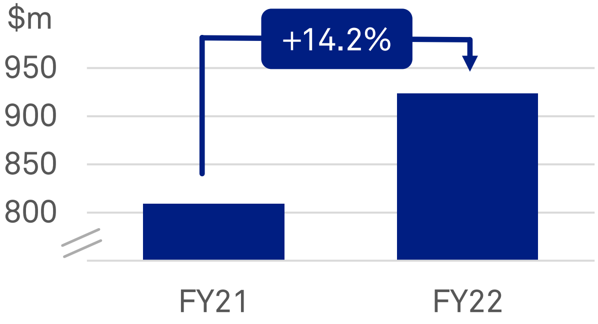


Growth driven by price changes

Economic growth > reported

Price rises/CPI indexation and roaming to support FY23 growth

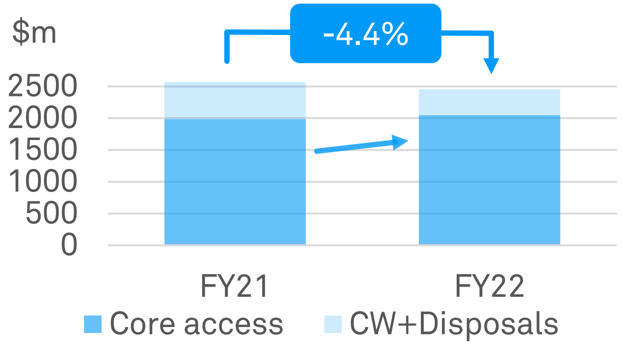
Mobile prepaid handheld revenue growth



Growth from unique users, lower dormancy, and higher ARPU

Product highlights: Infrastructure

InfraCo Fixed revenue

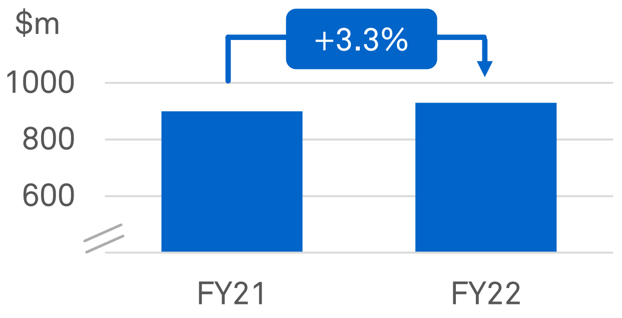


+3.1% growth in core access revenue for fibre, network sites & ducts

Legacy network disposals

Offset by nbn commercial works (CW) rolling off as nbn rollout nears completion & contracts end

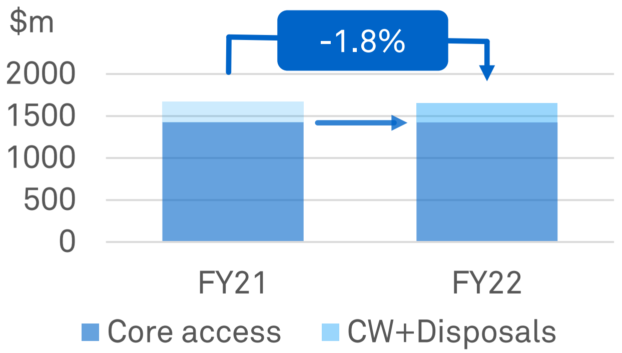
nbn recurring revenue growth



Average contracted period of 25 years

CPI indexed

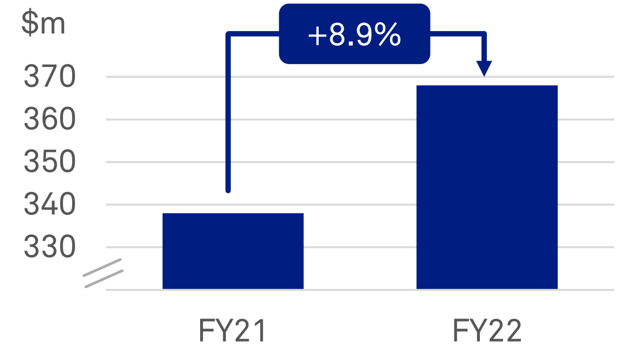
InfraCo Fixed EBITDAaL[1]



Flat core access EBITDAaL on additional investment in maintenance and growth opportunities

Additional long-term growth potential including from major infrastructure investments

Amplitel (Towers) revenue growth

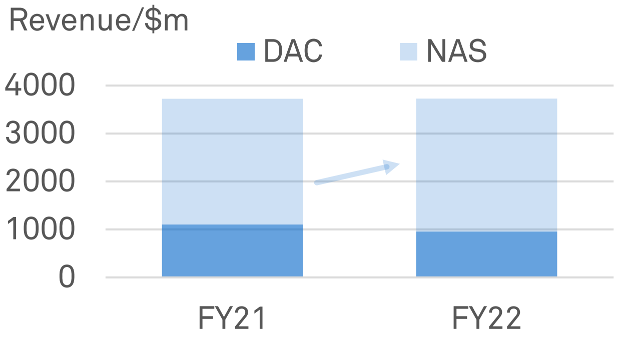


Demand including new builds and 5G coverage expansion from Telstra

1. Refer to definition in the Glossary.

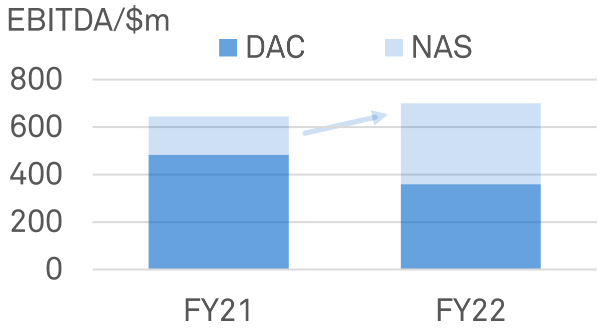
Product highlights: Fixed - Enterprise

NAS growth offsetting DAC declines[1]



Fixed - Enterprise revenue decline -0.7%[1]

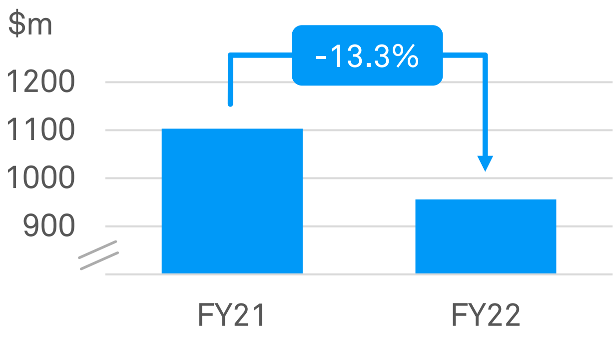
Including NAS revenue growth +4.6%[1]



Fixed - Enterprise EBITDA growth +2.3% or $15m

Including NAS EBITDA growth +$152m

Data & connectivity (DAC) revenue decline

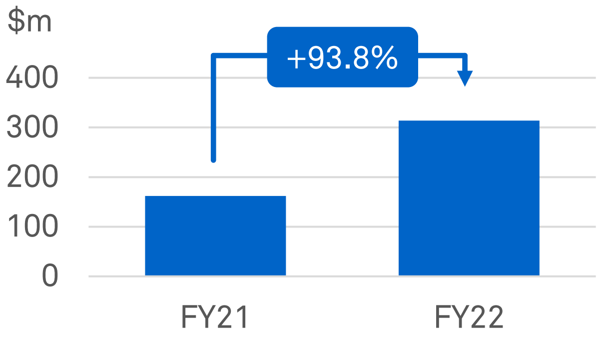


ARPU reduction from competition (incl. nbn) and tech change

Strong contract renewals of our government and enterprise customers. T-Fibre churn largely confined to mid-market/business

Return to growth challenged

NAS EBITDA growth



Security, Cloud, IoT, professional & managed services growth offset legacy and calling declines

Timing of revenue recognition linked to key contract milestones

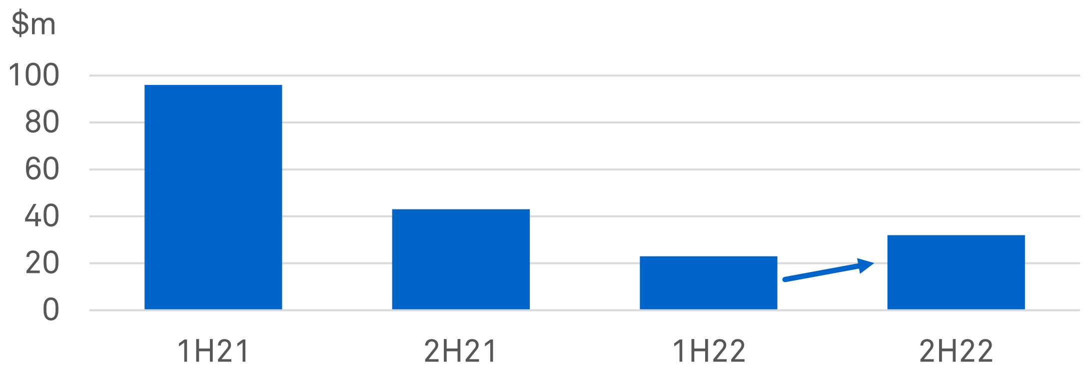
Strong cost management

Mid-teens margin ambition by FY25

1. Excludes $32m in FY22 of NAS Professional services income contribution from acquisitions. Including acquisitions NAS revenue +5.8% and Fixed - Enterprise revenue +0.1%.

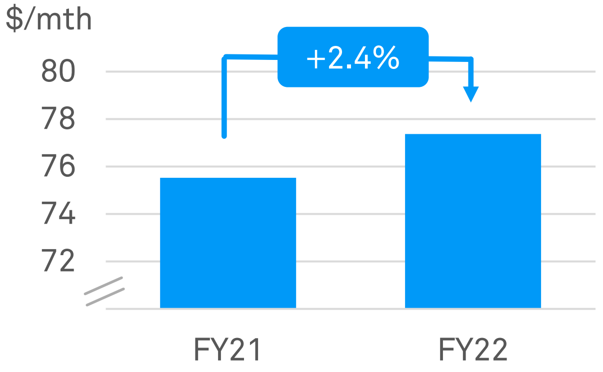
Product highlights: Fixed - C&SB has bottomed

Fixed - C&SB EBITDA – 2H22 grew sequentially on 1H22



- nbn migration of data SIOs ~99% complete in nbn fixed footprint
- nbn reseller EBITDA margin 5% in FY22 with target for >8% by FY23
- Improvements in experience and productivity from new stack/digitisation
- Growing 5G Home wireless contribution
- Bundles & data revenue flat

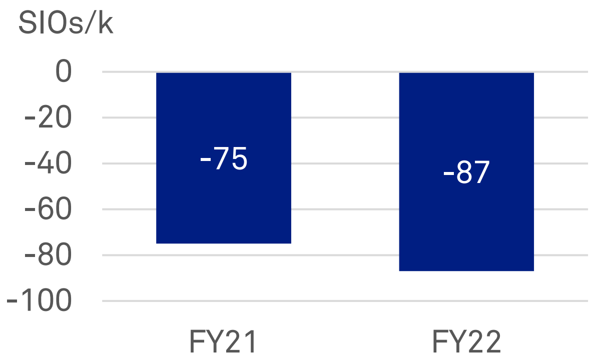
Bundles & Data ARPU growth



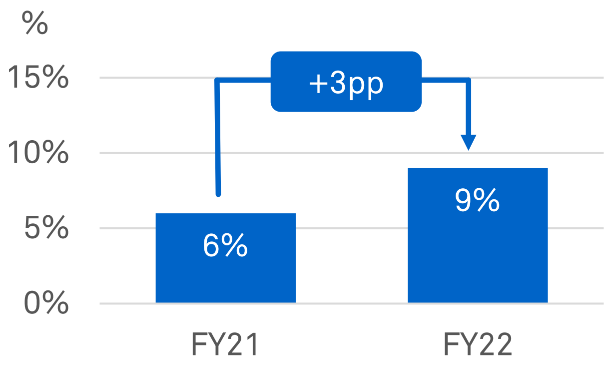
Growth from price changes and improved plan mix

Full year benefits to flow through into FY23

Bundles & Data net adds



nbn plan mix 100mpbs+



Operating expenses[1]

	FY21	CHANGE $m	FY22	CHANGE
Sales costs - nbn payments	$1,975m	106	$2,081m	5.4%
Sales costs - other	$6,209m	-170	$6,039m	-2.7%
Fixed costs - underlying	$5,593m	-454	$5,139m	-8.1%
Fixed costs - other[2]	$1,384m	-345	$1,039m	-24.9%
Underlying	**$15,161m**	**-863**	**$14,298m**	**-5.7%**
One-off nbn DA and nbn C2C	$248m	-103	$145m	-41.5%
Restructuring	$211m	-140	$71m	-66.4%
Other guidance adjustments	$44m	200	$244m	NM
Reported lease adjusted	**$15,664m**	**-906**	**$14,758m**	**-5.8%**

Total operating expenses[1] declined 5.8%

nbn™ network payments increased driven by higher tier-mix and Connectivity Virtual Circuit (CVC) charges

Sales costs – other declined including lower volumes of modems and mobile handsets, and reduced Foxtel service fees

Underlying fixed costs decreased $454m or 8.1% in FY22

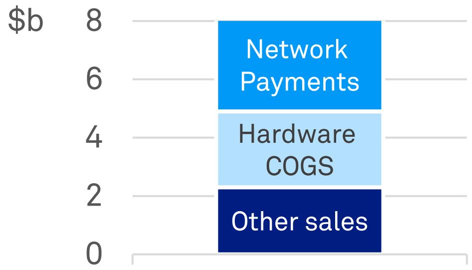
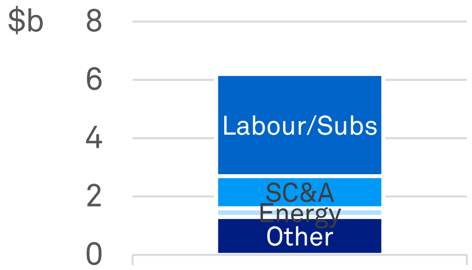
Achieved cumulative $2.7b per annum cost out target - a 35% net reduction in annual underlying fixed costs since FY16

Cost reduction achieved by simplifying product offerings, increasing digital experiences, reducing layers of management and moving to an agile workforce, optimising 3rd party spend and due to the migration of customers to nbn

Fixed costs - other reduction due to mobile handset leases ceasing in FY21 and reduced commercial works, partially offset by costs to operate our newly insourced retail stores

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses in FY21. No adjustment in FY22.
2. Includes items supporting revenue growth including relevant NAS costs, mobile handset lease, product impairment, and additional costs from insourcing retail channel in FY22.

Inflation and mitigants

Operating expenses	FY22	Components	Actively addressing cost challenges with mitigants
Sales costs – nbn payments Sales costs – other	$2,081m $6,039m		• **Network payments** generally not inflationary and largely pass through • **Hardware COGS** largely pass through • **Other sales** including NAS cost of sales with some inflationary pressure but largely pass through. Also includes largely historic commissions
Fixed costs – underlying Fixed costs – other	$5,139m $1,039m		• **Labour/Labour substitution.** Enterprise Agreement for wages. FY22 +82 employee engagement score • **Service contracts & agreements (SC&A).** Inflationary but partially contracted • **Energy costs FY22 ~$250m.** Substantive protection through Power Purchase Agreements. • **Other** including property, IT, promotion, advertising, travel, entertainment, bad debt – inflationary but partially discretionary
Underlying	**$14,298m**		

Revenue

- **$5b of mass market mobile services** - price increase inline with CPI + annual price review
- **$0.9b nbn receipts** indexed to CPI
- Ongoing assessment of pricing

Other costs include fixed components

- **$0.8b leases.** Average contracted term 8 years with majority fixed contracted increases rather than CPI. Also optimising portfolio
- **$0.4b net finance costs.** ~65% of debt fixed. +100bps = ~-$20m NPAT impact in FY22

Capex

- ~75% subject to inflationary pressure, remainder protected by contracts and EA
- Committed to envelope. In year we may make trade-offs and adjust timing

FY23 guidance

	FY22	FY23 guidance[1] (includes Digicel Pacific)
Total Income	$22.0b	**$23.0b to $25.0b**
Underlying EBITDA[2]	$7.3b	**$7.8b to $8.0b**
Capex[3]	$3.0b	**$3.5b to $3.7b** (incl. strategic investment)
Free cashflow after lease payments (FCFaL)[4]	$4.0b	**$2.6b to $3.1b** (incl. strategic investment)

1. This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.
2. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments.
3. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.
4. Free cashflow after lease payments defined as ‘operating cash flows’ less ‘investing cash flows’ less ‘payments for lease liabilities’, and excludes spectrum and guidance adjustments.

Our strategy: T25

Our purpose and values

To build a connected future so everyone can thrive

- We are changemakers
- We are better together
- We care
- We make it simple

Our strategic pillars

An exceptional **customer experience** you can count on	Leading **network & technology solutions** that deliver your future	Sustained **growth and value** for our shareholders

The place you want to work

Excelling at new ways of working	Accelerating digital leadership	Doing business responsibly

Our businesses

Consumer & Small Business	Enterprise	New Markets	International	Infrastructure

Capital position

		FY21	1H22	FY22
Gross debt		$16.4b	$14.9b	$13.8b
Cash and cash equivalents		$1.1b	$1.7b	$1.0b
Net debt		$15.3b	$13.2b	$12.7b
Average gross borrowing cost[1]		3.8%	3.7%	3.7%
Average debt maturity (years)[1]		3.4	3.3	3.1
Financial parameters[2]	**Comfort Zones**			
Debt servicing	1.5 - 2.0x	2.0x	1.9x	1.8x
Gearing	50% to 70%	50.0%	43.1%	43.0%
Interest cover	>7x	13.2x	13.0	14.5
Ratios				
Capex[3] to sales		14.4%	13.4%	14.5%
ROE[3]		12.8%	9.1%	11.3%
ROIC[3]		7.5%	6.0%	7.1%
Underlying ROIC[3]		5.0%	6.2%	7.0%

Net debt declined ~$2.6b in FY22 supported by our free cashflow and proceeds from disposal of interest in our Towers business

Average gross borrowing cost declined marginally over FY22. Debt portfolio is hedged at ~ 65% fixed interest

Strong liquidity. $1.0b cash and $3.8b of unused committed bank facilities

Balance sheet strength and flexibility. Improved debt servicing ratio driven by reducing net debt. Digicel Pacific acquisition increases proforma debt servicing ~0.1x.

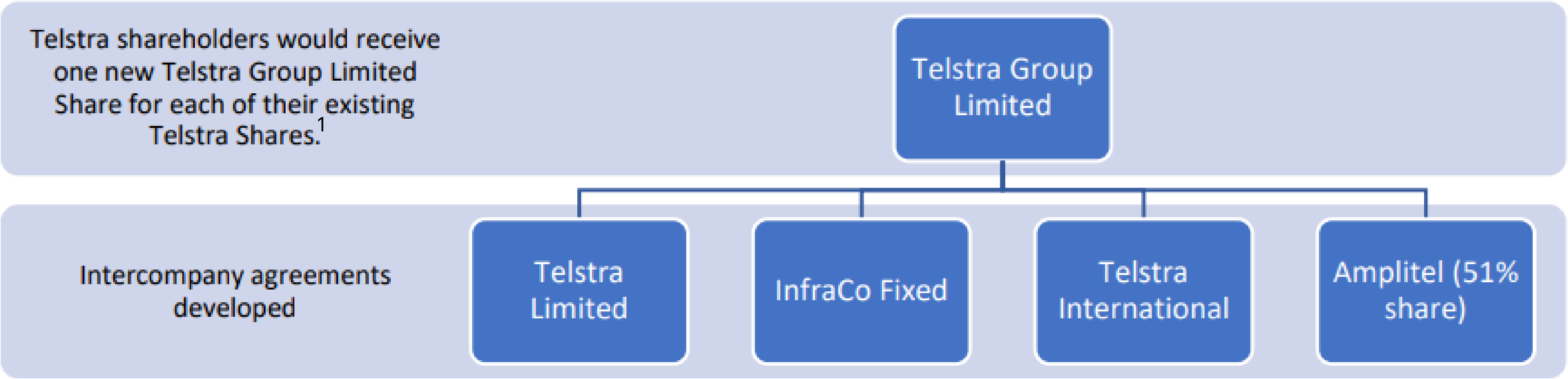
Accrued capex[3] of $3,042m in FY22 (guidance basis)

Momentum to FY23 Underlying ROIC target of ~8%

1. Excludes leases.
2. Debt servicing calculated as net debt over reported EBITDA. Gearing calculated as net debt over total net debt and equity. Interest cover calculated as reported EBITDA over net interest expense (excluding capitalised interest, revaluation impacts on our borrowings and derivatives and other non-cash accounting impacts).
3. Refer to definition in the Glossary.

Update on Corporate Restructure

Telstra's proposed legal structure



- ✓ On track to finalise legal restructure pending shareholder and court approval. The Scheme Booklet that has been published gives shareholders relevant information ahead of the shareholder vote at the Scheme Meeting to be held on the same day as our AGM (11 October).

- ✓ Dividends and debt servicing will continue to be supported by the assets and income of the broader Telstra Group.
- ✓ We remain committed to our Capital Management Framework.
- ✓ No change to group debt levels is anticipated as a result of the restructure

- ✓ We have a demonstrated long track record of appropriately balancing debt holder interests. In considering potential future transactions we would continue to have regard to impacts on the interests of debt holders.

[1] Unless you are an Ineligible Foreign Shareholder – see section 6.4 of the Scheme Booklet for more information

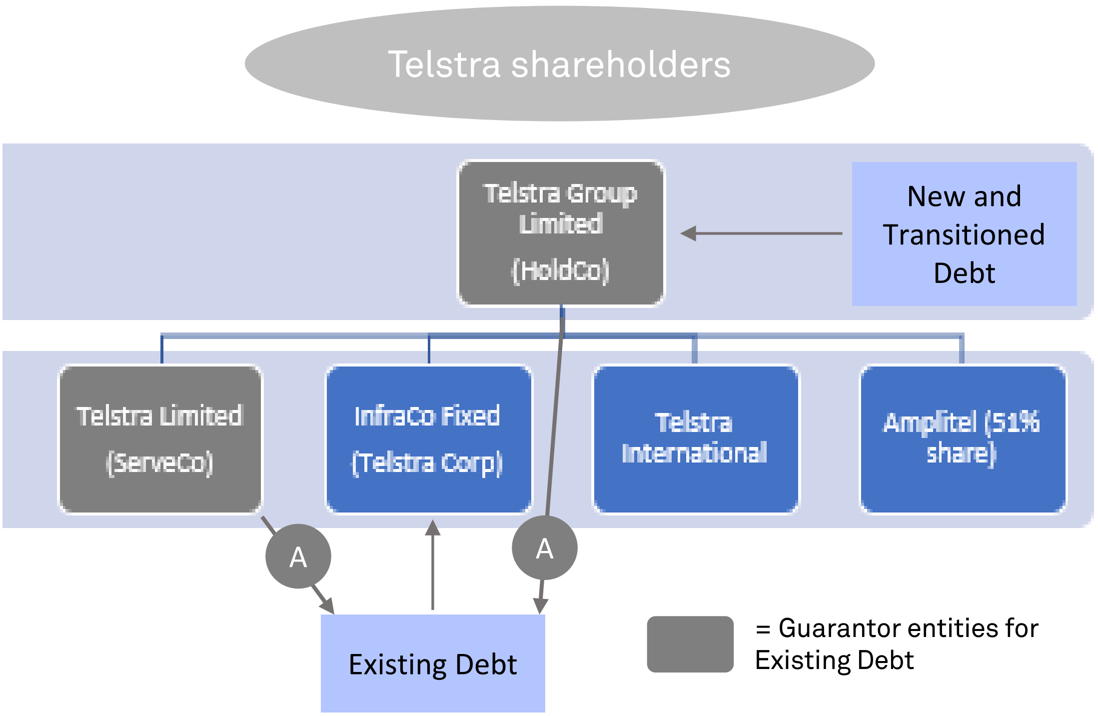
Capital management framework

Fiscal discipline

Objectives	**Maximise returns for shareholders** · **Maintain financial strength** · **Retain financial flexibility**
Principles	1. Committed to balance sheet settings consistent with an A band credit rating 2. Maximise fully-franked dividend and seek to grow over time[1] 3. Ongoing business-as-usual capex of ~$3b p.a. excluding spectrum[2] 4. Invest for growth and return excess cash to shareholders

1. The dividend is subject to no unexpected material events and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.
2. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.

Update on Debt Structure



- ✓ Existing external debt will initially remain in Telstra Corp Ltd (to become InfraCo Fixed), with refinancing of existing external debt (including by transfer, substitution or otherwise) and new debt raising expected at Telstra HoldCo
- ✓ We have enhanced the previously announced guarantee structure to add ServeCo as an additional guarantor (i.e. in addition to Telstra HoldCo) to support existing external debt at InfraCo Fixed (see 'A' in the diagram to the left) ("**Existing Debt Guarantee**")
- ✓ This guarantee structure will have features allowing the Existing Debt Guarantee from Telstra HoldCo to be released upon a change of control of InfraCo Fixed (subject to certain additional conditions)

Glossary

Term	Definition (unless separately defined in the slide footnotes)
Capex, Accrued Capex	Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases
Free cash flow after lease payments (FCFaL)	'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities', and excludes spectrum and guidance adjustments
Guidance adjustments	Guidance adjustments include material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Refer to Full year results and operations review – guidance vs reported results reconciliation which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY22 (set out in our ASX announcement titled "Financial results for the Full year ended 30 June 2022" lodged with the ASX on 11 August 2022).
In-year nbn headwind or **nbn headwind**	The net negative recurring EBITDA impact of the nbn on our business for the reporting period. See 'nbn impact on EBITDA' slide for details of the in-year nbn headwind
Net one-off nbn DA less net C2C or **one-off nbn DA**	Adjustments for net one-off nbn receipts which is defined as net nbn one-off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect
Reported lease adjusted	'Reported lease adjusted' includes all mobile handset leases as operating expenses in FY21. FY21 adjusted to include $194m of reported depreciation of mobile handsets right-of-use assets in EBITDA. No adjustment in FY22.
ROE	Calculated as Profit After Tax after Minority Interests (PATMI) as a percentage of equity
ROIC	Calculated as Net Operating Profit After Tax (NOPAT) as a percentage of total capital
Total income	Total income excluding finance income
Underlying earnings	NPAT excluding net one-off nbn receipts and guidance adjustments (as defined above). See 'Underlying earnings' slide for details
Underlying EBITDA	Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments (as defined above). FY20/21 underlying EBITDA also included depreciation of mobile lease right-of-use assets.
Underlying EPS	Calculated as PATMI attributable to each share, excluding net one-off nbn receipts and guidance adjustments (as defined above).
Underlying ROIC	Calculated as NOPAT as a percentage of total capital, excluding net one-off nbn receipts and guidance adjustments (as defined above) less tax.