



telstra.com.au/investor

BACK COVER

SPINE TBC

IMAGE TBC

OUR BRILLIANT CONNECTED FUTURE

Telstra Annual Report 2015



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The sections of our Annual Report titled Our Business, Telstra at a Glance, Chairman and CEO Message, Strategy and Performance and Full Year Results and Operations Review comprise our operating and financial review (OFR) and form part of the Directors' Report.

A summary of some of our corporate governance practices is set out in the Governance at Telstra section of this Annual Report. A copy of our full Corporate Governance Statement and ASX Appendix 4G outlining how we comply with the 3rd Edition of the ASX Corporate Governance Principles and Recommendations is available on our website at telstra.com/governance

OUR BUSINESS

OUR PURPOSE

To Create a Brilliant Connected Future for Everyone.

To create

The brilliant connected future won't happen on its own. It has to be created. Telstra can bring together the parts to create it.

A brilliant connected future

This is our aspiration for every one of our customers. And in every market in which we operate.

For everyone

We can only create such a future for everyone when enough people can access technologies that create social, economic and cultural change.



This all adds up to **why** we do what we do.

OUR VALUES

At Telstra, we have five core values. Our values express what we stand for and guide the way we operate. Our values are core to our business and we align everything we do with them.

Show you care

Better together

Trust each other to deliver

Make the complex simple

Find your courage



This is **how** we do what we do.

INDUSTRY CONTEXT

Technology is changing our world and we are seeing profound change in the way people connect and communicate.

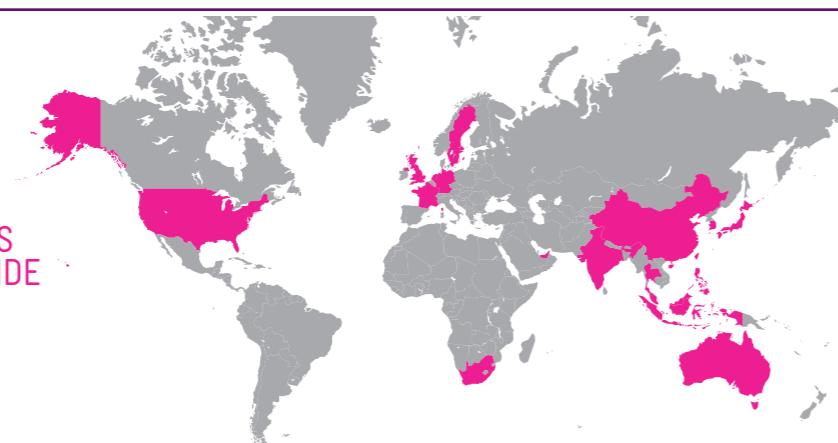
<industry growth statistic>

The telecommunications industry is dynamic and growing – with network traffic increasing rapidly and with the continued evolution of IP based products and services.

The future belongs to our customers; connected businesses, governments, communities and individuals.

WHO WE ARE

 32,000 TELSTRA EMPLOYEES AND ACROSS 20 COUNTRIES WORLDWIDE



An iconic Australian company with a rich history – dating back to 1901

362
Retail Stores

90
Business Centres

127
Business and Enterprise Partners

15K
Retail Points of Presence

INTERNATIONAL HQ IN HONG KONG

Our Business

WHAT WE DO

We help customers connect to the people and things that matter most to them.

Telstra is Australia's leading telecommunications and information services company, offering a full range of communications services.

We believe the more connected people are, the more opportunities they have.

That's why we aim to build technology and content solutions that are simple and easy to use.

That is why we have built Australia's largest and fastest national mobile network.

That's why we strive to serve and know our customers better than anyone else – offering a choice of not just digital connection, but digital content as well.

That's why we actively seek out new growth opportunities and new technology in Australia and around the world, with our international presence spanning [20] countries, including a growing footprint in Asia.

OUR BUSINESS



RETAIL

Fixed voice & data PSTN, ADSL, HFC, NBN

Mobile Post and pre-paid and mobile broadband

Media <insert blurb about media business>

Business Products and bundles for Australian small to medium businesses including Fixed, Mobile, Data & IP, Network Applications & Services offering



GLOBAL ENTERPRISE AND SERVICES

Fully integrated solutions for global enterprise and government clients including domestic carriage, international carriage, industry solutions and software

Network Applications and Services offering to customers

Products and services sold in XX countries

WHOLESALE

Australia's leading supplier of wholesale communications services including Fixed, Mobile, Data & IP and Facilities access

<TBC Insert growth figure>

OPERATIONS

Telstra Operations manage our networks, technology, service groups and IT operations to drive Telstra's network excellence

Largest mobile coverage area

2,000 points of presence across the globe

THE YEAR AT A GLANCE

Highlights

CENT DIVIDEND
XX.X↑

Distributing \$XX.X to shareholders

NET PROFIT AFTER TAX
\$XXb↑

Up XX.X% from FY14

SALES REVENUE
\$XXb↑

Up XX.X% from FY14

XXm

DOMESTIC RETAIL MOBILE CUSTOMERS

XX%↑

INCREASE IN SUBSCRIPTIONS for our premium television product Foxtel

XXX

GROWTH IN NRL AND AFL DIGITAL SPORTS PROPERTIES

OUR WHOLESALE BUSINESS HAS GROWN BY

XX↑

4G SERVICES

now reaching 94% of the Australian population

4GX

INTO XXX TOWNS

\$XXb

INVESTED IN WIRELESS NETWORK

XXm

CUSTOMERS on a bundled plan

ANNOUNCED AUSTRALIA'S MOST RESPECTED COMPANY BY HAY GROUP

Customer service



OUR NUMBER ONE PRIORITY IS CUSTOMER CARE

Our people complete over 5 million service jobs a year which equates to more than 20,000 a day.

XX↑ ONLINE CUSTOMER TRANSACTIONS Up 5% points

Better value plans in 2015 with more data allowances & real time alerts

XX↑ Wi-Fi hotspots delivered

Growth and international expansion

ACQUISITION OF PACNET, including the largest privately-owned intra Asia cable network and 29 data centres

Launched TELKOM INDONESIA Joint Venture

98% OWNERSHIP of video streaming company Ooyala

Start-up accelerator muru-D in Sydney and Singapore attracts XX in funding

SEVEN INVESTMENTS for our growing Telstra Health business

Network Applications and Services business grew by XX and increased profitability

Sustainability

\$XX.Xm SOCIAL AND COMMUNITY CONTRIBUTIONS

XX% REDUCTION IN CARBON EMISSIONS INTENSITY

XXX People with disability or from a disadvantaged background employed through our Supported Workforce program

New Telstra Safe Connections program helping women impacted by domestic violence

XX SENIORS TRAINED in using technology

\$XXXb SPENT WITH XXX SUPPLIERS

XXXm SMS SENT to customers highlighting responsible phone use

CHAIRMAN AND CEO MESSAGE



**IMAGE TBC –
TELSTRA SUPPLIED IMAGE
RETOUCH TO ADD WARMTH
AND LESS GREY/BLUE TONES**

Dear Shareholders,

We are very pleased to present this review of Telstra's progress in the 2015 financial year.

This year we grew revenues and profits, added **X** million new customers, invested in our network advantage, paid **\$X** billion in dividends and continued building our capabilities for the future.

Our strategy remains focussed on improving customer advocacy, investing in the core of our business and building pathways to future growth.

Across the business we are working to build advocacy by improving service and offering products and services that make a positive contribution to customers' lives and businesses.

The excellence and extent of our network remains a core strength of our business. As well as connecting millions of people to the people and things that are important to them, our network gives us a platform from which to offer the growth products of the future. We continue to invest in the capability and durability of our network and technology leadership.

Telstra is also building pathways to the future by investing in new capabilities and new markets, particularly in Asia.

We are pleased to have again delivered on our financial commitments.

We have announced a **[X]** cent fully franked dividend for the 2015 financial year, distributing **\$[X]** billion to shareholders. Our shares will trade ex-dividend on **[?]** 2015, with payment on **[?]**, 2015.

Our 2015 results reflect the financial strength of our business. Total income (excluding finance income) totalled **\$[X]** billion, up **[X]** per cent; EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) totalled **\$[X]** billion, up **[X]** per cent; and our Net Profit after Tax was **\$[X]** billion, up **[X]** per cent.

Leadership changes

This year Andrew Penn, previously Telstra's Chief Financial Officer, was appointed as Chief Executive Officer, replacing David Thodey who announced his retirement after almost six years as Chief Executive Officer.

The Board and leadership team have together developed comprehensive plans to enhance and expand Telstra's capabilities as an increasingly global company and position us for future growth. With exceptional talent and experience, Mr Penn will lead the implementation of these plans.

The Board would like to pay special tribute to Mr Thodey as an outstanding chief executive for our customers, shareholders and employees.

His passion for customer service and driving cultural change within Telstra has had an enormously positive effect on your company, and this has been reflected in our financial performance in recent years.

Telstra's new Chief Financial Officer is Warwick Bray, previously the Group Managing Director of Products. That we were able to make this appointment from within the company is a reflection of the depth of the leadership talent within the company.

Our strategy

During the year we maintained our focus on our three strategic pillars: improving customer advocacy, driving value from the core and building new growth businesses.

Improve Customer Advocacy

Our customers remain our highest priority and we continue to look for ways to improve the way we interact with them every day. Our program includes providing more personalised service, better communications of new products and services as well as offering better value.

We continue to measure our progress and actively seek feedback using our Net Promoter System (NPS). Our overall NPS score improved by **[x]** points over the 2015 financial year, building on the improvements we saw last year. While progress is pleasing we still have a lot of work to do to consistently deliver our customers a great service experience.

Unfortunately this year natural disasters and heavy rains affected many part of the country.

We proactively plan for seasonal weather events but this year extreme weather events hit us earlier than usual and in areas that were very geographically dispersed, including floods in Queensland and NSW and bushfires in South Australian and Western Australia. This left us with less flexibility to move resources around the country.

While we mobilised our network and operations teams to respond some customers did experience unusually long delays in fault rectification and new connections in many parts of the country. Large numbers of fault reports also saw an increase in call volumes, causing longer than usual wait times for our customers.

Regardless of the circumstances this is not the experience we want for our customers and we have worked hard to restore services.

Driving value from the core

Much of Telstra's reputation is built on a foundation of providing customers with outstanding connectivity in cities and in regional and remote Australia.

We are committed to maintaining our network leadership and our ongoing investment saw our 4G coverage grow to 94 per cent of the Australian population this year.

Chairman and CEO Message

We also launched our new 4GX service offering customers in over 1,000 towns and suburbs some of the fastest mobile data speeds in the world, with top speeds on compatible devices up to twice as fast as 4G.

We are also building Australia's largest national public Wi-Fi access network with more than 1,000 Wi-Fi hotspots already enabled. Our aim is to offer Australians access to two million hotspots across the nation, and more than 13 million international hotspots around the world within five years.

Our focus on the customer has led to the addition of **XXX,000** new retail mobile customer services, **XX,000** new retail fixed broadband customers and **XXX,000** new customers on a fixed bundle.

Build New Growth Businesses

Our growth plan is designed to set the company up for success in the future. This includes challenging ourselves to become even fitter to compete and ultimately become world class at everything we do.

Investing in new businesses and grow telecommunications services in Asia is essential for our growth ambitions and significant progress has been made this year.

Our acquisition of Pacnet increased the scale and capability of our fixed infrastructure, network density and reach across the Asia Pacific region, as well as our customer base and capability.

The acquisition has positioned Telstra as a leading provider of services to multinational and large companies in Asia and doubled Telstra's customers in the region, and greatly increase our network reach and data centre capabilities across the region.

In August we acquired Ooyala, a leader in video streaming and analytics, increasing our ownership to 98.9 per cent. Through Ooyala we aim to establish a leading global company to deliver platforms and services on which the next generation of TV and video will be built.

Our other large growth opportunity, Telstra Health, was formally launched during the 2015 financial year. Our total investment in eHealth including acquisitions and joint ventures to provide technology solutions across the health industry, now exceeds \$100 million.

Productivity

Throughout the year we continued to transform our internal business processes to streamline how we work and remove internal barriers that impede productivity, collaboration, innovation and ultimately better customer service. The total value of benefits from our FY15 productivity program, which includes **\$XXX million** of expense benefits as well as revenue, capital expenditure and avoided costs is \$1 billion.

These benefits were reinvested in the business to support our customer advocacy initiatives, growth in our customer base and building new growth businesses.

National Broadband Network (NBN)

Telstra signed revised NBN Agreements in December, 2014 preserving value for shareholders as we maintained the overall value of the original agreements. As a

In 2016 Telstra expects [income, EBITDA, free cashflows, capex as a percentage of sales.]

On that basis our guidance for financial year 2016

This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, the cost of acquisitions and spectrum purchases.

We would like to thank the leadership team and all of our employees for their commitment, effort and initiative. We also thank you for your loyalty as a shareholder and welcome your comments and feedback.

These can be provided to investor.relations@team.telstra.com, via phone on 1800 880 679, or in the mail to the Investor Relations Department, Telstra, Level 25, 242 Exhibition Street, Melbourne, VIC 3000.

Thank you David

On behalf of the Telstra Board I would like sincerely thank you David for your contribution to the Australian telecommunications industry. During your 14 years with Telstra, including the last six as CEO, you provided incredible leadership, vision and energy as our industry underwent ongoing change, challenge and opportunity. With telecommunications the critical enabler in our increasingly networked society, you were able to strike a balance between your responsibilities to protect the interests of Telstra shareholders and the broader need to ensure Australia, and Australians, could capitalise on the exciting possibilities that come from being connected. Your focus included ensuring significant and ongoing investment in critical telecommunications infrastructure and new technologies as demand from the community – including the business community – increased dramatically. As well as your exceptional leadership for today you always maintained an eye to the future and championed the drive to improve Australia's focus on innovation through your support for partnerships with educational institutions, governments and businesses of all sizes. In addition to your professional skills, your personal values and integrity have rightly earned you the deep respect of business, government and community stakeholders both in Australia and in many forums around the world. Thank you and best wishes for the future.

Catherine
Livingstone
Signature

Catherine Livingstone
Telstra Chairman

RECOMMENDED WORD COUNT FOR SPREAD: 1600

CONTENT TO BE REVIEWED.

Reinvestment Plan (DRP) followed feedback from our shareholders and is consistent with our Capital Management Framework.

The reactivation of the DRP enables shareholders to reinvest either all or part of their dividend payments into additional fully paid Telstra shares in an easy and cost-effective way.

Part of the Community

Telstra is committed showing that we care in the way we respond to important economic, social and environmental challenges.

Our sustainability strategy details how we believe we can create the most value. Part of this strategy lies in providing opportunities for our employees to be involved in the community and in issues that matter to them.

STRATEGY AND PERFORMANCE

We are working hard to create a profitable business that cares for customers and provides the best products and services to the market.

We are also looking to the future, pursuing new ideas and innovation to serve our customers' needs and succeed in the changing, dynamic markets we will face in the future.

Our strategy is focussed on driving growth and building value towards 2020 and beyond. It has three key pillars:

Our Strategic Priorities

Improve Customer Advocacy

We're dedicated to improving customer service and customer satisfaction across all of our business channels.

Drive Value from the Core

We strive to ensure the core of our business is sustained and continues to grow.

Build New Growth Businesses

We continue to look for new innovations and opportunities both in Australia and abroad.

We have outlined in this section our progress against our strategic priorities over the past year, including some of our key achievements for customer advocacy, new growth businesses and in our core business.

We also explore some of the challenges, risks and opportunities the business is managing now and into the future.



IMPROVE CUSTOMER ADVOCACY

Improving customer advocacy remains our number one priority at Telstra.



IMAGE TBC –
STOCK RF

Our advocacy strategy and programs address the key areas to help make improvements for our customers across our product and service offerings.

Our employees strive to put the customer at the centre of everything they do. We want to be known for creating personalised experiences for every single customer, whether through one of our self serve options, over the phone, in our stores, at home or the office or with one of our field technicians.

We recognise there is more to do to improve the experience of our customers. Over the past year we have made good progress and introduced a number of new initiatives and changes that demonstrate our commitment to caring for customers and improving value.

NPS
IMPROVEMENT
OF XX



XX
CUSTOMER
CHECK-INS

800K
online interactions with
customers per day
<insert change from last year>

GREAT VALUE
offered through
our Go Mobile plans

LAUNCHED MOBILE PROTECT
a free service for parents to keep kids
safe on mobile devices

INTRODUCED THE TELSTRA TRAVEL PASS
or 40 popular holiday destinations

EXTRA DATA
offered to
Mobile customers

Listening to our customers

We recognise that listening to our customers is critical to continuously improving. That's why we ask customers about their experience with us, and then act on that feedback. We also know the customers' view of Telstra goes beyond their direct experiences, so we also ask for feedback about us as a company. We use this feedback to ensure we prioritise the right programs and initiatives across the business.

Net Promoter System (NPS)

The Net Promoter System measures how we are serving our customers. Telstra's Net Promoter System involves us surveying customers in three different ways – at the end of every interaction with Telstra, at the end of a series of contacts (e.g. moving house) and via external market research.

Every day we receive 21,600 surveys including 7000 pieces of verbatim feedback from our customers. We are listening like never before, responding to their valued feedback and redesigning our processes to deliver what is important.

Our overall NPS score has improved by XX points over the last twelve months. We have also seen consistent improvement in our internal measures of our customers' experience in dealing with us across all areas. [To be updated when we have confirmed strategic NPS results.](#)

Customer Check-In

We've introduced a customer Check-In program, where we invite customers to come into one of our stores for an account health check, and make sure their services are supporting their lifestyle. Customers are telling us they really appreciate this 'check in' and are often finding new products that help them connect even more to their friends, family, business networks and interests.

Personal Service

Our teams from our contact centres, shops, business centres, the field, sales and service are focused on getting it right for customers the first time, and recovering quickly if something goes wrong. We are simplifying our approach to ensure customers get the best service experience possible.

1. First Contact Resolution – When our customers contact us we aim to get it right, first conversation, every time.

2. Providing our name – every time we speak to a customer, we will provide our name and contact details so that the customer can follow up directly with the person they spoke with.

3. Service Recovery – Whenever a customer tells us their issue has not been resolved, we aim to respond as quickly as possible to fix the problem.

Online services

Increasingly, our customers want to engage with us online. Almost half of all our service contacts are now taking place online. Customers like the convenience of self-service and having the right tools at their fingertips.

The 24x7 app and My Account portal continue to keep our customers in control of their services. The 24x7 app has over 1.7m users every month. Using this portal, customers can manage their data and service needs through an easy to use, real time data exchange.

More value and total confidence

We want our customers to enjoy using the services we offer on Australia's best network with confidence. In today's world, with changing habits and the development of new software and applications, the way people use our services is also changing. Our approach is to ensure our services can meet the changing needs of our customers.

Extra Data

In April 2015 Telstra launched Extra Data to give our customer confidence using their devices. Telstra customers using smartphones and mobile broadband devices can automatically top up their data in 1GB block for just \$10 when they reach their monthly data limit. Telstra is the first telecommunications provider in Australia to offer Extra Data to existing customers.

Extra Data works with our industry leading, real time data alerts, to significantly reduce the chance of customers experiencing bill shock. Telstra is the only provider that alerts customers within seconds when they have used 50 per cent, 85 per cent and 100 per cent of their included monthly data allowance.

Go Mobile Plans

We also launched new Go Mobile plans and Go Business Mobile plans for new customers and for customers who are changing plans, giving them more value with generous data inclusions and more entertainment with bonus content subscriptions. The Go Mobile plans make it easier to connect the whole family to Australia's best mobile network and share mobile data between devices.

Data top ups

We surprised our 2.5 million consumer fixed broadband customers with data allowance top ups. The extra gigabytes are a permanent addition to our plans. For our business customers, we introduced data top ups of up to 600 per cent to help them with their growing data needs. More than 300,000 fixed broad band business customers are now benefitting from greater data allowances each month to help streamline their business operations.

Mobile Protect

We launched Mobile Protect, a free service giving parents and carers total confidence to keep their kids safe while using their mobiles. The service allows site blocking, limit periods of network connection, restrict calling and SMS, and set up notifications of activity; with complete management of services through My Account and Telstra's 24x7 app.

Telstra Travel Pass

In December 2014 we introduced the Telstra Travel Pass. Travel Passes allow customers to make and receive unlimited calls, send and receive unlimited text messages and browse the web using an included data allowance while abroad. Travel Passes are available in more than 40 popular holiday destinations.

Small Business benefits

Telstra Business has made it easier for 1.1 million small and medium businesses to work where and when it suits them, with a focus on mobility, applications and cloud. Our EasyShare business products enable businesses to share data across their services and on a range of business applications.

Telstra Thanks

The Telstra Thanks rewards program continues to grow in popularity with our customers, with special deals and offers for movies, live music and sporting events. We have provided our customers with over 2.9m tickets or experiences over the past year.

Outlook

Customer advocacy will remain our first priority for the coming year. We know we don't always get it right, so our leaders and our employees are focused on how we can improve our customer experience and provide more value.

IMAGE TBC

Case study on Check-In

Local Check-In invited customers to 'Come in and Check-in' with us face-to-face at one of our 380 stores across Australia. As part of the in-store Check-In experience our consultants reviewed customers' accounts and gave them an account health check, making recommendations for how they could get better value from Telstra. During our first wave of Local Check-In from February to May, we checked-in with more than 204,000 customers across Australia. In parallel, we ran the Work in Store program, where more than 1,200 Telstra employees from different parts of the business spent a day working in their local store to help serve our customers and support our retail teams.

DRIVE VALUE FROM THE CORE

Need a two/three line intro



To continue to grow our revenue and our customer base, we are focused on driving value from our core including through network leadership and through simplifying the business.

Our core refers to our key domestic products, services and costs that make up the bulk of our business today.

RETAIL CUSTOMER SERVICES INCREASED BY XXX TO A TOTAL OF XXX↑

Total customers on bundled plans increased by XXX↑

Retail fixed data revenue increased 7.3 per cent↑

4G SERVICES

now reaching 94% of the Australian population

We removed XX underutilised products from our systems to simplify our business.

We signed revised NBN Agreements in December, 2014 preserving the value of the original agreements for shareholders.

Network superiority

Telstra's network differentiation is based on a clear strategy that supports ongoing investment and innovation in order to provide our customers with the best possible network experience.

We continue to grow our mobile network, which is why it remains the largest and most reliable mobile network in Australia. Our focus is on enhancing the capability of the network to deliver the reliability, performance and functionality that our customers have come to rely on.

We continue to invest in the latest state of the art Ethernet, optical technologies, traffic analytics, policy intelligence and software defined networking, which strengthens our core network and allows us to provide a range of differentiated services.

The availability of high speed mobile services has expanded significantly, with our 4G service now reaching 94 per cent of the Australian population. We have also expanded the reach of 4GX, with the service now available in <to be updated closer to publication> towns and suburbs.

4GX is based on Telstra's newly acquired 700MHz spectrum band and delivers higher typical mobile download speeds on compatible devices in 4GX areas, allowing more Australians to experience ultra-fast mobile internet. <full verification on language to be completed closer to publication>

In May we launched the world's longest 100Gbps capacity low latency optical link from Sydney to Perth, the two key entry and exit points of international traffic for Australia. With an extension from Sydney to Melbourne, the link is ready for 200Gbps capable services that will offer greater capacity on this busy route.

Wi-Fi trial

Our Wi-Fi trial has been a success, with Australians downloading <to be updated closer to publication> terabytes of data across the <to be updated closer to publication> hotspots around Australia.

The Telstra Air Network™ launched on 30 June 2015, providing Telstra Air® members with access to thousands of Wi-Fi hotspots in Australia. Members also have access to more than 14 million hotspots overseas as part of an Australian exclusive deal with global Wi-Fi provider, Fon.

Case study on Telstra Air

<Placeholder for 100 word case study on telstra air – to be updated once launched>

IMAGE TBC

Whilst there was continued decline in the number of fixed voice services this decline was the lowest seen in five years driven by successful bundling of our fixed products. The total number of customers on a bundled plan increased by xxx and there are now xx million customers on a bundled plan, or xx per cent of the retail fixed data customer base.

Retail fixed data revenue increased 7.3 per cent due to increased subscriber growth and higher average revenue per user. We now have xxx retail fixed data customers, an increase of xxx.

NBN

In December 2014 we signed revised NBN Agreements with NBN Co and the Commonwealth. We achieved the key principle of maintaining the overall value of the original agreements.

As a result, our shareholders have been kept whole in terms of the transaction they approved in October 2011.

As with the original agreements, the estimated value of the revised agreements is based on a range of dependencies and assumptions over the long term life of the agreements.

We were also pleased to have signed the planning and design contract with NBN Co. Under the contract Telstra will prepare network plans and designs to support NBN Co's multi-technology mix NBN rollout, including fibre to the node, fibre to the basement and fibre to the premises.

The contract term is up to four years and the estimated gross contract value, based on Telstra's estimate of the volume of work it will be awarded by NBN Co, is up to approximately \$390 million. The contract value will also be subject to the rate of progress in the NBN rollout and the outcome of future price reviews under the terms of the contract.

<Considering the inclusion of NBN retail commentary>

Outlook

In the coming year we will continue to focus on maintaining our network leadership. <more detailed commentary to come>

Through the ongoing rollout of the NBN, we will work to ensure our customers can experience the benefits of Telstra products and services over the NBN.

As we look to the future, our focus on simplification and driving efficiency remains a priority to stay competitive and to make it easier for our customers to interact with us.

BUILD NEW GROWTH BUSINESSES

Our strategy for our growth businesses is designed to realise opportunities in new portfolios and to pursue growth opportunities that leverage our existing strengths.

The strategy focuses on our Network Applications and Services (NAS) portfolio, Asian expansion and longer term growth opportunities such as Telstra Health, Telstra Media, the Telstra Software Group (TSG) and Telstra Ventures.

Network Applications & Services (NAS)

We are laying the foundations for growth in our NAS business and we are starting to see a strong response to our offerings. We acknowledge whilst growth is strong, we still have some work to do to improve our margins.

Asia is an integral part of our growth strategy and we are focused on leveraging the strengths we have in Australia by taking them into Asia with our NAS offering.

The NAS portfolio, also called Managed Solutions, provides our business and enterprise customers with managed network services, professional services and a range of software as a service solutions.

We continued to make strong progress in growing scale and capabilities while improving profitability for our NAS business in FY15<growth figures to be included closer to publication>. We made two major acquisitions during the year, BridgePoint and Globecast Australia, to expand our capabilities in managed network and security services, and media solutions. Delivering innovation highly valued by our customers is a key part of our growth strategy and we received a number of awards and recognition for our achievements. These include the Mobile World Congress's Outstanding LTE Solution for our mission critical LTE Network for Emergency Services; Polycom Circle of Excellence: 2014 Global Cloud Provider of the Year; Cisco Partner Awards – Cloud Partner of the Year; and Vertical Solution Innovation Partner of the Year.

ACQUIRED PACNET LIMITED expanding our reach in Asia

Launched our JV with TELKOM INDONESIA, TELKOMTELSTRA

GP TELEMEDICINE READY CARE joint venture with Medgate

TELSTRA HEALTH made an additional seven acquisitions and investments

22 COMPANIES Telstra Ventures' investment portfolio expansion

↑20% TELSTRA MEDIA SUSCRIPTION SERVICES

We also established partnerships with leading global technology partners like Cisco, Amazon Web Services, VMware and IBM to expand our services and deliver future innovation. Meanwhile, our service delivery continues to be globalised, which helps drive material margin improvement for the NAS business.

Asia

Our international operations are headquartered in Hong Kong where we provide wholesale and enterprise customers with a full breadth of holistic and end-to-end solutions across data, voice, satellite and managed network services. Through our strategic investments we now have the largest privately owned subsea cable network in Asia Pacific, with licences throughout Asia, Europe and the Americas and we facilitate access to more than 2,000 Points of Presence (PoPs) in 230 countries and territories. We also have a presence in China through our 65.4 per cent stake in Autohome, the leading online destination for car buyers in China.

Our Asia Growth Strategy is centred on serving enterprise and carrier customers by leveraging our strong connectivity foundation to offer a portfolio of integrated network applications and services solutions.

Pacnet

In April 2015, we substantially extended our reach and asset base in Asia by completing the acquisition of Pacnet Limited, a provider of connectivity, managed services and data centre services to carriers, multinational corporations and governments in the Asia-Pacific region.

Pacnet increases the scale and scope of our assets to expand solutions such as unified cloud, unified communications, managed network services and security services. The completed acquisition doubles Telstra's customers in Asia, and greatly increases our network reach and data centre capabilities across the region. Pacnet owns Asia's largest privately-owned submarine cable network, operates 113 points of presence across 70 cities globally as well as 29 interconnected data centres in 16 cities across the Asia-Pacific region.

The Pacnet Business Services JV in China offers IP VPN connectivity services and together with state-of-the-art data centres in Tianjin and Chongqing, will enable us to provide a seamless service offering to our customers in and out of China.<REVIEW STATUS OF SECURITY ISSUE CLOSER TO PUBLICATION DATE>

Telkomtelstra

Our JV with Telkom Indonesia, Telkomtelstra launched on 13 May, with a suite of NAS (or managed) solutions aimed at domestic enterprises and multinationals operating in Indonesia. This is an opportunity for Telstra to gain market share in one of the fastest growing economies in Asia.

Emerging opportunities

Telstra Health

Telstra Health is working towards its objective to become Australia's leading provider of integrated eHealth solutions. Our strategy is to build our capabilities by leveraging Telstra's existing strengths in connectivity and through investments and partnerships with successful eHealth companies.

Telstra Health formally launched as a standalone business unit in October 2014. Since 1 July 2014 Telstra Health has made seven acquisitions or investments, bringing the total acquisitions or partnerships to 15. Key acquisitions during the year include global health analytics firm Dr Foster, aged care software vendor iCare Health, hospital software firm Emerging Systems and health information exchange platform Cloud 9. We also announced our plans to launch Australia's first comprehensive GP

Telstra Health case study: My Care Manager

In April, Telstra Health launched MyCareManager, an integrated eHealth product designed to help disability, community and residential aged care providers deliver innovative services and information from a distance.

MyCareManager allows clients, family members and carers to be more involved in the treatment and monitoring of their illness or injury through an online portal, telemonitoring through wireless health devices and video conferencing. It allows carers to better utilise clinic based specialists, manage chronic disease and reduce staff travel while helping clients to engage in their own care and remain safely at home for longer.

It was developed by community care specialists and Telstra Health subsidiary HealthConnex and includes capabilities from Get Real Health, Entra Health Systems and Pexip.

telemedicine ReadyCare in joint venture with European firm Medgate. This means Telstra Health now has an established presence across the health system including solutions for GP, aged and residential care, hospitals, radiology and pathology, pharmacy, indigenous care, specialists, quality and risk management and telemedicine.

Telstra Health's partners and business entities are innovative and profitable in their own right, however significant value will come when we integrate their products to create new solutions and solve key health challenges. An example of this was the launch of MyCareManager that integrated video conferencing, patient records and medical devices to deliver a comprehensive home health monitoring product and reduce the need for community nurses to physically drive to each patient.

In addition to growing the scale and portfolio, the business has also matured, winning a number of contracts with key health agencies including Western Australia Health, Silver Chain Group and Royal District Nursing Service.

Telstra Software Group (TSG) (formerly Global Applications and Platforms)

The Telstra Software Group (TSG) strategy is to create long-term global growth in markets that are adjacent to Telstra's core business, where software disrupts traditional business models.

Software will continue to be a key focus area as we drive out growth for the future in new technologies and new technology companies.

Ooyala

A key milestone for the Telstra Software Group was the acquisition of the Silicon Valley-based, leader in video streaming and analytics, Ooyala. Founded in 2007, Ooyala has a fast growing global footprint of 135 million unique users in nearly 240 countries, including Telstra, ESPN, Univision, Telegraph Media Group, Dell, Sephora, Foxtel, NBC Universal, Comedy Central, News Corp and The Washington Post. The US\$270 million investment increases Telstra's ownership in Ooyala to 98 per cent. A few months later, Ooyala acquired Videoplaza, one of the world's largest premium video advertisement serving platforms and programmatic trading solutions, which delivers advertisements to viewers across all devices. This acquisition allows Ooyala to tap into the fast-growing video advertising market and build out a new business dimension in advertising.

Muru-D

Fostering technology innovation is another key priority for Telstra. Our startup accelerator program, muru-D® helps identify and support start-ups to create valuable technology products and services through a six month acceleration program, supported by an equity stake of approximately six per cent. Building on the great success of the inaugural program where the startups attracted more than \$3 million in follow-on funding, Class 2 graduated in May with all teams securing paying customers, and over half with international customers.

**FURTHER CONTENT NOT SHOWN.
RECOMMENDED WORD COUNT FOR SPREAD (including title, intro and case study): 1300**

IMAGE TBC

OUR MATERIAL BUSINESS RISKS

Risk management is an essential part of value creation.



We consider all types of risk, including economic, environmental and social sustainability risks, as well as how those risks may affect us individually or together, through our risk management process to identify our material business risks.

These are the risks which could have a material impact on the achievement of our strategic growth ambitions and future financial performance.

We have summarised those risks, the key drivers and our plans to manage them here.

Further information on our risk management process can be found in the Governance at Telstra section under 'Managing our risks.'

*<Please note: we are currently reviewing our MBR commentary.
Below is an indication of how we intend to develop this commentary.>*

| Material Business Risk and key drivers | Plans to manage |
|--|---|
| Business model and agility The risk that we do not quickly adapt our business model to respond to technology and market developments in a productive and cost-effective way. This risk is driven by external factors such as accelerated technology advancements, increasing customer demand for connectivity and bandwidth, and the emergence of competitors with disruptive and simpler business models in both domestic and global markets. | To manage this risk we actively monitor, evaluate and invest in emerging technologies. We are also focused on developing our capability to innovate internally, whilst accessing and acquiring the required people capability, technology innovations, and business models through our relationships with key suppliers, joint venture partners, and acquisitions. To improve our responsiveness and agility, and rationalise our cost base, we are undertaking a multi-year portfolio of work which is currently focussed on simplifying our systems, processes, and technology. These programs are constantly monitored to measure our progress towards delivering a simplified operating model and are responsive to changes in our internal and external environment. We also have multi-year programs in place to deliver a more agile workforce, including improving our utilisation of labour across the business, and addressing the capability and capacity required in critical growth areas, such as NBN and Health. |
| Business resilience The risk of disruption to the services we provide to our customers. Our exposure to this risk is increasing as technologies converge and become more complex, we expand our business into international locations and different geographies, and are subject to extreme weather events and natural disasters. Sustained or significant disruption to our services can significantly impact our customers and the communities which we serve. | We address the risk of disruption by developing, maintaining and refining business capability that enables our people, processes, suppliers, networks and technology to anticipate, prevent, withstand, respond to and recover from outages while maintaining expected levels of customer experience. Key areas of focus include: business continuity management, technology and network service continuity, incident management and emergency management. These activities are centrally governed by our Business Resilience Team who seek to ensure we achieve an appropriate balance of these capabilities so we continue to meet our operational needs and growth support in our business. |
| Data management The risk of inappropriately collecting, using or protecting customer and corporate data in a way that doesn't meet the expectations of our customers and regulators. | TBD |
| Regulatory environment The emergence of unfavourable regulatory requirements resulting in increased complexity and cost of doing business. | TBD |
| National Broadband Network Risks related to successfully transitioning and serving our customers in an 'NBN world'. | TBD |
| People capability The risk that we do not have the capability to support the execution of our growth strategy. | TBD |
| Reputation and communication The risk that we do not effectively protect, enhance and communicate our reputation. | TBD |

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OUTLOOK

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FULL YEAR RESULTS AND OPERATIONS REVIEW

Reported Results

Our strategy of improving customer advocacy; driving value from our core business; and building new growth businesses has delivered another strong set of results. This year has also seen the continued preservation and creation of shareholder value through capital and portfolio management. Signing of the revised NBN Agreements preserved value for shareholders and we also signed a planning and design contract with NBN Co.

We made a number of important acquisitions, including Pacnet Limited, a provider of connectivity, managed services and data centre services to carriers, multinational corporations and governments in the Asia-Pacific region. We also reactivated the Dividend Reinvestment Plan (DRP) for the financial year 2015 final dividend.

Following the sale of a 70 per cent stake in our Sensis directories business in February 2014 and the sale of our 76.4 per cent shareholding in the Hong Kong based mobiles business, CSL New World Mobility Limited ("CSL") in May 2014, the numbers and commentary in the product, expense and segment performance sections have been prepared on a continuing operations basis and align with the statutory financial statements.

The financial position section has been prepared on a continuing and discontinued operations basis (that is, they include the results of the Sensis directories business), unless otherwise noted.

Summary Financial Results

| | FY15 | FY14 | Change |
|---|---------------|--------|--------|
| | \$m | \$m | % |
| Sales revenue | 25,499 | 25,119 | 1.5 |
| Total income (excluding finance income) | 26,244 | 26,296 | -0.2 |
| Operating expenses | 15,714 | 15,185 | 3.5 |
| EBITDA | 10,544 | 11,135 | -5.3 |
| Share of net profit/(loss) from joint ventures and associated entities | – | 24 | Nm |
| Depreciation and amortisation | 3,952 | 3,950 | 0.1 |
| EBIT | 6,592 | 7,185 | -8.3 |
| Net finance costs | 761 | 957 | -20.5 |
| Income tax | 1,730 | 1,679 | 3.0 |
| Profit for the period from continuing operations | 4,100 | 4,549 | -9.9 |
| (Loss)/profit for the period from discontinued operation | – | (204) | Nm |
| Profit for the period from continuing and discontinued operations | 4,100 | 4,345 | -5.2 |
| Profit attributable to equity holders of Telstra | TBC | 4,275 | |
| Capex⁽ⁱⁱ⁾ | 3,523 | 3,661 | -3.8 |
| Free cashflow from continuing and discontinued operations | 2,837 | 7,483 | -62.1 |
| Earnings per share (cents) | 32.9 | 34.4 | -4.4 |

(i) Capex is defined as additions to property, equipment and intangible assets including capital lease additions, excluding expenditure on spectrum, measured on an accrued basis. Excludes externally funded capex.

Results on a Guidance Basis⁽ⁱⁱ⁾

| | FY15 | FY15 guidance |
|--|---------------|---------------------|
| Total income growth⁽ⁱⁱⁱ⁾ | 1.3% | Broadly flat |
| EBITDA growth | 0.4% | Broadly flat |
| Capex/sales ratio | ~ 14% % | ~ 14% of sales |
| Free cashflow | \$4.8 billion | \$4.6–\$5.1 billion |

Guidance versus reported results⁽ⁱ⁾

| | FY15 | FY15 | FY15 | FY14 |
|------------------------------|----------------------|-----------------|--------------------|--------------------|
| | Reported results \$m | Adjustments \$m | Guidance basis \$m | Guidance basis \$m |
| Total income ⁽ⁱⁱ⁾ | 26,244 | TBC | TBC | 25,634 |
| EBITDA | 10,544 | TBC | TBC | 10,644 |
| Free cashflow | 2,837 | TBC | TBC | 5,127 |

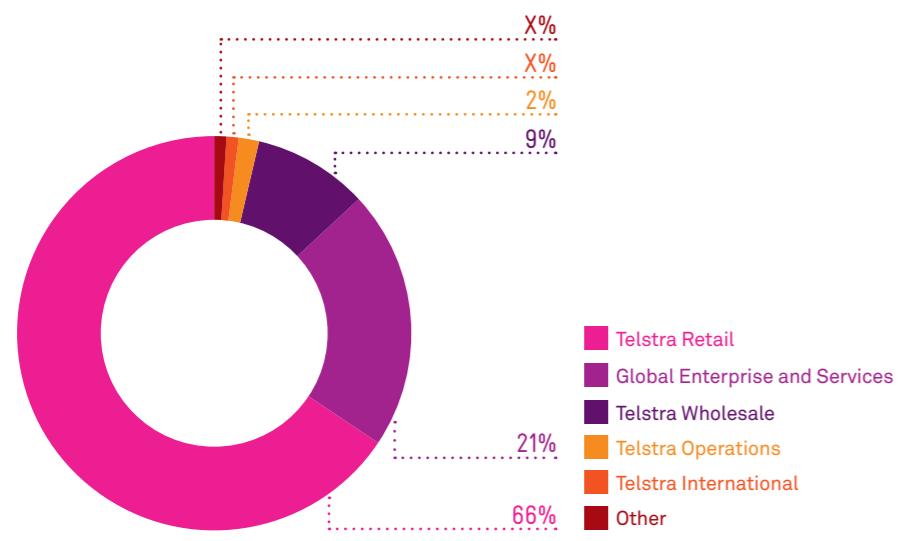
(i) This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, the cost of acquisitions and spectrum purchases. Please refer to the guidance versus reported results reconciliation. This reconciliation has been reviewed by our auditors.

(ii) Excludes finance income.

On 13 August 2015, the Directors of Telstra resolved to pay a fully franked interim dividend of xx cents per share. Shares will trade excluding entitlement to the dividend on 25 August 2015 with payment on 25 September 2015.

Segment Performance

We report segment information on the same basis as our internal management reporting structure as at reporting date. Segment comparatives reflect organisational changes that have occurred since the prior reporting period to present a like-for-like view.

Segment Income**Telstra Retail**

Telstra Retail brings together our key retail facing businesses including Telstra Consumer, Telstra Business, Telstra Media Group and Telstra Health. Telstra Retail provides a full range of telecommunications products, services and solutions to consumer customers and to Australia's small to medium sized enterprises, as well as the provision of Foxtel and digital content services. Income in this segment grew by 5.1 per cent to \$17,227 million and EBITDA increased by xx per cent to \$xxx million.

Income in our Consumer business unit grew by 6.3 per cent with strong growth in mobiles and fixed data. Post-paid handheld ARPU increased by xx per cent to \$xx and we saw an increase of xxx fixed data subscribers. In Telstra Business, income grew by 3.0 per cent driven by NAS revenue growth and contributions from the strategic investments made such as SNP Security. The NAS portfolio, in particular, Unified Communications which includes IP telephony and T-Suite, saw good momentum and increased xx per cent. There was also strong growth in mobile handheld revenue. Telstra Health contributed income of \$xx million.

Global Enterprise and Services

Global Enterprise and Services (GES) is responsible for sales and contract management support for business and government customers in Australia and globally.

FY15**FY14****Change****\$m****\$m****%**

| | FY15 | FY14 | Change |
|--|---------------|---------------|--------------|
| Telstra Retail | 17,227 | 16,350 | 5.1 |
| Global Enterprise and Services | 5,569 | 5,284 | 6.0 |
| Telstra Wholesale | 2,479 | 2,328 | 6.5 |
| Telstra Operations | 439 | 289 | 51.9 |
| Telstra International | TBC | TBC | TBC |
| Other (excluding Sensis) | TBC | TBC | TBC |
| Total Telstra segments (excluding Sensis) | 26,244 | 26,296 | (0.2) |

It also provides product management for advanced technology solutions including Data and IP networks, and NAS products such as managed network, unified communications, cloud, industry solutions and integrated services. Technical delivery for NAS customers in Australia and globally is also provided by GES.

Income for GES increased by 5.9 per cent to \$5,569 million due to strong growth in NAS, enterprise mobility and the inclusion of software business related acquisitions Ooyala and Videoplaza, offset by a revenue decline in Fixed and Data & IP products. Encouragingly we saw improved profitability in NAS but have more work to do to achieve our long term target margins. GES EBITDA declined by \$xx million or xx per cent to \$xxx million. EBITDA was broadly flat excluding the impact of the software business related acquisitions with the improved NAS performance offsetting the impact of the revenue and EBITDA decline in Fixed and Data and IP products.

Telstra Wholesale

Wholesale income grew by 6.5 per cent to \$2,479 million. This was largely driven by an increase in NBN infrastructure payments to Telstra which have increased in line with the NBN rollout. EBITDA contribution increased by xx per cent to \$xxx million.

Telstra Operations Group

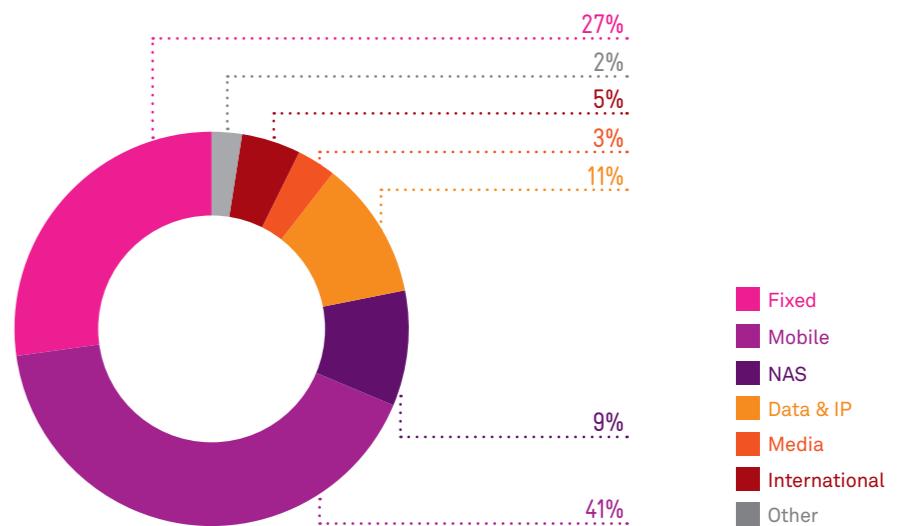
Telstra Operations is primarily a service delivery centre supporting the revenue generating activities of other segments. It also has NBN and property revenue. The EBITDA contribution improved xx per cent with increases in NBN and property revenue and reductions in labour expenses, partially offset by higher service contracts to support new business growth and NBN related works.

Telstra International Group

This segment comprises our China Digital Media portfolio, which includes Autosome and previously included CSL. Excluding the results of CSL and the profit on its sale, income in this segment increased largely due to the 83.6 per cent increase in Autosome revenue resulting from increased advertising services and dealer subscriber growth. Overall income decreased by xx per cent to \$xxx million and EBITDA contribution decreased by \$xx million.

Other

Our Other category includes the costs of corporate centre functions; payments received under certain NBN agreements; impairments; adjustments to employee provisions for bond rate movements and short term incentives; and redundancy expenses for the parent entity. It also includes China digital media results. The results of the 70 per cent stake of our Sensis directories business, sold in the prior year, is also included in this category.

Product Performance**Product Sales Revenue Breakdown****Key Product Revenue**

| | FY15 | FY14 | Change |
|-------------|--------|-------|--------|
| | \$m | \$m | % |
| Fixed | 6,935 | 7,245 | -2.0 |
| Mobile | 10,575 | 9,668 | 9.4 |
| Data and IP | 2,892 | 2,968 | -2.6 |
| NAS | 2,413 | 1,896 | 22.9 |

Product Profitability**EBITDA Margins⁽ⁱ⁾**

| | FY15 | FY14 | 2H15 | 1H15 |
|-----------------------------|------|------|------|------|
| | % | % | % | % |
| Mobile | 41 | 40% | TBC | TBC |
| Fixed voice ⁽ⁱⁱ⁾ | 55 | 60% | TBC | TBC |
| Fixed data ⁽ⁱⁱ⁾ | 42 | 44% | TBC | TBC |
| Data and IP | 63 | 65% | TBC | TBC |

Fixed

Our fixed portfolio offers fast and reliable broadband, clear and reliable calling, premium entertainment and expert technology advice through our Telstra Platinum service. We are also creating Australia's largest Wi-Fi network to provide Australian's connectivity in and out of the home.

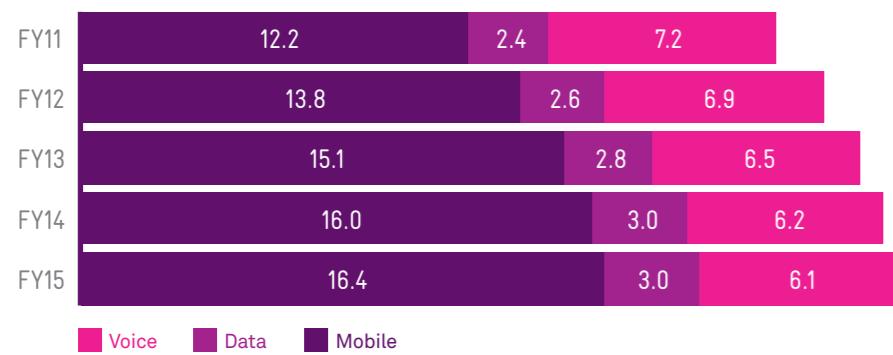
Fixed revenue decline continues to moderate with revenue decreasing by 2.0 per cent to \$6,935 million. Fixed voice revenue decreased by 7.2 per cent to \$3,742 million however, this was largely offset by the growth in fixed data revenue. The strong fixed voice result has been driven by successful bundling, including refreshed bundles to provide better value entertainment options, and dedicated customer retention strategies. The total number of customers on a bundled plan increased by xxx and there are now xx million customers on a bundled plan, or xx per cent of the retail fixed data customer base.

We have also seen an increase in fixed revenue as a result of our Telstra Platinum service which provides customers with expert technical advice for a monthly fee. Over **X00,000** customers have signed up.

Fixed data revenue increased by 7.3 per cent to \$2,379 million with increased subscriber growth and higher average revenue per user (ARPU). We now have **xxx** million fixed retail data customers, an increase of **xxx**. Retail fixed data ARPU increased by **xx** per cent to **\$xxx** as more customers migrate to a higher value bundled plan. EBITDA margins increased to 42 per cent as a result of revenue growth and improved network productivity.

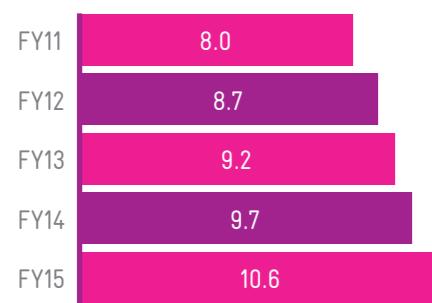
Other fixed revenue decreased by 1.8 percent to \$815 million with an increase in inter-carrier access services revenue offset by lower customer premise equipment and other fixed telephony revenue.

Domestic Retail Customer Services (millions)



Mobile

Mobile Revenue (\$b)



Telstra's mobile network covers more square kilometres, provides more reliable speeds and has fewer dead spots and drop outs across Australia. The strength of our network provides us with a competitive advantage in growing mobile revenue and profitability.

Building on the momentum we saw in the first half, revenue in our mobile portfolio increased 9.4 per cent to \$10,575 million for the 2015 financial year. This was the strongest level of revenue growth in four years and a result of growth in ARPU and subscriber growth. Improved ARPU trends were partially offset by higher hardware costs and promotion and advertising expense as a result of the iPhone 6 launch with EBITDA margins increasing to 41 per cent.

Retail customer services increased by **xxx**, bringing the total number to **xx** million. We now have **xx** million post-paid handheld retail customer services, an increase of **xxx**. Post-paid handheld revenue grew by 8.2 per cent to \$5,415 million. This was driven by an increase in ARPU, from \$66.57 to \$69.74 (excluding the impact of mobile repayment options), with customers using more data. We have also seen an increase in ARPU as a result of our value added services such as New Phone Feeling and StayConnected. New Phone Feeling gives customers the option to upgrade their handset every year, while StayConnected's swap, replace and restore service provides customers with the reassurance of having 24 hour device return and repair. We now have over **X00,000** New Phone Feeling customers and **X00,000** StayConnected customers.

Increased data usage on our prepaid plans led to growth in prepaid ARPU of **X** per cent. Unique pre-paid handheld users also increased leading to a 15.1 per cent increase in pre-paid handheld revenue.

Mobile broadband (MBB) revenue grew by 0.2 per cent to \$1,290 million. We saw growth in the post-paid MBB category and continued to see substitution from pre-paid MBB. In total, we added **xxx** customer services in this category. Machine to machine (M2M) experienced another year of double-digit revenue growth, with revenue growing 16.8 per cent to \$118 million.

We continue to provide productivity solutions to our M2M customers in the key areas of transport logistics, public safety and security and energy and utilities.

We invested **\$X** billion in our mobile network during the year to provide our customers with the best possible mobile experience. Since 2006, we have invested **\$X** billion in the mobile network. Telstra's 4G coverage now reaches 94 per cent of the Australian population. Our 4GX service also offers our customers in over [1,000] towns and suburbs some of the fastest mobile data speeds in the world, with top speeds on compatible devices on 4GX up to twice as fast as 4G. We have **xx** million 4G devices on our network, comprising **xx** million handsets, **xxx** tablets, **xxx** dongles and **xxx** Wi-Fi hotspots.

Data and IP

Data and IP includes revenue from IP access, ISDN services and other data and calling products. IP Access revenue grew by 2.5 per cent to \$1,166 million as a result of increased customer connections and migration to higher value fibre services.

Migration to Unified Communications products in our Network Applications and Services portfolio is the primary driver for the decline in legacy calling products and led to a total Data and IP revenue decline of 2.7 per cent to \$1,458 million. EBITDA margins declined to 64 per cent driven by price competition in the marketplace.

Network Applications and Services (NAS)

NAS Revenue (\$b)



NAS revenue grew by 22.9 per cent to \$2,413 million with continued growth in all NAS portfolios. Included in NAS revenue is International NAS which increased by 37.3 per cent to \$92 million. NAS growth continued in both the Telstra Retail (Business) and Global Enterprise and Services segments driven by existing and new contracts, as well as contributions from O2, NSC Group and Bridge Point. These acquisitions added capabilities to our NAS business and are performing in line with expectations. Overall NAS profitability continued its trend of improvement.

Media

Media product portfolio revenue increased by 12.5 per cent or \$426 million to \$3,826 million. This increase was mainly driven by an unfavourable bond rate movement impacting our long service leave and workers compensation provisions (\$54 million), as well as salary and wage increases which also incorporated the change in the statutory superannuation contribution. The abovementioned 3,224 increase in FTEs also contributed.

Labour Substitution costs increased by 1.6 per cent or \$12 million to \$799 million. This increase was primarily driven by growth in NBN related works and increased outsourcing of field installation and maintenance activities. Redundancy expenses decreased by 45.3 per cent or \$114 million to \$138 million, driven by the impact of the divestment of 70 per cent of the Sensis directories business in the prior year and the redeployment of staff to support growing areas of the business.

Other

Global connectivity revenue grew by 11.0 per cent to \$678 million driven by the continued increase in wholesale carrier data. Revenue from our China digital media portfolio grew 68 per cent to \$467 million driven by an 83.6 per cent increase in Autohome. Further commentary on China digital media can be found within the Telstra International segment narrative on page **XX**.

Expense Performance

Operating Expenses

| | FY15 | FY14 | Change |
|---------------------------------|---------------|---------------|------------|
| | \$m | \$m | % |
| Labour | 5,039 | 4,732 | 6.5 |
| Goods and services purchased | 6,606 | 6,465 | 2.2 |
| Other expenses | 4,076 | 3,988 | 2.2 |
| Total operating expenses | 15,721 | 15,185 | 3.5 |

Network payments decreased by 5.3 per cent or \$92 million to \$1,639 million. The reduction was mainly attributable to our divestment of CSL and lower payments to overseas carriers due to lower negotiated roaming rates.

Other goods and services purchased increased by 7.2 per cent or \$225 million to \$2,054 million. This was largely driven by increased service fees for Foxtel, cloud services, IPTV and digital content, and mobile insurance in support of increased subscribers. This increase was partially offset by our divestment of CSL.

Other expenses

Total other expenses increased by 3.5 per cent or \$535 million to \$15,721 million. This increase was the result of higher service contracts and agreements, promotion and advertising costs and was partially offset by a decrease in bad debts and our divestment of CSL.

Service contracts and agreements increased 11.2 per cent or \$154 million to \$2,939 million. This was driven by NBN related activities and 4G network maintenance. The refresh of our Retail outlets and investment in the simplification of our business also contributed. Promotion and advertising expenses increased 17.5 per cent or \$60 million to \$406 million, in support of the iPhone 6 launch and growth in our China Autohome business.

Finance costs

Net finance costs decreased by **xx** per cent or **\$xx** million which comprised a reduction in net borrowing costs of **\$xx** million, an increase of **\$xx** million in interest revenue, an increase in capitalised interest of **\$x** million and a **\$xx** million reduction in other finance costs.

The **\$xx** million reduction in borrowing costs was predominantly due to lower debt levels resulting from debt maturities which were funded out of existing liquidity.

Gross interest yield for the half remained stable at **xx** per cent comparable to the prior period. Higher investment yields and higher average cash balances in the current period resulted in the increase in interest revenue.

The higher average cash balance was primarily due to proceeds received from prior year divestments of our shareholdings in the Sensis directories business and CSL.

The reduction in other finance costs primarily relates to non-cash revaluation impacts of our offshore debt portfolio and associated hedges that resulted in a floating position (fair value hedges). The early adoption of new accounting standard AASB 9 (2013) allows a component of our borrowing margin to be treated as a cost of hedging and deferred to equity. As a consequence, volatility from these revaluation impacts has been significantly reduced due to changes implemented in the way we designate fair value hedges for accounting purposes. Notwithstanding changes to accounting treatment, the relevant cash flows continue to remain economically and effectively hedged.



IMAGE TBC –
TELSTRA
OWNED IMAGE

Debt position

Financial Settings

| | FY15 | FY15 |
|---------------------------------|--------|-------------|
| | Actual | Target zone |
| Debt servicing ⁽ⁱ⁾ | TBC | 1.5 – 1.9x |
| Gearing ⁽ⁱⁱ⁾ | 48% | 50% to 70% |
| Interest cover ⁽ⁱⁱⁱ⁾ | TBC | >7x |

(i) Debt servicing ratio equals net debt to EBITDA.

(ii) Gearing ratio equals net debt to net debt plus total equity.

(iii) Interest cover equals EBITDA to net interest.

Financial Position

Summary Statement of Cash Flows

| | FY15 | FY14 | Change |
|---|------|---------|--------|
| | \$m | \$m | % |
| Net cash provided by operating activities | TBC | 8,613 | |
| Total capital expenditure | TBC | (4,018) | |
| Sale of shares in controlled entities (net of cash disposed) | TBC | 2,397 | |
| Other investing cash flows | TBC | 491 | |
| Net cash used in investing activities | TBC | (1,130) | |
| Free cashflow | TBC | 7,483 | |
| Net cash used in financing activities | TBC | (4,430) | |
| Net increase in cash and cash equivalents | TBC | 3,053 | |

Capital expenditure and cash flow

Our operating capital expenditure decreased by 2.4 per cent to \$3,570 million and is consistent with our capex to sales guidance of around 14 per cent. This investment has enabled us to meet ongoing strong customer demand arising from the growth in our customer base and continuing investment in areas such as network access projects and wideband projects (high speed dedicated services) that provides infrastructure to support our business and enterprise customers. Capital expenditure was also incurred to support the continued rollout of our 4G mobile network to maintain our competitive advantage in mobile coverage and to ensure our product and service readiness for the NBN environment in addition to meeting ongoing NBN commitments.

Free cashflow generated from operating and investing activities was \$2,837 million, representing a decline of 62.1 per cent. This decline was due to cash proceeds of over \$2,500 million from divestments in the prior year, spectrum payments of \$1,302 million, M&A activity of \$616 million, and higher tax payments. These increased payments were partly offset by lower cash capital expenditure and increased cash from operating activities, mainly as a result of revenue growth and timing of working capital. The difference between our reported free cashflow and free cashflow on a guidance basis of \$1,918 million is due to spectrum payments and M&A activity.

During the year, Autohome announced a primary and secondary offering. Telstra participated in the secondary offering which diluted our ownership to 55.3 per cent (previously 63.2 per cent at 30 June 2014). The net proceeds to Telstra amounted to \$333 million which are included within cash flows from financing activities.

Our gross debt position has decreased by \$1,722 million to \$14,326 million. Gross debt comprises borrowings of \$xxx million and net derivative asset of \$xx million (which includes assets and liabilities both current and non-current). The decrease is primarily due to net debt maturities of \$xx million (cash outflow), comprising repayment of long-term debt maturities of \$xx million, finance lease repayments of \$xx million and net short term debt issuances of \$xx million.

Offsetting this reduction are non-cash impacts of \$xxm comprising revaluation gains of \$xx million offset by finance lease additions of \$xx million.

Net debt increased by \$2,228 million to \$12,748 million. This movement comprises reduction in gross debt of \$1,722 million, offset by a reduction in cash and cash equivalents of \$xxx million.

Statement of Financial Position

Summary Statement of Financial Position

| | FY15 \$m | FY14 \$m | Change % |
|-------------------------------------|-------------|-------------|-------------|
| Current assets | TBC | 10,438 | |
| Non current assets | TBC | 28,922 | |
| Total assets | TBC | 39,360 | |
| Current liabilities | TBC | 8,684 | |
| Non current liabilities | TBC | 16,716 | |
| Total liabilities | TBC | 25,400 | |
| Net assets | TBC | 13,960 | |
| Total equity | TBC | 13,960 | |
| Return on average assets (%) | TBC | 20.4 | |
| Return on average equity (%) | TBC | 32.3 | |

Our balance sheet remains in a strong position with net assets of \$xxx million. Current assets decreased by xx per cent to \$xxx million. This decrease includes a reduction in cash and cash equivalents of \$xxx million predominantly used to fund debt maturities, spectrum licence payments, dividend payments and the share buyback and the impact of cash proceeds in the prior year from divestments. Inventories increased by \$xx million largely reflecting a growth in handset inventories to meet higher customer demand.

Non current assets increased by xx per cent to \$xxx million. Intangible assets increased largely due to acquisition of spectrum licences and an increase in goodwill, arising from acquisition of various controlled entities. An increase in derivative assets is primarily attributable to net foreign currency and other valuation impacts arising from measuring to fair value.

Current liabilities decreased by xx per cent to \$xxx million due to a number of our derivative financial liabilities maturing and a reduction of short term debt. The revaluation of the remaining derivative financial liabilities also had a positive effect.

Non current liabilities decreased by xx per cent to \$xxx million. The value of long term borrowings decreased due to revaluation impacts from movements in foreign exchange rates. Defined benefit pension liabilities increased as a result of an actuarial loss recognised due to a lower bond rate, partially offset by actuarial gains on asset and settlement gain on Telstra Super. Deferred tax liability decreased predominantly due to the tax effect of an actuarial loss recognised for the Telstra Super defined benefit liability during the period offset by the tax effect of our offshore acquisitions.

SUSTAINABILITY

Our goal is to embed social and environmental considerations into the heart of our business in ways that create value.



IMAGE TBC –
TELSTRA OWNED IMAGE

Sustainability_

OUR APPROACH

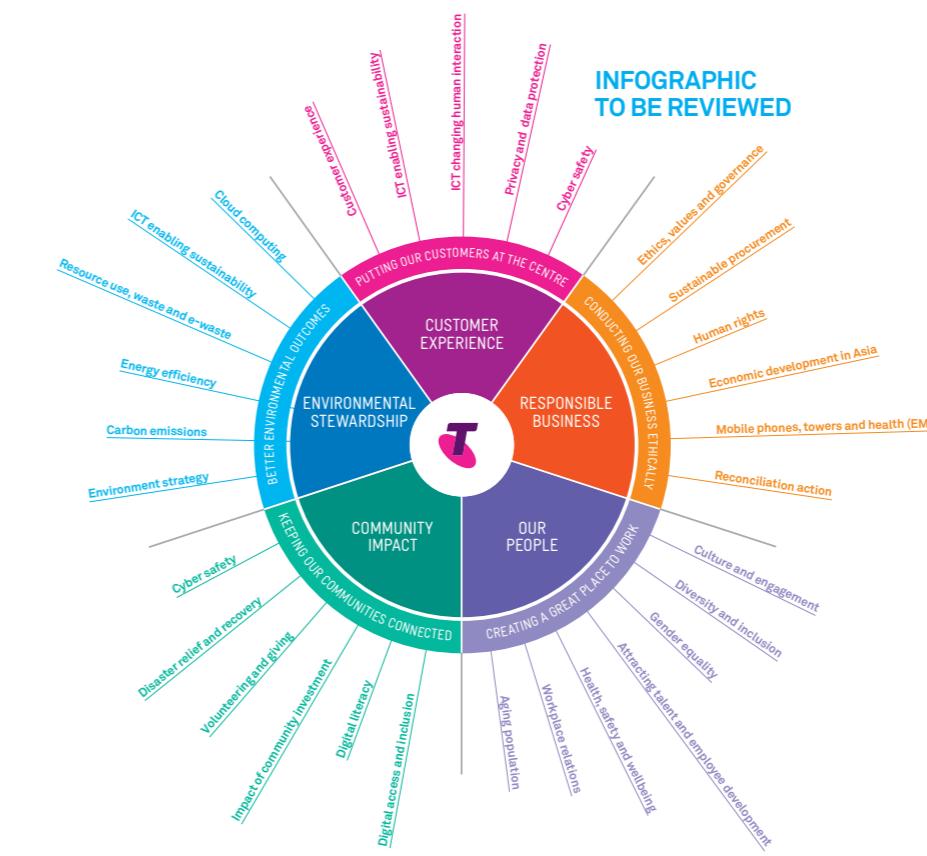
At Telstra, our purpose is to create a brilliant connected future for everyone. The success of our business relies on it, and our sustainability agenda is an important element in achieving it.

We seek to identify the ways in which we can use our core telecommunications capabilities, assets and expertise to make a genuine contribution. To deliver on this ambition we identify and respond to the key sustainability issues and opportunities that are important to our business and our stakeholders. Understanding and integrating stakeholder values into organisational

decision-making is an important driver of performance. We consider issues, risks and opportunities from a wide variety of sources. These include regular stakeholder consultation, participation in industry and cross-sector initiatives, customer research, benchmarking and future trends analysis. We prioritise issues according to their impact on our business and on stakeholders. The key issues

identified through this process during the 2015 financial year are outlined in the diagram to the right. In this report we highlight particular aspects only, please refer to our Bigger Picture 2015 Sustainability Report [link tbc](#) for a more detailed overview of these issues and our performance,

Key sustainability issues



WE FOCUS ON THREE MAIN AREAS:

Everyone Connected

We believe that the more connected people are, the more opportunities they have. We want everyone to enjoy the benefits that new communication technologies can bring – regardless of age, income, ability or location. Our Everyone Connected programs focus on making our products and services more accessible, enhancing digital literacy and cyber safety as well as supporting technological innovation for social good.

Environmental Leadership

We are seeking to be more proactive and strategic in our approach to the environment. We're doing this by identifying and minimising the material environmental impacts of our operations, working with our suppliers to reduce the impacts of the products and services they provide to us, and considering the environment when developing our own products and services.

Employee Involvement

We aim to make Telstra a great place to work, enhance our reputation and strengthen the communities in which we operate by providing opportunities for our people to get involved with their local communities and addressing the issues that matter.

CUSTOMER EXPERIENCE AND COMMUNITY IMPACT



PEOPLE REACHED THROUGH OUR EVERYONE CONNECTED DIGITAL LITERACY PROGRAMS

Digital connectivity is increasingly seen as an essential service, with access to the internet in many parts of the world now underpinning economic development, social connections, education, the arts, employment and social services. It is also evident that opportunity is intrinsically linked to access. The ability to find a job or accommodation, to pay bills or stay in touch are all made simpler and quicker thanks to the internet and technology – so long as you can get online.

As a result we focus on ensuring that everyone can participate, and benefit from being connected to modern communications technologies. Through our 'Everyone Connected' programs, we are working to bridge the digital divide.

Achievements

Last year, we delivered \$XX million worth of benefits to our customers and communities through our 'Everyone Connected' programs, designed to foster

digital access and inclusion for everyone – regardless of age, income, ability or location.

We have established Tech Savvy Seniors partnerships with the NSW and Victorian governments that focus on providing digital literacy training in regional and remote areas. Through these partnerships we delivered over XX,000 face to face sessions, mainly for older Australians. In February 2015, we expanded the NSW program to deliver training in a number of languages other than English, including Hindi, Arabic, Cantonese, Mandarin and Vietnamese.

An independent evaluation of the NSW program, conducted by the University of Melbourne, concluded that almost 90 per cent of participants found it to be helpful in increasing their knowledge or confidence in using new technologies. The study also found that for every dollar invested in the Tech Savvy Seniors program, almost \$11 in social value is created.

We use our technology, expertise, scale and presence to make a positive contribution to the community.

The Telstra Foundation committed \$1.Xmillion to XXX new social innovation grants, including with Code Club Australia (see case study below). Through these grants we invest in 'tech for good' collaborations across Australia and look to the power of smart devices, social media, platforms and apps to champion social change and community connection.

We work with over 2,000 community agencies across Australia to deliver our Access for Everyone program that includes benefits such as discounts on fixed line home phone services for around XXX,000 pensioners, home phone line rental relief for XX,000 households and distribution of around XXX,000 calling cards. This program is designed to help people on low incomes or facing hardship stay connected. Since 2002, this program has provided benefits to the value of more than \$2 billion.

FURTHER CONTENT NOT SHOWN.
RECOMMENDED WORD COUNT FOR PAGE (including case study): 620

IMAGE TBC

Case study: Code Club Australia

In Australia, high school aged youth are given the opportunity to participate in a concentrated Information and Communications Technology (ICT) program as part of the curriculum. We think this learning should start earlier. Studies report that by this stage, young people are already self-selecting out of STEM subjects – that is, science, technology, engineering and mathematics – especially girls.

Code Club is changing that. Code Club is designed to be inclusive of kids who face barriers to thriving in STEM education. The Telstra Foundation is supporting Code Club Australia with \$xxx,xxx over x years.

Code Club Australia is a network of after school clubs for kids aged 9-11 years. It's led by teachers and volunteers who run weekly hour-long sessions in schools, libraries and community centres across Australia. Sessions emphasise fun, creativity and learning-through-exploring. Children are trained in programming by creating games and they are encouraged to think creatively and to build problem-solving skills.

RESPONSIBLE BUSINESS

We're committed to excellence in corporate governance, transparency and accountability.

This year we continued to build on our commitment to transparency by introducing new measures aimed at providing our customers with more access to the data we hold than ever before. In a first for the Australian telecommunications industry we now offer customers the same access to their metadata as we are required to offer to law enforcement agencies without a warrant. This new approach is aimed at providing our customers with a clearer picture of the data we provide in response to lawful requests. It builds upon our Transparency Report, which outlines our legal obligation to assist national security and law enforcement agencies, as well as the types of law enforcement requests we receive each year.

[<Pacnet – Ben Carr to confirm – pending legal advice>](#)

United Nations Global Compact

We have been a signatory to the United Nations Global Compact since 2011 and are committed to supporting its principles – on human rights, labour rights, environment and anti-corruption – wherever we operate. We implement our commitment through a range of policies, strategies, management systems and initiatives that reflect the diverse range of conditions in which our businesses operate. This year we updated our Human Rights Policy to more closely align with external developments such as the publication of the UN Guiding Principles on Business and Human Rights as well as updates to our Code of Conduct.

Privacy and Data Protection [<content still in development>](#)

Millions of people trust us with their personal information and we continue to work diligently every day to honour this trust. We take customer privacy and data security very seriously. Our priority is making sure we keep personal information safe and secure at all times and to listen to, and respond to, the concerns of our customers, particularly as the way in which we communicate with them continues to change. We continue to invest in controls to protect the privacy of our customers and to be transparent in the way we manage this information.

We have a dedicated EME help desk and team that proactively reviews new site proposals, develops community consultation plans and works with the community to determine acceptable sites for new base stations.

This year, we continued our mobile safety SMS campaign, sending out more than eleven million messages referring customers to [telstra.com/mobiletips](#), our information site for safe and responsible phone use.

Supply Chain

This year, the Telstra Group purchased \$6.X billion in goods and services from around 4,X00 suppliers. Our spend can be leveraged to positively influence the behaviour and actions of our suppliers and, in turn, benefit the environment and communities. To help realise this we developed a three year sustainable procurement strategy, with a focus on identifying key social and environmental risks, embedding consideration of these risks into our processes and working to monitor compliance.

A more thoughtful approach to supply chain management has resulted in initiatives such as our Supported Workforce and remote Indigenous employment programs which contract non-profit groups to conduct grounds maintenance at around 5,000 of our network sites. These groups currently employ almost 700 people across Australia.



IMAGE TBC –
TELSTRA OWNED IMAGE

OUR PEOPLE

We are working to attract and retain employees with the skills and passion to best serve our markets.

IMAGE TBC –
TELSTRA SUPPLIED
IMAGE

Names of employees
Department Name

Technology is evolving rapidly, customer expectations are changing and we're facing a more competitive market. To support our cultural transformation we're taking a values-led approach to driving engagement and collaboration, as well as embracing generational change and diversity. We're dedicated to the health and safety of our people as well as providing targeted learning and development opportunities. We are working to attract and retain employees with the skills and passion to best serve our markets.

Employee Engagement

Having completing an Employee Engagement Survey in May 2014, we did not undertake a whole of company survey in FY15, opting instead to focus on our known areas for development. Our next whole of company employee engagement survey will be conducted in the first half of FY16.

In FY14, we set a target to increase our employee engagement score by two percentage points to 84 per cent in FY15. As we did not complete a whole of company survey this financial year, we are unable to report on our progress against this target. We are confident, however, that the initiatives put in place to address the results of our FY14 survey will ensure we are well placed to achieve this target in FY16.

Health and Safety

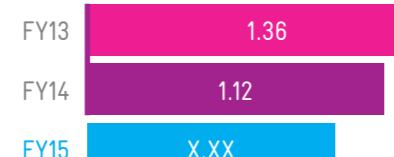
The health and safety of our people is paramount to us and is critical to the success of our business.

Through our health, safety and environment (HSE) strategy we are working to embed a strong risk management culture across our operations, with a focus on implementing effective controls that help keep our people safe and well.

This year we developed a HSE Risk Control Framework to help us gain a better understanding of our key HSE risks and conducted risk analysis workshops with a cross-section of the workforce to consider the availability and suitability of ways to eliminate or minimise particular risks, and prioritise tasks for completion. As a result of this strong risk focus, we have seen a significant uplift in near miss reporting from both employees and contractors this year.

We are working to create a high performance HSE culture throughout Telstra. In FY15 we significantly improved our incident investigation skills, reporting system and processes. We have established a body of evidence from investigations, audits and our risk analysis workshops to further improve our HSE performance in FY16.

Lost time injury frequency rate (LTIFR)⁽ⁱ⁾



(i) LTIFR is the reported number of accepted workers' compensation claims for work-related injury or disease that incur lost time for each million hours worked. This data relates to Telstra Corporation Limited only and does not include subsidiaries or contractors.

Diversity and Inclusion

Our people value working in an organisation where differences are respected. Promoting diversity and inclusion across Telstra helps us to improve our business results, enhance our reputation and attract, engage and retain talented people. In addition, having a diverse range of employees better enables us to understand our customers' needs, and to provide them with excellent customer service.

At Telstra, our focus on diversity and inclusion relates to differences in gender, age, ethnicity, race, cultural background, ability, religion and sexual orientation. It also includes differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills.

Achievements

This year, we increased overall female representation across the Telstra Group to XX per cent. We saw an increase across all groups, other than the number of women in executive management, which decreased slightly from 25.9 per cent at 30 June 2014 to 25.4 per cent at 30 June 2015. We've seen a continued upward trend in female representation among promotions and the number of women joining Telstra in FY15 exceeding the numbers of women leaving, bringing Telstra closer to our 32% target than ever before. We've seen an increase/decrease in female representation of our graduate program, with XX% of women joining this year, compared to XX% last year.

This year, we were proud to launch Telstra's Family and Domestic Violence Support Policy, which provides employees in Australia who are experiencing violence with up to 10 days paid leave each year, in addition to all other leave entitlements. We also became a signatory to the UN Women's Empowerment Principles, which encourages corporate leadership in gender equality and empowerment of women in the workplace, marketplace and community.

In 2014, Telstra was named as an Employer of Choice for Gender Equality by the Federal Government's Workplace Gender Equality Agency (WGEA) and was recognised by the agency for our leading practice in promoting pay equity. Our then-CEO, David Thodey, also signed on as a WGEA pay equity ambassador this year.

This year, we achieved our internal target of commencing 100 new employees who identify as living with a disability between June 2012 and June 2015, with xx new starters identifying over this period. We also introduced a new guide for leaders on supporting and managing employees with disability, and created xx paid work experience opportunities for students with disability, through the Australian Network on Disability Stepping Into program.

Telstra began a new partnership with Career Trackers, commencing 8 (TBC) new Indigenous tertiary interns during FY15, as well as graduating xx Indigenous school-based and fulltime trainees during the year.

More information on diversity and our Diversity Measurable Objectives can be found in the Corporate Governance Statement, available on our website.

Representation of Women in Telstra as at 30 June 2015

| Role | Number | % |
|--------------------------------------|--------|-------|
| Board ⁽ⁱ⁾ | 3 | 33.3% |
| Executive management ⁽ⁱⁱ⁾ | XX | XX% |
| CEO | 0 | 0% |
| CEO-1 (Band A) | X | XX% |
| CEO-2 (Band B) | XX | XX% |
| CEO-3 (Band C) | XX | XX% |
| Middle management ⁽ⁱⁱⁱ⁾ | XXXX | XX% |
| Operational ^(iv) | XXXX | XX% |
| Telstra Total* | XXXX | XX% |
| Telstra Group Total** | XXXXX | XX% |

* Includes full time, part time and casual staff in Telstra Corporation Limited and its wholly owned subsidiaries, excluding contractors. It does not include staff in any other controlled entities within the Telstra Group.

** Includes full time, part time and casual staff in controlled entities within the Telstra Group, excluding contractors and agency staff. For a list of the entities in the Telstra Group, please refer to Note 25 to the Financial Statements.

Notes:

(i) Number and percentage relates to non-executive Directors.

(ii) Executive management comprises persons holding roles within Telstra designated as Band A, B or C, or equivalent.

(iii) Middle management comprises persons holding roles within Telstra designated as Band 1 or 2, or equivalent.

(iv) Operational comprises persons holding roles within Telstra designated as Bands 3 or 4, or equivalent.

Employee Volunteering and Giving

Our employees want the opportunity to contribute to the communities in which they live and work.

Achievements

This year Telstra people contributed more than X,000 days volunteering their time and expertise to a range of community organisations across Australia and beyond.

This year our dollar for dollar matched payroll giving resulted in a total contribution of more than \$1.X million in donations to over X00 charities.

ENVIRONMENTAL STEWARDSHIP

We are committed to minimising our environmental impacts and working with our customers to achieve better environmental outcomes.

At Telstra, our long term vision is to become an Australian environmental leader. The extent of our network coverage and depth of our technical expertise provide an opportunity for Telstra to support government, businesses and consumers to reduce their energy consumption, leading to considerable cost savings and reduced greenhouse gas emissions.

Environment Strategy

Telstra's Environment Strategy builds on and extends our existing programs to manage and minimise the environmental impacts across our value chain. It is focused on addressing the environmental issues that matter most to our stakeholders, and is aligned to Telstra's purpose and values. Specifically it focuses on:

- Operational Excellence:** actively identifying and minimising material environmental impacts and operating costs.
- Sustainable Supply Chain:** working with and influencing suppliers to manage and reduce the environmental and social impacts of their operations and of the products and services they provide to Telstra.

- Environmental Customer Value Proposition (ECVP):** embedding environmental considerations into the development of products and services.

The strategy was informed by a detailed identification and assessment of the material environmental risks and impacts of our operations, our products and services, and our supply chain.

Energy Efficiency and Carbon Emissions

Energy use in our networks is our most material environmental impact, accounting for around 8X per cent of our total carbon emissions (Scope 1, 2 and 3) in FY15. Large amounts of energy are required to power our network equipment and keep it at an optimum operating temperature. In FY15, Telstra used almost XXX million gigajoules of energy.

Achievements

As data volumes continue to increase – XX per cent in the 2015 financial year – we are improving the utilisation and efficiency of our network equipment. This year we achieved a XX per cent decrease in carbon emissions intensity (tCO₂e per terabyte of data) from the previous year, leaving us well positioned to meet our three year emissions intensity reduction target – 55 per cent over the three year period from FY15 to FY17, from a baseline year of FY14.

Total emissions (Scope 1, 2 and 3) have decreased XX per cent over the reporting period as a result of a program of works to improve our carbon and energy efficiency as well as reduced emission

accessories from Telstra retail stores, offices and repair centres through the MobileMuster program, a XXX per cent increase in collections for the year. We also conducted a three month pilot where we recycle eligible electronic products from small business customers. The pilot extended to 11 Telstra Business Centres across metro and regional Australia, reaching 1XX,000 customers.

| | FY13 | FY14 | FY15 |
|--|-----------|-----------|------|
| Total Carbon Emissions⁽ⁱ⁾ (Scope 1, 2 & 3) Tonnes of carbon dioxide equivalent (tCO ₂ e) | 1,633,712 | 1,592,376 | XX |
| Carbon Emissions Intensity⁽ⁱ⁾ Tonnes of carbon dioxide equivalent per terabyte (tCO ₂ e/TB) | 0.83 | 0.58 | XX |

(i) Australian operations for Telstra Corporation Limited. This includes relevant Australian subsidiaries, joint ventures and partnerships.

LAYOUT TO BE REVIEWED
RECOMMENDED WORD COUNT: 640
(to allow for inclusion of table)

BOARD OF DIRECTORS



IMAGE TBC –
TELSTRA SUPPLIED IMAGE
RETOUCH TO ADD WARMTH
REMOVE BLUE/GREY TONES



Non-executive Director since November 2000, Chairman from May 2009 and last re-elected in 2014. Chairman of the Nomination Committee and a member of the Audit & Risk Committee and the Remuneration Committee. Ms Livingstone is a Chartered Accountant and has held several finance and general management roles primarily in the medical devices sector. Ms Livingstone was the Chief Executive of Cochlear Limited from 1994 to 2000. She was Chairman of CSIRO from 2001 to 2006 and has also served on the boards of Goodman Fielder Limited and Rural Press Limited. In 2008, Ms Livingstone was appointed an Officer of the Order of Australia for service to the development of Australian science, technology and innovation policies to the business sector. In 2014, Ms Livingstone was appointed President of the Business Council of Australia.

Catherine B Livingstone AO

Age 59 BA (Hons), Hon DBus (Macquarie), Hon DSc (Murdoch), Hon DLitt (USyd), FCA, FTSE, FAICD, FAA

Directorships of listed companies (past three years) and other directorships/appointments

Director, WorleyParsons Limited (from 2007), Macquarie Bank Limited (2003-2013) and Macquarie Group Limited (2007-2013). President, Business Council of Australia (from 2014) and President, Australian Museum Trust (from 2012); Member, The Growth Centres Advisory Committee (from 2015), Commonwealth Science Council (from 2014) and Advisory Board for the John Grill Centre for Project Leadership at University of Sydney (from 2013); Director, The George Institute for Global Health (from 2012) and Saluda Medical Pty Ltd (from 2013).



Andrew R Penn

Age 52 AMP (Harvard), MBA (Kingston), BEc, FCCA

Chief Executive Officer and executive Director since 1 May 2015. Mr Penn joined Telstra in 2012 as Chief Financial Officer. In this role, he was responsible for strategy, mergers and acquisitions, treasury, internal audit, risk management, tax, corporate planning, reporting and analysis, external reporting and investor relations. In addition, as Group Executive, International he was responsible for expanding Telstra's operations outside of Australia. Mr Penn is an experienced chief executive and chief financial officer with a career spanning more than 30 years. Prior to joining Telstra, he was with AXA Asia Pacific in a variety of positions around Asia for 20 years, including Group Chief Executive (2006-2011), Chief Executive Officer Australia and New Zealand, Group Chief Financial Officer and Chief Executive for Asia. Mr Penn has also contributed widely to not-for-profit and community organisations.

Other directorships/appointments

Life Governor and Foundation Board member, Very Special Kids (from 2003); Member, Juvenile Diabetes Research Foundation Advisory Council, The Big Issue Advisory Group, and Ambassador, Amy Gillet Foundation.



Geoffrey A Cousins AM

Age 72

Non-executive Director since November 2006 and last re-elected in 2012. Member of the Nomination Committee and the Remuneration Committee. Mr Cousins has more than 26 years experience as a company director. Previously Chairman of George Patterson Australia, he is also a former Director of Publishing and Broadcasting Limited, the Seven Network, Hoyts Cinemas group and NM Rothschild & Sons Limited. He was the first Chief Executive of Optus Vision and before that held a number of executive positions at George Patterson, including Chief Executive of George Patterson Australia. In 2014 Mr Cousins was appointed a Member of the Order of Australia for significant services to the community and to the visual and performing arts.

Mr Cousins was previously a consultant to the Prime Minister. He was also Chairman of Cure Cancer Australia and of the St James Ethics Foundation and has served on the boards of the Insurance Australia Group Ltd, Globe International Limited and a number of cultural institutions and not for profit foundations.



Peter Hearl

Age 64 B Com (UNSW), MAIM, GAICD, Member – AMA

Non-executive Director since 15 August 2014, elected in October 2014. Member of the Nomination Committee and the Remuneration Committee. Mr Hearl is an experienced company director with substantial international experience as a senior executive in the FMCG sector. Mr Hearl served in senior executive roles with Yum! Brands Inc from 1997 to 2008, including Chief Operating and Development Officer for Yum! Brands globally from 2006 until 2008. He previously worked for PepsiCo Inc in Hong Kong, London and Sydney reaching regional vice-president level, as well as in various roles with Exxon in the United States and Australia.

Directorships of listed companies (past three years) and other directorships/appointments

Goodman Fielder Ltd (from 2010), Treasury Wine Estates (from 2012), Member, UNSW's Australian School of Business Alumni Leaders Group and previously honorary Chairman of the US based UNSW Study Abroad-Friends and US Alumni Inc.



Russell A Higgins AO

Age 65 BEc, FAICD

Non-executive Director since September 2009 and last re-elected in 2012. Member of the Audit & Risk Committee. Mr Higgins is an experienced company director who has worked at very senior levels of both government and private sectors. He has served on the boards of a wide range of listed companies, private companies, government business enterprises and international organisations, including as Chairman of the Snowy Mountains Hydro Electric Scheme and the Global Carbon Capture and Storage Institute. From 2003 to 2004, he was Chairman of the then Prime Minister's Energy Task Force and prior to that he was Secretary of the Department of Industry, Science and Resources.

Directorships of listed companies (past three years) and other directorships/appointments

Director, APA Group (from 2004), Argo Investments Limited (from 2011), Leighton Holdings Limited (2013-2014) and Ricegrowers Limited (SunRice) (2005-2012).



John P Mullen

Age 60

Non-executive Director since July 2008 and last re-elected in 2014. Chairman of the Remuneration Committee and a member of the Nomination Committee. Mr Mullen is the Managing Director and Chief Executive Officer of Asciano Ltd and has served in that role since 2011. He has worked for over two decades in a multitude of senior positions with different multinationals including 10 years with the TNT Group – two years of those as its Chief Operating Officer. From 1991 to 1994, he held the position of Chief Executive Officer of TNT Express Worldwide. Mr Mullen joined Deutsche Post World Net as an Advisor in 1994, becoming Chief Executive Officer of DHL Express Asia Pacific in 2002 and Joint Chief Executive Officer, DHL Express, in 2005. Mr Mullen was Global Chief Executive Officer, DHL Express, from 2006 to 2009.

Directorships of listed companies (past three years) and other directorships/appointments

Director, Asciano Ltd (from 2011), Brambles Limited (2009-2011), Embarq Corporation USA (2006-2009) and MAp Airports Limited (2010-2011), Member, Australian Graduate School of Management (from 2005).



Chin Hu Lim

Age 56 B Applied Science, Dip EEE

Non-executive Director since August 2013 and elected in October 2013. Mr Lim is an experienced company director and has almost 30 years of experience in the technology sector across the Asia Pacific Region. He is the Managing Partner of Stream Global Pte Ltd, a venture fund providing seed funding for technology start ups. He was CEO of Frontline Technologies Corp Inc., a Singapore Exchange listed company, from 2000 to 2008 and BT South East Asia from 2010 to 2011. Previously he was Managing Director for Sun Microsystems in Singapore and country director for Sun in Thailand, Indonesia, the Philippines and Vietnam during the 1990s, after a career in Hewlett Packard in the 1980s.

Directorships of listed companies (past three years) and other directorships/appointments

Kulicke & Soffa Industries Inc (NASDAQ: KLIC) (from 2011), Director, Keppel DC Reit Pte Ltd (from 2014), Helionica Capital Management Pte Ltd (from 2014), Citibank Singapore Ltd (from 2013), G-Able (Thailand) Ltd (from 2011) and Changi General Hospital & Integrated Health Information Systems (from 2009), Fellow and Council member of Singapore Institute of Directors (from 2012) and Infocomm Development Authority – Personal Data Protection Advisory Committee (from 2013).



Nora L Scheinkestel

Age 55 LLB(Hons), PhD, FAICD

Non-executive Director since August 2010 and last re-elected in 2013. Chairman of the Audit & Risk Committee. Dr Scheinkestel is an experienced company director with a background as a senior banking executive in international and project financing. She currently consults to government, corporate and institutional clients in areas such as corporate governance, strategy and finance. She is also an Associate Professor in the Melbourne Business School at Melbourne University and is a member of the Takeovers Panel. Dr Scheinkestel has held a number of roles in the utility sector and has served on the boards of AMP Limited and its funds management and banking subsidiaries, Mayne Group Limited and Mayne Pharma Limited, Medical Benefits Fund of Australia Ltd, Newcrest Mining Limited and North Limited. In 2003, she was awarded a centenary medal for services to Australian society in business leadership.

Directorships of listed companies (past three years) and other directorships/appointments

Chairman, Macquarie Atlas Road Limited (from 2015) (Director from 2014), Director, Macquarie Atlas Roads International Limited (from 2015), Orica Limited (from 2006), Insurance Australia Group Limited (from 2013-2014), Pacific Brands Limited (2009-2013) and AMP Limited (2003-2013).



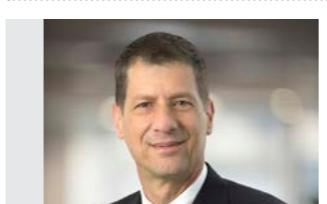
Margaret L Seale

Age 54 BA, FAICD

Non-executive Director since May 2012 and elected in October 2012. Member of the Audit & Risk Committee. Ms Seale has over 20 years experience in senior executive roles in Australia and overseas, including in global publishing and the transition of traditional business models to adapt and thrive in a digital environment, as well as sales and marketing. She was Managing Director of Random House, Australia (with managerial responsibility for Random House New Zealand) and President, Asia Development for Random House Inc, the global company. She was Chief Executive Officer of The Macquarie Dictionary and Lansdowne Publishing (1997 to 1999), and also of the Juvenile Diabetes Research Foundation (1994 to 1997). She served on the boards of the Australian Publishers Association and the Powerhouse Museum, and on the Council of Chief Executive Women, chairing its Scholarship Committee (2011 to 2012).

Directorships of listed companies (past three years) and other directorships/appointments

Director, Ramsay Health Care Limited (from 2015), Bank of Queensland Limited (from 2014), Random House Australia, New Zealand (from 2001).



Steven M Vamos

Age 57 BEng (Hons)

Non-executive Director since September 2009 and last re-elected in 2012. Member of the Nomination Committee and the Remuneration Committee. Mr Vamos has over 30 years experience in the information technology, internet and online media industry. He led Microsoft Australia and New Zealand from 2003 to January 2007 before moving to the United States to become the company's online business head of worldwide sales and international operations. Previously, he was Chief Executive Officer of ninemsn. Mr Vamos also worked for Apple Computer in the 1990s after spending 14 years in senior management roles at IBM Australia. He is the founding President of the Society for Knowledge Economics (SKE), a not-for-profit think tank that encourages new and better practices in leadership and management.

Directorships of listed companies (past three years) and other directorships/appointments

Director, David Jones (2012-2014), Director, Medibank Private Limited (2011 – 2014), President, Society for Knowledge Economics (from 2005); Director, Reading Room, Inc (from 2013); BDB Soti Pty Ltd (from 2012), eGeneration Investments Pty Limited (from 1999).



John D Zeglis

Age 68 BSc Finance, JD Law

Non-executive Director since May 2006 and last re-elected in 2012. Mr Zeglis has had a long and distinguished career in the US telecommunications sector. He joined AT&T in 1984, and was elected its President in 1998 and Chairman and Chief Executive Officer of the AT&T Wireless Group in 1999. He continued as CEO of AT&T Wireless until retiring in November 2004 following the company's sale to Cingular Wireless. He has also served on the boards of Georgia Pacific Corporation, Illinois Power Company and Sara Lee Corporation. Mr Zeglis has a legal background, and became partner with the law firm Sidley & Austin in 1978. He was General Counsel of AT&T from 1986 to 1998. His qualifications include a BSc in Finance from the University of Illinois, and a JD in Law from Harvard.

Directorships of listed companies (past three years) and other directorships/appointments

Director, Helmerich & Payne Corporation (from 1989), The Duchossois Group (from 2011) and State Farm Automobile Insurance (from 2004).

RETOUCHING REQUIRED ON A FEW IMAGES –

Notes:

- ORDER OF DIRECTORS SLIGHTLY CHANGED TO FIT ALL ON TWO PAGES
- FONT SIZE REDUCED TO 7.5pt BODY COPY (AS PER LAST YEAR)

SENIOR MANAGEMENT TEAM

Andrew Penn

Chief Executive Officer

Mr Penn became Chief Executive Officer in May, 2015.

Prior to his appointment as Chief Executive, Andrew led the Finance and Strategy and International teams as Chief Financial Officer.

XXXXXX

Group Executive, International

Lorem Ipsum

Gordon Ballantyne

Group Executive, Telstra Retail

Telstra Retail brings together Telstra's core domestic activities covering consumer, business, sales and marketing, fixed and mobiles, our National Broadband Network and media products, and our e-health function.

Warwick Bray

Chief Financial Officer

Warwick Bray became Chief Financial Officer in May, 2015 after previously serving as Telstra's Group Managing Director Products.

The Finance and Strategy team is responsible for corporate planning and strategy, accounting and administration, treasury, risk management and assurance, corporate security, investor relations and mergers and acquisitions.

Timothy Chen

President, Telstra International

This team is focussed on key relationships and identifying significant growth opportunities throughout Asia with a particular emphasis on Greater China.

Tracey Gavegan

Group Executive, Human Resources

Human Resources is responsible for organisational effectiveness and capability; talent and succession management; implementation of people and culture initiatives; leadership development; health, safety and environment; workplace relations and all employment and remuneration policies and practices that work towards making Telstra a great place to work and its people a source of competitive advantage.

Stuart Lee

Group Executive, Telstra Wholesale

Telstra Wholesale is responsible for the provision of a wide range of telecommunication products and services delivered over Telstra networks and associated support systems to non-Telstra branded carriers, carriage service providers and internet service providers as well as NBN Co Limited. Telstra Wholesale also buys services from NBN Co and other carriers on behalf of the whole company.

Kate McKenzie

Chief Operations Officer, Telstra Operations

Telstra Operations is responsible for the planning, design, engineering, construction, operation, maintenance and restoration of Telstra's fixed and mobile networks and information technology. The group is also responsible for the company's innovation portfolio, encouraging company-wide innovation and creation of new service opportunities.

Carmel Mulhern

Group General Counsel, Telstra Legal Services

Telstra Legal Services provides operational and strategic legal support and advice to the Board and across the company, including on corporate governance and compliance, contracts, consumer law, mergers and acquisitions, regulatory issues and dispute resolution.

Robert Nason

Group Executive, Business Support and Improvement

Business Support and Improvement is responsible for credit management, billing, procurement and property, as well as driving change that improves the customer experience and delivering Telstra-wide productivity improvements.

Brendon Riley

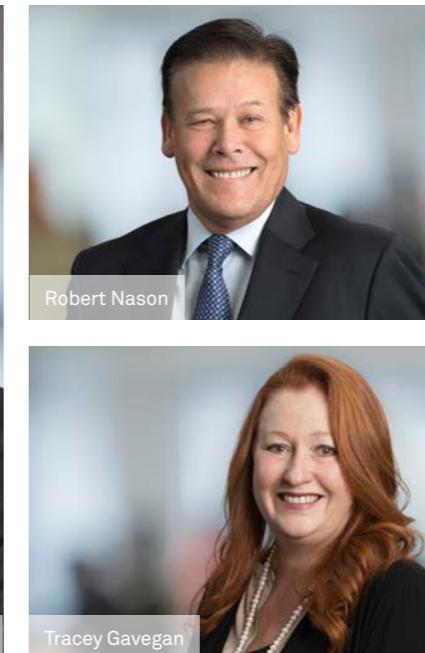
Group Executive, Global Enterprise and Services

Global Enterprise and Services brings together a number of rapidly growing portfolio areas and operates as a global scale, industry-based services and solutions business.

Tony Warren

Group Executive, Corporate Affairs

Corporate Affairs is responsible for Telstra's internal and external communications, government relations, regulatory affairs, sustainability (including the Telstra Foundation) and negotiating changes to Telstra's agreements with NBN Co and the Commonwealth as a result of changes to Government policy.



**IMAGES TBC –
TELSTRA SUPPLIED IMAGES
RETOUCH TO ADD WARMTH
REMOVE BLUE/GREY TONES**

GOVERNANCE AT TELSTRA

Our governance framework plays an integral role in supporting our business and helping us deliver on our strategy.

Our governance provides the structure through which our strategy and business objectives are set, our performance is monitored, and the risks we face are managed. It includes a clear framework for decision making and accountability across our business and provides guidance on the standards of behaviour we expect of our people.



Shareholders



Telstra Board

Audit & Risk Committee

Remuneration Committee

Nomination Committee



Chief Executive Officer



Our People

Our Governance Framework includes:

- open, clear and timely communications with our shareholders
- a skilled, experienced, diverse and independent Board, with a Board Committee structure suited to our needs
- clear delegation, decision making and accountability frameworks
- robust systems of risk management and assurance
- Telstra Values, Code of Conduct and policy framework providing guidance on the standards of behaviour we expect of our people, to help us deliver on our purpose and achieve our strategy.



ANNUAL GENERAL MEETING
2014

IMAGE TBC –
TELSTRA
SUPPLIED IMAGE

Engaging With our Shareholders

We value a direct, two-way dialogue with our shareholders and investors about our company. We believe it is important not only to provide relevant information as quickly and efficiently as possible (recognising the importance of meeting our continuous disclosure and other legal obligations to the market), but also to listen to and understand their perspectives and respond to their feedback.

We have a number of initiatives in place to promote effective communication with our shareholders and investors, and to encourage participation at our shareholder meetings. During FY15 these included:

- retail shareholder information briefings – as we have done in recent years, prior to our 2014 AGM we held four retail shareholder information briefings with the CEO and/or CFO. Briefings were held in Sydney, Melbourne, Perth and Adelaide and attended by approximately 1,000 retail shareholders. We intend to hold similar briefings again this year ahead of our 2015 AGM
- encouraging questions in advance of our AGM – we encouraged shareholders to provide us with their questions ahead of our 2014 AGM, consistent with our approach in previous years. This helped us understand their issues and concerns and enabled us to address the key areas of shareholder feedback
- investor briefings – we held various briefings for investors during the year, including our April 2015 Investor day on growth through network and product differentiation, which provided investors with insights into our mobile business, our networks, security and innovation
- electronic communications – we continued to encourage shareholders to provide us with their email addresses so we could communicate with them electronically.

- We utilised electronic communications to inform shareholders about events and matters relevant to our company, such as the appointment of our new CEO, our strategy to improve customer advocacy and our April 2015 investor event
- webcasting important company events – we webcast important events such as our financial results briefings, our AGM and other investor events discussing the performance and strategy of our business.

Following shareholder feedback and consistent with our capital management framework, in February 2015 we announced we would be reactivating our Dividend Reinvestment Plan for our shareholders, making it available from the Financial Year 2015 final dividend.

The Board

The Board actively seeks to ensure it has an appropriate mix of diversity (including gender diversity), skills, experience and expertise to enable it to discharge its responsibilities effectively and to be well equipped to help our Company navigate the range of opportunities and challenges we face.

Composition

We currently have 11 Directors on the Board, comprising 10 non-executive Directors and the CEO. With the exception of the CEO, all of our Directors are non-executive Directors and have been determined by the Board to be independent. Details of the Directors can be found in the Board of Directors section of this Annual Report.

The Board has identified the set of skills, experience and expertise it currently has and is looking to achieve in its membership, reflecting the various areas particularly relevant to the three pillars of our strategy (Improve customer advocacy, Drive value from the core and Build new growth businesses), as well as other areas of general relevance to the composition of our Board. The Board reviews this on a regular basis and it assists the Board to identify areas of focus and to maintain an appropriate and diverse mix in its membership.

During FY15, one new non-executive Director, Peter Hearl, was appointed to the Board. The Board considered it would benefit from additional experience in the area of building customer advocacy. Mr Hearl brings considerable experience from industries including consumer goods and energy, and in building customer advocacy for brands. He was appointed to the Board in August 2014 and was elected by shareholders at our 2014 AGM.

Directors also welcomed Andrew Penn to the Board as an executive Director on 1 May 2015 when he became our CEO, following David Thodey's retirement as CEO and an executive Director on 30 April 2015.

The Board's measurable objective about Board diversity is that there will be at least three women on the Board, representing a female gender representation among non-executive Directors of at least 30 per cent. As at 30 June 2015, there were three female Directors on the Board (including the Chairman of the Board and Chairman of the Audit & Risk Committee), representing a female gender representation among non-executive Directors of 30 per cent.

The Board has three standing Committees which assist it by focussing on specific responsibilities in greater detail than is possible for the Board as a whole.

These committees are the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee.

Board Operating Rhythm

The Board has an established Board Cycle, which provides a high level overview of items to be considered over a 12 month period. Its key purpose is to link the Board program with strategic and operational practices and to ensure the Board devotes appropriate time to consideration of the various items at each meeting (as relevant) and across the cycle. The items covered across the cycle include matters ranging from implementation of our strategy, performance against our corporate plan, the status of our material business risks and business matters requiring Board approval, to matters relating to our people, culture and governance framework. The Board cycle is reviewed on an ongoing basis to ensure it reflects the current needs of the Board and the business.

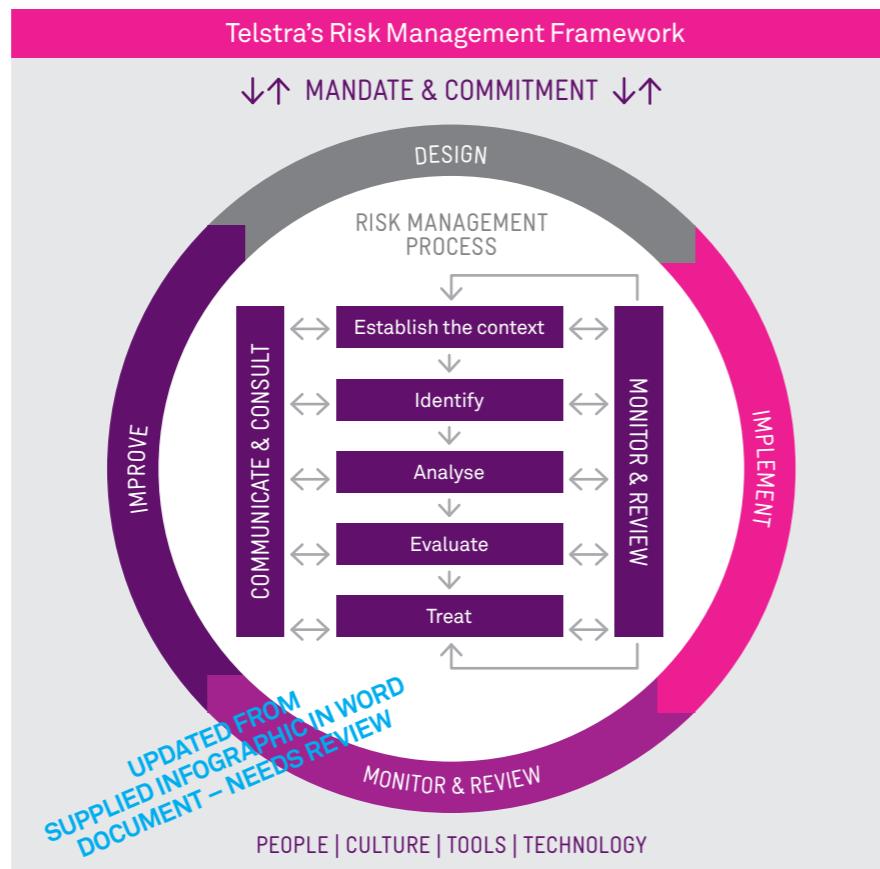
Some of the activities and areas of focus of the Board during FY15 included:

- in depth consideration of our strategy over the short, medium and longer term
- a Board visit to our overseas operations in Hong Kong and the Philippines in April 2015. As part of the trip, Directors met with our people, customers and stakeholders and it provided the Board with valuable insight into our operations in Asia and aspects of our customer service initiatives and new growth businesses
- selecting and appointing our new CEO, Andrew Penn, and overseeing his smooth transition into the role.

Managing our risks

Understanding and managing our risks is part of how we work. It helps us meet our business objectives and our legal and regulatory obligations, and to make better decisions and act ethically and in the best interests of Telstra Group and our shareholders.

We have a risk management framework in place which provides the foundations and organisational arrangements for how we manage risks across the Group. The framework aligns with ISO3100, the International Standard for risk management, and consists of a set of components for designing, implementing, monitoring, reviewing and continually improving risk management at Telstra. The objective is for our risk management framework to be embedded within our governance, strategic decision-making, business activities, operations and culture.



The framework is designed, implemented and reviewed via our 'three lines of defence' accountability model, which comprises the following:

- **First line** – business stakeholders and operational management who are accountable for identifying and managing their risks.
- **Second line** – the Chief Risk Office, and risk management teams in the business units, who are responsible for designing the framework and for working with the business, or 'first line', to implement.
- **Third Line** – Our Group Internal Audit function, who are responsible for independently reviewing and providing assurance on the risk management framework.

One of the core components of our framework is the risk management process which provides the business with a process for assessing our risks. It's through this risk management process that we identify, monitor and report on risks to the achievement of our plans and objectives. The risk management process is inclusive of all types of risks from internal and external sources, including strategic, operational, financial, regulatory, and sustainability risks.

A summary of our material business risks, their key drivers and our plans to manage them is provided in the Strategy and Performance section of this Annual Report. Our material business risks, which are strategic in nature and can have a material impact on the achievement of our strategic growth objectives and future financial prospects, are monitored for changes in their exposure and are reported to the Board during the course of the financial year, along with their controls and treatment plans. Our principal risk exposures, which are operational in nature, are monitored and reported to our Management Risk Committee and the Audit & Risk Committee.

Also core to our framework are the activities we undertake to monitor and review its design and implementation. We conduct reviews and self-assessments of our framework across the enterprise, and report the results to our Management Risk Committee and the Audit & Risk Committee. We use the results of those reviews, as well as recommendations from Group Internal Audit, our third line of defence, to identify and implement opportunities for improving our framework. During FY15 the Audit & Risk Committee has reviewed Telstra's risk management framework and satisfied itself that it continues to be sound. [Statement TBC at June and August A&RC meetings]

Acting Ethically and Responsibly



Our purpose is to create a brilliant connected future for everyone. Our Telstra Values, together with our Telstra Group Code of Conduct and policy framework, define the standards of behaviour we expect of our people and will help us deliver on our purpose and achieve our strategy.

Our Telstra Values

As explained earlier in this Annual Report, at Telstra we have five core values.

1. Show we care
2. Work better together
3. Trust each other to deliver
4. Make the complex simple
5. Find your courage.

Our values express what we stand for and guide the way we do things. Our values are core to our business and we align everything we do with them.

Our Code of Conduct and Policy Framework

Our Code of Conduct and policy framework underpin our Telstra Values. Together they set out, in more detail, the standards of behaviour we expect of our people. They define our commitment to good corporate governance, responsible business practice, our customers, our workforce, the communities in which we operate and the environment. They also provide the structure through which we maintain compliance with our legal obligations.

Our governance framework includes elements that address the following key areas, which are central to how we promote ethical and responsible behaviour:

Our People and Our Community

Health and Safety – recognising our commitment to the health, safety and wellbeing of our staff, contractors and community. This highlights the importance of workplace health and safety and sets out the priority, accountability, measurement and our commitment to compliance for health and safety at Telstra.

Securities Trading – setting out the rules and restrictions relating to buying, selling and otherwise dealing in Telstra securities by our Directors, CEO, senior management, specified other employees and their closely related parties, through a trading windows approach.

Discrimination and Bullying – aiming to ensure that we have a workplace free of all forms of unlawful discrimination, harassment, bullying and victimisation.

Sustainability – seeking to manage our business to produce an overall positive impact for our customers, employees, shareholders, the wider community and other stakeholders, while minimising our environmental impacts.

Our Customers

Privacy – setting out our commitment to the protection of our customers' personal information. This outlines how we protect customer personal information, how and why we collect it, how we may use and disclose it, how we keep it secure and accurate, and how customers may access their personal information.

Good corporate governance and responsible business practice

Anti-Bribery & Anti-Corruption – aiming to ensure we comply with applicable anti-bribery and anti-corruption laws. We also seek to ensure that gifts, prizes and hospitality are not given or accepted in inappropriate circumstances, including where the offering or acceptance may (or may be perceived to) compromise independence or be construed as a bribe.

Conflicts of Interest and Outside Activities

Conflicts of Interest and Outside Activities – assisting our employees and contractors to understand what we consider to be a conflict of interest and how to avoid actual, potential or apparent conflicts of interest.

Whistleblowing – providing an avenue for anyone to report suspected unethical, illegal or improper behaviour. Our whistleblowing process is supported by an independent service provider and all disclosures are treated confidentially and can be made anonymously.

DIRECTORS' REPORT

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THREE BAR GRAPHS TO BE SUPPLIED BY
THATWORKS

REMUNERATION REPORT

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SIGN OFF

FINANCIAL REPORT

FINANCIAL REPORT

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SHAREHOLDER INFORMATION

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REFERENCE TABLES

Non-Financial Results

| Key performance indicator | FY15 | FY14 | FY13 |
|--|------|----------|-------|
| Employee engagement Score (%) | N/A | 82 | 80(i) |
| Health and safety(ii) Lost Time Injury Frequency Rate (LTIFR) | XX | 1.12 | 1.36 |
| Gender equality(iii) Women in executive management (%) | XX | 26 | 25 |
| Volunteering during Telstra time(iv) Total (days) | XX | 5,122 | 4,248 |
| Payroll giving Participation rate (%) | XX | 5.3 | 3.6 |
| Social and community investment Value (\$m) | XX | 217(iv) | 231 |
| Everyone Connected Targeted community programs (people impacted)('000's) | XX | 143 | 146 |
| Carbon emissions Tonnes of carbon dioxide equivalent (tCO2e)('000s) | XX | 1,592(v) | 1,634 |
| Carbon emissions intensity tCO2e per terabyte of data | XX | 0.58(v) | 0.83 |
| E-waste Mobile phones (tonnes collected) | XX | 15.3 | 14.0 |

(i) Telstra Group. 2013 results adjusted to exclude CSL and Sensis Group (79% was previously reported).

(ii) This data relates to Telstra Corporation Limited only and does not include subsidiaries or contractors.

(iii) Full time and part time staff in Telstra Corporation Limited and its wholly owned subsidiaries, excluding casual and agency staff.

(iv) Sensis Group data has been included for FY13 and for period of operational control in FY14 (1 July 2013 until 28 February 2014).

(v) Australian operations for Telstra Corporation Limited. This includes relevant Australian subsidiaries, joint ventures and partnerships. Sensis Group data has been included for FY13 and for period of operational control in FY14 (1 July 2013 until 28 February 2014).

GLOSSARY

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INDEX

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TERMS & CONDITIONS
CONTACT DETAILS
CREDENTIALS?

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NB: for printed version will need to include environmental credentials (paper, ink, bleaching, etc)

Sustainability Reporting

Selected graphs and data presented in this Report are included in the Bigger Picture 2015 Sustainability Report, which is available online at www.telstra.com/sustainability/report. This Report provides more detailed information and analysis for our stakeholders on Telstra's sustainability approach and performance. You can also subscribe to our sustainability newsletter at www.telstra.com/sustainability/subscribe.

We develop our sustainability reporting with reference to industry and sustainability standards, including the United Nations Global Compact Communication on Progress, and in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines. The full GRI Index can be found online at www.telstra.com/sustainability/report.

INSIDE BACK COVER

IMAGE TBC