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Singapore Exchange Securities Trading Limited  
2 Shenton Way  
#02-00 SGX Centre 1  
Singapore 068804

**Office of the Company Secretary**

Level 41  
242 Exhibition Street  
MELBOURNE VIC 3000  
AUSTRALIA

General Enquiries 08 8308 1721  
Facsimile 03 9632 3215

**ELECTRONIC LODGEMENT**

Dear Sir Madam

**Investor Day – analyst briefing transcript**

In accordance with the Listing Rules, I attach a copy of the transcript of the analyst briefing and question and answer sessions, held at Telstra's Investor Day on Thursday 23 October 2014, for release to the market.

Yours faithfully



**Damien Coleman**  
Company Secretary

## **TELSTRA 2014 INVESTOR DAY 23 OCTOBER 2014**

MR KEYS: Good morning, everyone, and welcome. I'm Andrew Keys, Telstra's head of equity investor relations and on behalf of Telstra I welcome you to our 2014 Investor Day in Sydney. As an important symbol of respect it is our custom at significant events to acknowledge Australia's first peoples. Today, therefore, I want to acknowledge that we meet on the traditional lands of the Gadigal People of the Eora Nation and pay my respects to elders past and present.

Our update this morning involves two Q&A sessions where we will be taking questions from investors and analysts. We will be breaking for a short morning tea at approximately 10.20 am. There will also be a media briefing at the conclusion of the investor update. The media briefing is scheduled to commence at around 12.15 pm. Before Telstra CEO David Thodey commences we would like to share this short video with you.

### **VIDEO SHOWN**

MR D. THODEY: Morning. Great to have you here and it's great to have everyone joining us on line as well. And this is probably the fifth Investor Day I've done and I hope it's a good morning for us all. We've got quite a bit to get through today. The theme we've got is around this whole idea of growth through innovation. Now, it's not a change of our strategy; it's just a theme for today because we do really think that innovation is at the core of what a company like Telstra needs to be doing to really capture the opportunities we see before us.

So what I thought I would do today just in terms of introduction is just to give you a little quick insight into what I see as some of the trends and directions in the industry; and it's a pretty high level. And then we will go through and I will get Kate to give us a bit of an update on technology. I will be talking about strategy, give you a brief update on the business and then both Brendon and Andy and Gordon are going to give you a bit of an update on their business as well. We will have time for Q&A and that's always important, which we can just get, you know, your feedback and what's on your mind.

Well, it's been quite a busy week for Telstra. It sort of seemed to sort of become a bit of a confluence of a whole lot of things that are happening. And as you came through downstairs we've completely redesigned downstairs, done the new shop. And while retail is really important to a telco it has really been as much about reflection of some of the changes that we really need to continue to make inside Telstra. You know, I hope you really – if you go into the shop – and do go and spend some time there if you get a chance during the day – you know, it's very open; it's sort of more connected out to the street. We've got a lot of technology in there. It has really been designed around the customer. You will notice there's a lot more places for people to sit and talk to people, experiment with technology, and we're trying to bring this sort of digital physical presence together. Gordon might mention some of that but it's really important because it's trying to really portray this different type of company. And while retail and a physical presence doesn't necessarily mean anything, because you've got to change the culture, it is an important reflection of what we're trying to do; trying to be innovative, really lead in retailing. And just – I think we had two and a half thousand people through the store just yesterday. So it's pretty impressive. Certainly, of course, a lot of people are just coming in to have a look and get a feel for it but we have to keep our – at the forefront of what's going on.

Also, yesterday, we had the launch of T Health which is a separate business unit. We've talked about our move into health where we invested about \$100 million setting up the – some new partnerships there.

That's a really important part of what we think we need to do in the future and we think a great opportunity. Gordon in his speech will take you through a little bit of what we're doing there.

We also on Monday, you know, we had the fourth Digital Summit from Telstra. It was a fascinating day out at Technology Park. Last week we announced muru-D second class and we had another 11 great innovative companies coming through. We ran the technology Digital Summit out at Technology Park. You know, it was great. You know, the energy was incredible. It's, sort of, great to see Telstra in that location.

Also I should also just mention that on it would have been Tuesday night, this is the 20<sup>th</sup> year of Telstra running the Business Women's Awards. We announce in Victoria, Friday night here in New South Wales. And that, again, reflects an incredible ability that Telstra has to be a part of the business community and really standing for diversity, you know, taking leadership and gender equity. These things are really important to a company like ours.

And then we also announced the acquisition of Videoplaza to build our intelligent video portfolio which is really exciting. So you can see even this week just a whole lot of things. And then we get to talk to all our investors as well; so it's an exciting week.

Okay. So with that just, you know, brief introduction I do want to talk a little bit about just some of the technology shifts we have seen. As you know fundamental to us is just picking industry trends. And for a telecommunications company you have to be right at the heart of what is happening digitally. Now, I'm not going to go through all the stats that you would read about if you follow us closely but, you know, connectivity continues to increase, be it machine to machine; Internet of Things; mobile connections continue to, you know, grow in new and different ways. This is, you know, exciting for a company like Telstra because we are right at the heart of this change.

Also we're seeing continuing, you know, real innovation in devices. Now, we've had the iPhone 6 – I will talk a little bit about that later on – but we're seeing enormous innovation in terms of applications, mobile apps. And what's happening is it's moving from the consumer market into the business market. And hopefully Brendon might mention a little bit about what's happening in the enterprise mobile apps, but there's a fundamental shift going on about how automation, how digital enablement is actually happening across small business enterprises and consumers; in fact every part of society. Social media continues to grow and innovate and that's driving enormous usage on our networks. We're seeing a lot of video growth as you'd expect which is, again, we enjoy.

Then you get through to robotics, which are all connected. You look at cloud computing and data analytics. And then there's the emerging area around neural computing. I mean, even Siri or Google now are all versions of better intelligence in computers in terms of creating a different interaction. So why do I mention all these things; because I could talk and I do enjoy talking about these things? At the heart of everything is the network. And therefore our challenge as a company is to really understand where value will be created.

Some of you, I hope, saw that presentation by Scott Galloway from New York, NYU, Winners and Losers – if you haven't it's really worth going through – about where value is created across the digital world. It's on the Web. You can't print it. You've just got to watch it. But what really struck me about that is the incredible changes we're seeing in terms of business models; people using technology to drive real innovation. I mean, I think it has now become mainstream, you know, in terms of how we transact. You know, most of you if you've come from another location would have been, you know, done it online; you know, how we actually book restaurants, etcetera. All these stories are common to you but it's continuing to increase and it's touching nearly every industry that I know. You know, so I saw the stats the other day; what – 85 per cent of all financial transactions in the US are done digitally. We're running at about 47 per cent. So we're behind, you know, banking which we think has really sort of taken the forefront – you know, the leadership position. But even Starbucks now, I think they're saying six million transactions of actually ordering coffee. Who would have ever believed that? And, of course, Facebook continues to, you know, grow and they've got, what, now, a billion active users.

I mean, all these numbers continue to be interesting, but it's what is happening and how – in society, and therefore what does a company like Telstra do to really take advantage of it, and that's what we spend a lot of time thinking about. So we need to be right across the new digital technologies. We need to be a part of it, we need to be leading it and we need to be a synonym for it.. but at the end of the day, it is about new business models. And I spoke yesterday at the Australian Institute of Company Directors. I think very strongly about Telstra's future, about reinventing ourselves, about how we can continue to drive real value from our core business, while continuing to look at everything we do and be willing to challenge ourselves, be able to do things differently, be it by process reengineering, doing the hard yards of running big contact centres and retailing through to everything we do in product innovation and network leadership. These are critical areas for us.

So when you look at the industry landscape, we're seeing four key trends that I just wanted to mention. There's many trends, but these are the things that are really preoccupying us. Firstly, around networks. We think there's still enormous innovation to happen in network technology, be it in mobility, Wi-Fi, 5G, 6G. It doesn't really matter what you call it. But how we utilise spectrum better, how we build better networks, allow people to connect more easily, to be able to do things in more creative ways is absolutely at the heart of what we do. Our network engineering teams – and Kate will talk a little bit about this – are still at the heart of Telstra because in driving value, that's where – most of our value is still driven. We must continue to stay ahead of it. That's why we've invested so much in our core network technology over the last five years, and we will continue to do so.

We're also seeing a thing that – at least, since I've been in the industry – talk about convergence, but there is another level of convergence that a fully integrated telco, like Telstra, I think, is uniquely positioned to take advantage of, and this is the device of platform conversions. You know, this seamless transition, you know, from using mobile networks to Wi-Fi networks, how to do large cell and small cell simultaneously, that the customer gets this ubiquitous experience that is seamless to them and they are always connected, always on, is really a critical part of our vision as we go forward. And, more importantly, is how people can have this experience of the content – it may be entertainment or it may be an application running, but it's seamless, a multi-screen experience, that you move from, you know, the screen that maybe in your home, it may be to the television, through to your PC, through to your tablet, through to your mobile phone. Our vision around this is a ubiquitous world of always on, any screen, any time. Now, it's very easy for the – you know, the nice commentators to talk about this, but the truth is it's very difficult to do, but it is an exciting future that we see.

The other thing that you know I talk about all the time is customers. And if you don't have your sight on the customer and the changing needs of the customer and the expectations of the customer, then you will fail. And what we're seeing is this enormous growth in the expectation of the customer in terms of the service that they require. And they want it, you know, quicker and faster. And we need to find ways that we can do that in a simpler fashion and not make it difficult for them to do business with us. You know, customers have become incredibly reliant on their technology. Be it mobile phone or tablet, they expect to be always connected. And I've mentioned before, people now travelling between Alice Springs and Perth, you know, write to me and say, my mobile phone didn't work all the way. And, of course, you say, why, why would you ever think it would, get a satellite phone. However, their expectation is that mobiles will be on all the time, anywhere in Australia. So this is exciting for us because that demand is there, but we need to be very considered about how we do it, in terms of running a business.

And then, of course, this incredible exponential growth in the amount of information we're carrying over our networks. Now, last year, I think, was about a 50 per cent growth, in terms of the volume on our mobile network. But video traffic is by far the, you know, outstanding growth category. And therefore we've got to find new ways to present video content, manage it, deliver it, you know, in a seamless and great user experience. And when you combine that with this human machine interface, I see extraordinary opportunities in this industry, going forward. So it's exciting. But we need to find ways to drive value for our shareholders through this, and that is what is so critical in this digital world. We will be disrupted by others. Others are thinking about new ways to participate in the value pool that we have. But also there's great opportunities for us to move into other new value pools, and that's what gets us all out of bed every morning to think about, as we go forward.

You know, there has often been a saying said that, you know, culture beats strategy every day, and I must admit, I do agree with that. We've done a lot of work about what our purpose is and what our values are, and as a company that's something that I think is really critical and has been a part of the leadership team here at Telstra for the last four years. And it's been great to see what has been able to happen, and this includes both how we turn up in front of customers, in front of each other, in terms of suppliers, partners in the general community because without that reputational positioning, we can't achieve what we need to do. You know, I put up there today – and I usually don't talk about our values, you know, there's, you know, going from just customer service to really showing that you care, you know, not just team work, but we are truly better together.

With a company like Telstra, getting us all working together is critically important. You know, trust – trusting each other to deliver actually, to turn up and, you know, have this interdependence is critical important. You know, making the complex simple. We too often, you know, expose all the complexity

inside Telstra to our customers, and we've got to stop doing that, by actually taking that complexity and making this simple, you know, presentation to our customers is really important. And, of course, finding our courage, our courage to do things differently, to stand up and move into new areas. So this is what we've been doing a lot of, and we are investing, you know, across the business for growth because we must continue to grow as a business and that's both now and in the future.

So we will continue to have customer advocacy at the heart of what we do, but we must drive value from our core business and adjacencies while continuing to establish new businesses as we go forward. And you're aware, you know, digital media continues to be very important to us, network applications and services. And then you saw the health announcement yesterday, with networks continuing to do a lot in software intelligent video and, of course, improving our presence across Asia that Andy is going to speak to you about this morning. So those three strategic imperatives remain unchanged – customers, value from the core and building new growth businesses.

However, the theme of today is growth through innovation, you know, how do you drive long term growth, and to do that, you must be innovative, you must continue to challenge the status quo in everything you do. So the guys – the team have been working on this. And I just want to touch on a few areas that we think will continue to set the platform in terms of that aspiration around product and service differentiation to drive true customer growth. You know, within the consumer segment, we've been, you know, working on this national Wi-Fi network which we are very excited about. We will have roughly 1,000 hot spots set up before Christmas. But we think this is going to be absolutely key, in terms of our network leadership in Australia. It will be for fixed broadband customers, initially. These Telstra hot spots will be around 12 million when you add in all the overseas hot spots, so this will allow people to stay connected in new ways. And, of course, innovations over 24x7 app, StayConnected, also the Telstra Platinum Service have been really inspirational in their success in the market.

Also Telstra business and the small and medium business segment is becoming, you know, a more integrated offerer of really differentiating solutions, you know, the digital offers product has really been one of the most innovative products we've actually delivered in the last five years. It's getting great traction out there in the market, but it is quite innovative in its pricing structure in terms of a per seat pricing, ads in software, includes cloud computing, many different areas which is really great for the small and medium business operator, and we've becoming more diversified and we will continue to expand out into security solutions and other areas that Gordon will mention. And in the enterprise services areas we continue to drive out these large complex tailored end to end industry specific solutions is really important to our future especially as we drive out of Australia into the Asia region.

So innovation is really enabling us to maintain this network leadership. Now, I want to be very clear about network leadership. You know because you look at our numbers, we continue to invest enormous amounts of money in network leadership, and we feel very strongly that he who invests should reap the returns, and it is absolutely critical that we will continue to do that, and we have competitors who have the choice to invest should they choose to, and if they don't invest they should reap the results of what they're doing, but we will continue to invest in our networks and that should be the only real measure of how people create value. Also we will continue to invest in our wireless and IP networks. We will continue to invest in Wi-Fi, and we have many other new opportunities that we're looking at as we move forward.

It has been great to see the leverage of the digital spectrum that Kate will talk to you about, and carrier aggregation on the mobile network where we will start to get 300 megabits per second on that mobile network which is just outstanding performance. So that's what we will do, but at our heart we will remain focussed on customer advocacy. To actually drive from strategy to execution is critical because we need to have a clear set of priorities in terms of what we're doing, and this chart just takes you through a few of them. Let me just go through them because – I don't want to spend a lot of time on them, but I just want to give you a bit of a sense of the level of detail we've got here.

Around customer advocacy we are shifting our focus from just a – from a culture of service to one of advocacy and care, and our intention is to really make Telstra easier to do business with, and to hopefully exceed expectations of our customers, so that means really difficult things. Getting it right first time is right at the heart of every interaction we have with the customer. We don't do it every day, but we must continue to do it. We've got to be more responsive to our customers, and we must

continue to find innovative ways to price and to bill, and to put our products and services together into bundles, so customer advocacy, critical. From the core business perspective we need to continue to be the market maker in wireless. We must continue to lead. The mobile business is a significant driver of our financial performance, and we need to continue to grow in this area, and new markets such as machine to machine create wonderful opportunities for that to happen. We must also win in the broadband area. This is both NBN, it's also in the ADSL area, also across fibre, and also mobile broadband because if we do that then we continue to have connection with the customer. So we're continuing to drive out new innovative ways to market like Belong, and we're very pleased with that online channel. So that's what we're doing, and that must be around the domestic growth which is really stood the heart of our business.

As we invest more in growth we must continue to look at these areas of NAS, how we drive greater profitability and growth in that segment. Our investments in Asia will continue to evolve over the future. Also we will continue to invest in media across IPTV, how we bundle that to differentiate our products and services as we go forward, and then, investing in new growth areas such as intelligent video with Ooyala and Video Plaza, and also across the health industry. This is what will be the future growth portfolios of the company going forward.

I do want to stress that customer advocacy is not just a nice thing to do. It's driven by financial outcomes. You know, when we started on this journey five years ago, you know, we were losing market share, we were – customers were saying they don't want to do business with us. Revenue growth was slowing, we had high churn rates, and complaints in our service levels were not in a good place, but we invested. We invested in people, in culture, in the simplification process that Robert Nason has led. We invested in product innovation, network leadership, and we had to become more simple to do business with. You know, our results over the five years, you know, has shown great results, lower churn, more customers, sustained revenue and earnings growth, and I'm pleased to say that customer advocacy is improving, but we still have a long way to go. This is what gives good business momentum.

So in terms of just an update in terms of how the business is travelling, I am pleased to report that the positive business momentum we reported last year has continued into the first quarter of this financial year. The iPhone 6 launch was pleasing for us, and post-paid handheld ARPUs are continuing to improve. Overall in mobiles the market customer growth continues to moderate as we've talked about before. We're also seeing some deactivations in our pre-paid subscriber base, however, our strong mobile revenue trends have continued. Our fixed portfolio performance is consistent with last year with continued growth in fixed data customers, and the rate of decline in voice revenue is consistent with last year. Our NAS pipeline continues to be healthy, and NAS revenue growth remains strong, and as I said at the AGM just last week there is no change to the full year FY15 guidance that we provided at the results announcement in August. So before I conclude let me provide you with a quick outline of what I've already mentioned you will hear today. Andy is going cover and talk about Asia in a moment. Kate will talk about networks. We will then have Brendon talking about the global enterprise services group, and then Gordon will come up and talk about what we're doing in retail, so it will be hopefully a rich morning for you all.

So, in summary, our strategy is unchanged, and positions us well to capture opportunities that we see being presented to us in a digital world. We will continue to invest in innovation as this delivers differentiation, differentiation for our customers, and long term growth for the business. Finally, improving customer advocacy which delivers true economic benefits for our shareholders will remain central to everything we do. So thanks for your time this morning. I look forward to talking to you all, and with that I am going to throw over to Andy. Thank you.

MR PENN: Thanks very much, David, and good morning everybody, and, look, a great opportunity for me to speak about something I am very passionate about which is Asia.

I think everybody in the audience is very familiar with the very significant economic growth of the large rapidly growing and relatively young populations in the region, and, of course, also the emerging middle classes, but I also wanted to pick up on where David left off which is really talking about some of the dynamics of the digital economy, and what digital innovation is meaning in Asia because in Asia it's interesting that many users of the internet which are growing rapidly in Asia actually use the internet for the first time from a mobile device, not from a – not from a fixed service, so there's a very

different, and they're very rapid adopters of technology, and technology is making a massive difference in – in all sorts of sectors not just in the consumer sector, but obviously in electronic health which is obviously an area we spoke about yesterday, in education, in social welfare. And it really is creating an infrastructure which doesn't otherwise exist in the region. And so we come to Asia with a renewed sense of enthusiasm and a renewed clarity around our strategy, and something that I am very passionate about.

My presentation this morning, I am going to take a little bit of time talking about the opportunity, and most importantly how we are approaching it, and I think one of the pieces of feedback that we've received from the market over time is how you value the consistency of the articulation of our strategy, and how we continue to reinforce consistent messages with you, and that's one of the things I would really like to embed this morning in my discussion which is, what are three key pillars of our strategy in Asia, and I will talk about that in a second. But before I do so, maybe also just a couple of comments on how we made some changes last year which involved myself becoming a bit more involved in the region, and really the point behind those changes were to, as I say, bring that renewed focus to the region, and what we're endeavouring to do, is to really establish a matrix structure and create infrastructure and capability on the ground to really prepare ourselves to be able to grow in the region because as we all know from long experience that it does require a long term investment, and it requires patience and tenacity, and particularly it requires a significant investment in local resources.

So from a strategic perspective, Asia is clearly one of the key elements of our growth strategy, as David has already commented on. We have three pillars to that strategy in Asia. The first is to become the leader of enterprise services to multinational companies and enterprises in the region. The second is to seek ways in which we can transfer and leverage our core capabilities in networks and how we can look to do that in a way in which we can actually assist in the development of mobility networks and other networks in the region in connectivity, and, thirdly, look at how we can leverage some of our longer term investment, some of the longer term things that we're doing – David has already mentioned eHealth – but intelligent video into the region, but, at the same time, also look at other long term investments in the region as well. Autohome, which I will talk about a little later, is a very good example of that.

Now, as I mentioned before, I think we're all very clear on what are the sort of macro trends, if you like, that make Asia so interesting – rapidly growing economies, as I say, large, rapidly growing and relatively young populations and emerging middle classes. I think we're all very familiar with that. But there's two very important strategic dynamics which we see in addition to that, which are really driving the focus of our strategy in the region.

The first is that whilst, on the one hand, mobile penetration in Asia is relatively high, as you can see from the graph on the left hand part of the page, in excess of 100 per cent on average across the region, the reality is that that penetration is predominantly oriented around 2G networks. And so the network penetration for 3G and 4G is much less. And, of course, 2G networks have typically been designed for voice and SMS more so than they have for data. And that situation is further exacerbated, if you like, by virtue of the fact that the business models are also organised around voice and SMS rather than data. And, as we know, here in Australia, clearly, our mobile network has very much fundamentally shifted the focus towards the transmission of data. And so many of these countries have to go through that transition. The situation, of course, is also further exacerbated by virtue of the fact that fixed broadband penetration is very, very low in the market. And, of course, that's likely to continue to be the case, given the costs of laying fixed broadband and also some of the topography challenges that we see in many different markets.

Now, at the same time, of course, data transmission or data volumes are increasing dramatically, and as we have this sort of dynamic, where we have this growing economies, emerging middle classes, with consumers desperate to want to consume content, to access internet for eCommerce purposes, and also for businesses for productivity purposes, there is a bottleneck around that infrastructure, which we believe were at an inflection point where there needs to be a transition to database networks, both from a technology point of view, but also from a business model point of view, and that's clearly where we believe we can play a role.

The second strategic dynamic that's occurring in the region, which is really very much driving our strategy, is the evolution and the early development of the network application services market or the

enterprise services market, as we describe it. As you know, we have already successfully built a business of just under \$2 billion here in Australia, and it's a business which is growing very, very rapidly, and Brendon will talk about that a little bit later.

But, of course, the market in Asia is at a much more nascent stage. And as you can see from the graph on the right, we expect to see an acceleration of the growth in that sector, as the market basically – or as economies grow and GDP per capita grows, because as GDP per capita hits a certain inflection point, the proportion of GDP that gets spent on services such as those that we provide, and, of course, the services that we can facilitate, such as content, eCommerce, increases disproportionately as the economies accelerate. So they're the two key strategic dynamics that we see, that are driving our strategy, in addition just to the macro trends in the market.

The second point I wanted to really just touch on was so what are the core capabilities that we are going to depend on, that actually are going to give us the right to play in Asia and that we're going to be able to leverage into the market to take advantage of these trends that we see.

The first is that we do have proven capabilities in developing networks, operating networks, managing data-efficient networks. I think that that can largely go unchallenged in the sense of the performance of our – both our mobile networks and our fixed networks here in Australia. And as I said before, that's both from a technology point of view, but it's also from a business point of view. One of the important points that David just made in his closing remarks there was that we are continuing to see strong performance in ARPU in the mobile post paid handheld sector. The reason for that is because we have managed over the last 18 months to a couple of years to start to monetise data in that transition to data use. And so it's not only the technology capabilities that we have, but it's also the ability to actually transition to a data network and then also leverage services into that network, which many of the local operators in Asia do not have the skills to do.

The second core capability that we have is, as I mentioned, whilst the network application enterprise services business for us is relatively young, it is growing very, very fast. And by global standards, we have built some very significant capabilities across a range of product offerings, which Brendon will cover a little more in a moment, but that is another key area that we can leverage into the region.

And the third core capability that we are leveraging is our fixed infrastructure, our undersea international connectivity infrastructure where we have one of the largest networks of submarine cables throughout the region, in addition to data centres points of presence. And that is a very core platform infrastructure offer which we can leverage our enterprise services into the region.

So we have a very clear view on the two key strategic dynamics occurring in the region that make the region attractive for us, and three core capabilities that we're leveraging to drive our success in the region. And, of course, we already have a very, very significant presence. We already have more than 1,400 staff located in the Asian region, not including another 2,000 per cent who work in our Autohome business. We have existing businesses in Asia, such as Autohome, the Telkom Indonesia joint venture, and as well as a very significant sales capability. We're in the process of building a global delivery centre in India. We have access to 18 offshore data networks – or, sorry, data centres, with more than 150,000 square foot of colo data centre space. So we have a very significant infrastructure already in the region, and we will continue to invest in that and build in that as we look forward to execute our strategy.

In terms of our strategy, and just coming back to those three pillars, the first is to expand our global enterprise services into the region. Brendon will comment more on this in a moment, but just some high level comments from me. I mean, firstly, we have a very clear view of our customer base on which we're targeting in the first instance, which is Australian customers and multinational companies, very significantly focused in those hub markets in Hong Kong and Singapore and then out in the region into south-east Asia, and then, ultimately, China and India offer very interesting opportunities as well. Key products and services Brendon will talk on further, but, clearly, those which we've already been very successful in in Australia. And we have already had a number of customer wins, in addition to those that we've previously mentioned in previous results briefings. But I won't go through that further in detail now because Brendon will pick up a lot of these details in his presentation.

The second area is this concept of building long term growth businesses and investing in opportunities to help transition to data networks in Asia and, through that, is the opportunities in mobility, by leveraging some of our core skills. There is, clearly, a bottleneck infrastructure around data access in the region. If we sort of try and reconcile the demand for data with the infrastructure that's there to facilitate it, there is clearly a mismatch. And, of course, a number of the countries in Asia have recognised this and are rapidly trying to seek ways to free up that important 700 MHz spectrum band, by shifting broadcasters from analogue to digital, so they can actually free up the spectrum – in conjunction with LTE rollout, to actually free up this infrastructure. As I mentioned, we believe we have the skills to be able to leverage into the region, both from an operational point of view, as well as a technology point of view, but also we have a long history in the region as well, and we're very well regarded. Telstra engineers are very well known throughout the region. We – going back to the 1980s where we were involved in the development of both an international and local infrastructure in Vietnam over a 20 year period. That was a very successful business for Telstra which, ultimately, we transferred the business and the infrastructure back to the Vietnamese government. But also in other markets; in GSM rollout in India, and a number of other markets around the region. So we have very significant credibility both from what the company has achieved here in Australia and how the reputation of that is internationally in terms of networks but also locally on the ground.

The key, though – the key though will be to look for ways in which we can transfer these capabilities to situations in Asia where we can actually help this transition rather than looking just to existing incumbent operators and just assuming that we can run those businesses more effectively than their current owners.

And then, finally, longer term opportunity. As I mentioned, this is the third part of our strategy. There's really two elements to this. There is firstly leveraging some of the things that we are doing internationally at the moment. So we are already leveraging Ooyala's capabilities into the region through our sales force in the region, as well as looking for other opportunities on the ground. And one, of course, of the interesting developments in Asia is the very significant investment in smart cities both in China, and of course more so recently in India with Modi announcing the investment into 100 cities in India. The interesting thing about smart cities is that the investment is fundamentally about building infrastructure which will actually support each of the three platforms of our business. Firstly, it will provide infrastructure which will better facilitate the delivery of enterprise services. Secondly, in the building of that infrastructure there are opportunities again for us to actually participate with our expertise in network engineering, network operation. And then thirdly, of course, if we can support the generation of smart cities and better connected cities that will actually then again provide an acceleration for that whole digital trend which David mentioned before and further fuel the opportunity for things such as digital media, etcetera. So we believe that there's a very significant opportunity there particularly in China and also India but not just in those two markets.

And then, of course, finally, maybe just a couple of comments on Autohome. Autohome has clearly been a very successful investment for Telstra. It continues to grow very, very rapidly. It continues to see rapid take-up and growth in the number of dealer numbers and car manufacturers that are using the site from an advertising perspective. The average user time on the actual site is continuing to increase. And we're also looking now to invest through Autohome in furthering the strategy through a big investment in building the mobile capability, and secondly, building a presence in the used car market which at this stage has still been relatively nascent in China but we expect obviously to grow very, very significantly. So Autohome has been very successful and, as I say, a very clear strategy about how we're going to take that business forward.

So in conclusion Asia is a very important part of our strategy. It is really a, I think, a showcase for all of the digital trends that David has mentioned are going to be accelerated and embraced in many ways more so in Asia than perhaps they have been in the more developed markets. It does offer us very significant growth opportunities particularly in enterprise services and data connectivity and we believe that we can play a role in that.

We have a very clear strategy. We understand the strategic dynamics that are driving the attractions of the market for us and we have a very clear view on the core capabilities that we are going to leverage into the region. And we believe that this is going to be a very important part of our longer-term growth strategy. But, of course, as we all know Asia is a market where one needs patience and tenacity and we will be approaching it at a very considered and balanced way.

So thank you, and I think David is going to join me and we're going to have a short Q&A session now.

MR KEYS: Have we got a microphone? Centre aisle. We'll just get that organised. Thanks, Hamish. That's great. Thank you. We will be taking questions from the floor here in Sydney so we have a mike there on the centre aisle. There are quite a few people in the room. If you are unable to conveniently get to that microphone Hamish has a roving one down here so we will endeavour to get it to you that way and we will be taking questions over the phone as well. Okay. Good morning, Andrew.

MR LEVY: Good morning. Andrew Levy. Macquarie. Andy, just a question on your Asian investment in the mobile space that you want to get into whether you think Telstra's participation – how shall we think about that from a capital commitment perspective? Will it involve an investment in operators, in networks or will it be more a consultancy-type arrangement?

MR PENN: I think it will be a combination, Andrew. I mean, the first thing I think we have to acknowledge in Asia is that telecommunications is seen as a strategically important infrastructure. So the foreign investment restrictions are fairly significant. So in many markets that means that, to start with, we are not able to necessarily own an asset 100 per cent; and secondly, you know, we respect and understand that there's existing incumbents and existing operators in the market and, of course, they can be pretty highly valued and priced as well.

So, but we do think that there are opportunities where we can actually participate partly in supporting infrastructure but in deploying our capabilities to actually – to actually help the companies make that transition. The important thing for us to – for us will be to do that in such a way that we have enough influence to transfer capability but we also have enough economic interest that we actually get appropriately compensated for that capability as well. So in summary I would say it could involve some infrastructure investment and it could involve some consultancy and other softer involvements as well.

MR LEVY: Okay. And it sounds like less – less of a sort of direction towards larger up-front investment. It's sort of infrastructure investment I assume will occur over time and consultancies - - -

MR PENN: Yes. Look, I think that's right. I think also that if you look around the region, you know, realistically the opportunities to sort of buy existing incumbents at a price which is likely to add shareholder value are pretty limited. Now, that's not to say that we wouldn't be interested in doing something of larger scale; we would, but pragmatically I think it's going to be more the nature that we just discussed.

MR LEVY: Thank you.

MR THODEY: And I think, Andrew, you've – you know, we've been very clear about our investment criteria. It is EPS accretive in two years, you know, return on investment, you know, they've got to be better than WACC in three and they have to be better than doing a share buyback, or giving it back to shareholders in some way. So, look, we will be very disciplined. But if we see something good, and we're looking for a long time, we'd be delighted.

MR LEVY: All right. Thank you.

MR KEYS: Hi Sameer.

MR CHOPRA: Good morning. Sameer Chopra from Bank of America and Merrill Lynch. I have two questions. First of all, Andy, you know, we've heard about two deals done in Asia by yourselves. One was with PT Telekom and the other one was the Jetstar arrangement. I was just wondering if you could talk about what else is in the pipeline. Do you see big deals still sitting in the pipeline? Can we expect bigger announcements coming through rest of financial year '15 and maybe into '16 as well, so that I understand what sort of momentum sits within the Asia business?

The second one is, David, you painted some pictures around the mobile growth and the fixed broadband growth that the company has achieved in the last four years. So there is good cadence in

the business right now. I'm just wondering, you know, what's the burning platform for you right now? Like, how do you keep that momentum going? What's kind of driving your management team?

MR PENN: On the first question I might actually hold most of that and let Brendon answer that because I think, you know, Brendon is the executive responsible for driving our growth in GES in – in Asia. I think the only point I would say would be just to repeat that enterprise services are at a pretty nascent stage in the region and when you think about the sort of productivity that they can offer for large organisations the opportunity for growth is very, very significant. And I know there are lots of exciting opportunities but I might defer and let Brendon pick that up when we do the session on GES a little bit later on.

MR THODEY: Yes, Sameer, I would say that really my focus is on two things. One is we want to keep the momentum in the business, the underlying business, and that is always around customer growth, cost management and delivering service to our customers. That is always, you know, the machine of the company. But, you know, the majority of my time is spent really more looking at where we need to be in 2020; what are the new growth platforms; how do we establish these foundations now? As you know, it takes time for new businesses to grow. And looking at what makes best sense; where we can truly see value; what our differentiation is. So they are the two things that really keep me, you know, getting up in the morning. I think the momentum in the business I see it continues the track from the end of last year but, you know, markets change and being considered about what we do is really important. So a lot of discipline in the business and there's still a lot of opportunity.

MR CHOPRA: David, if I can just follow up, you know, do you see a natural market share for yourselves in mobile or do you think 52-ish per cent is a ceiling or do you think there's still significant more that can be done in terms of picking up market share?

MR THODEY: What I would like to see is the – the actual industry to grow, and that's probably more my focus. I think we will continue to be – we've always said we will continue to be competitive in the market, and we will continue to try to differentiate our products and services. We have no numbers around share. That's not the way we run the business, but we have always said we will never let ourselves get in a position where, you know, the premium is not valued by our customers, that's really important, but I want to see the industry grow. I want to see, you know, mobility, and connectivity expand, and the industry to continue to grow. That's more my focus than any particular share gain, however, we're always very conscious of that and all the things that go with that, but we don't let that preoccupy us.

MR CHOPRA: Okay. Thanks.

MR KEYS: Hi Richard.

MR R. EARY: Morning. It's Richard Eary from UBS.

MR THODEY: Hi Richard.

MR EARY: Just two questions. Firstly, Andy, on – in terms of Asia is – are there any sort of KPIs that we as investors can analyse to think about in terms of actually how you're progressing and what the Board has set you, so we can actually judge your performance, you know, through time, because it's clear, and in this presentation it's great in terms of high level, but it's very hard to actually see how you're executing and what measures you're executing against. The second question, David, just on customer advocacy, I mean, can you talk us through what's happening in terms of net promoter scores through the businesses? Are we actually getting signs of actually starting to get a positive traction other in terms of positive territory, and whether you can go through that in a bit more detail, please?

MR PENN: On the first one, Richard, a couple of quick comments. I mean, firstly, as David mentioned we have some very clear acquisition criteria and investment criteria and we're applying that to Asia just as much as we are to everything else. Secondly, we don't have any macro targets. Contrary to what – what you may read or believe otherwise we don't have macro targets for Asia because one of the things that I think we all know, and I'm sure many people in the room have got great experience of it, it does require patience. It requires tenacity. It requires a lot of investment on the ground in resources, in capability, in relationships, and we don't want to create a situation where,

you know, we're compelled to do transactions because of some sort of high level target. I think in the end the way in which you have to measure us in terms of our performances, the velocity at which we are able to actually build the capability and build the business in the region.

I think there's already some important markers in that regard which we've touched on this morning. We've doubled the level of corporate development resources in the region as well, but we're only going to do things at the rate and pace which it makes sense to do them. I mean obviously once we do announce transactions we will report those just as we do other businesses and you can measure them in the appropriate way, but I think that's really as much as I can say at this stage other than just to repeat we are applying the same investment criteria in Asia financially as we are in our other parts of our business.

MR THODEY: Yes, Richard, I – I know that you would love to give us – us to give a number to you, and we've watched what other companies have done in terms of aspirations of revenue or profit from Asia, and it can force you to make the wrong decisions, and we don't think that it's wise to do that, except to say we see a great opportunity, and I think Andy has given you a good explanation. I mean, I even said a very, you know, what I thought was a well intentioned aspiration and then, you know, it was all over the media that I had made a commitment to some number, and therefore it ends up working against you. Now, to your point around how you hold us accountable in terms of some metrics, look, we will keep working on that, but you can see that, you know, the challenge we've got.

We do have aspirations to grow in Asian, unquestionable. We've laid it out. These guys do have very specific targets, but I – at this point, we just don't think it's, you know, beneficial until we can find some better way to do it to share that because of what we're doing, and we – all you've got to know is we're going to be very disciplined about what we do. It's got to be profitable growth, not just top line growth, so we can keep exploring it together, but that's where we're at.

So come back on NPS. Let me take you through because I – just give you a little bit of detail because I am not sure how much we've really taken you through it. We measure the interacting of the – the way our customers perceive us in really four key areas, interaction, so when you come in the shop, when you call us, when the field engineer comes to your home, they are all the ways we measure, and digital, so we measure what we call interactive NPS. By the way this is the reason that we do not publish this is because you have got to be really clear about what you're reporting on, and people can use these numbers to prove different things. So there's interaction NPS. Second, is what we call the episode. So we have five major episodes or processes in the company, order to activate, assurance activation, complaint management, etcetera. So we measure episodes about – across multiple touch points what the customer actually feels at the end of it. For example, a move. You might have a great technician turn up. You might rate the technician well, but you may have had an absolutely shocking experience in terms of, you know, calling in or doing it online. We measure every product NPS as well, so I can tell you the NPS across ADSL, HFC, IP, media, etcetera. And then we have the final measure which is called strategic NPS which is, all said and done what's the customer think about you.

I can tell you in every one of those areas – let me just – the trend is up. Just think if there's any one that – no, I think they're all up over the last six months, and we have always had very high NPS in the enterprise segment. The small business and consumer are more challenging because we deal with so many customers and it's a very large base, but it is all trending positively, but we still have a long way to go.

MR EARY: All right.

MR THODEY: Thank you.

MR KEYS: Hi James.

MR FREEMAN: It's James Freeman from Deutsche Bank.

MR THODEY: Hi James.

MR FREEMAN: I just wanted to ask how you intend to monetise the data usage. You mentioned 50 per cent growth in data across your network. We're not really seeing that coming through any of the ARPUs numbers or in terms of the revenue growth numbers, so just wondering how you're going to monetise that, and secondly, if my memory serves me correctly, I think there was a speech you gave, David, where you talked about Asia being up to 20 per cent of the group contribution - - -

MR THODEY: - - - I have an aspiration that one day in the future I would love to think that we have put no targets in the market. Do I need to be any clearer?

MR FREEMAN: No, I've got it now, thank you.

MR THODEY: No. Right. Okay. Thank you. See, that's the problem. Anyway, that's okay. So coming back – yes, no, we're not seeing 50 per cent growth in data [revenue], however, in terms of the top line, but we have seen really strong results in our mobile growth in terms of profitable growth because we have been putting technology in that carries the data at such a lower cost, and you've seen, you know, it is one of the best performing mobile businesses around that I know of because we've got, you know, such great technology, so we will continue to look at how we can do that. It's a mixture of creating value about how you use the data. It's about how you bundle the data, and how you make sure that you're not creating a bad experience for customers, but also they're paying for what they're using, and also driving your cost down, and the costs per gigabyte that you're carrying, and that's why we have seen, I think, great performance from that mobile business over the last three years, but, no, it's not 50 per cent, you know, revenue growth because that would be unrealistic, but we would love to find some way to do it. So that's what we will be doing.

MR PENN: We have had services revenue growth in the mid single digits, and we continue to see strong ARPU and that is fundamentally a direct result of monetisation of data, through customers moving to higher plans, through customers requiring more data packs, through customers opting voluntarily to take more data than is already in their current pack. So we are definitely seeing monetisation of data.

MR KEYS: Hi, Raymond.

MR TONG: Good morning, David and Andy. Raymond Tong from Goldman Sachs. I think in terms of your networks in Australia, you're winning in Australia because of your network advantage. Can you maybe give a sense of how your networks compare in Asia versus your competitors in – and where you see that, and in terms of the capital requirements and capex investments that you think you might need to put in to get to where you need to get to.

MR PENN: Well, I think in terms of the networks in Asia, obviously, we've got a very significant pan-region undersea submarine cable network with points of presence, data centres. That's very significant compared to our competitors. And, again, maybe Brendon can talk a little bit about our regional push on GES in the region as well. In terms of domestic networks, obviously, that's where we believe we can play a role in helping operators, either incumbent or potentially new business models, coming into the market, take advantage, as I say, of unblocking that infrastructure blockage which is there at the moment in actually transitioning to data networks, both from a technology point of view, but an operational point of view, so taking some of those learnings we've just talked about in terms of data monetisation into the business model as well.

The extent of capital that's required to do that will be a function of the level of our involvement in any local – or any equity participation locally. And, as I mentioned before, that will be partly constrained by the level of foreign investment we would be able to have, and partly constrained by the level of involvement we can negotiate with local partners. So I would expect it to potentially have some involvement in the infrastructure build and therefore some capital investment, but I would think that would be more in the sort of order of hundreds of millions, rather than billions of dollars, if I can put it that way.

MR THODEY: And I think the other thing, Andy, to comment, there is the physical undersea cable, but it's actually the value creation of the core of the IP network sitting on top of that. And I would say our IP core network across Asia is equal to, if not better, than anyone else's in the region. And, of course, as we've layered over unified communications, managed network services and cloud

computing, it has become a pretty rich network of which, admittedly, the major capital investment is in the – you know, the actual band width we've got under the sea, but, in general, that's – I think Andy has sort of – you know, said, you know, the sort of capital intensity we will have in that business.

MR TONG: Right. And, David, you mentioned that, domestically, the – sort of prepaid mobile deactivations has picked up a bit. Can you maybe give a bit more colour on that, you know, what's driving that? Is it a market dynamic or is it more competition or - - -

MR THODEY: Not so much competition. It's more just the prepaid mobile broadband area, as people are migrating into different ways of doing it. Interesting, the unique user is pretty strong, in terms – so it has actually just been dormant. Ones out there, that people may have bought – a dongle that might now be deactivated. We put quite a bit of stimulus into the market about, gee, eight – six – nine months ago, and that has just flowed through. But the underlying, you know, revenue growth, as I said, continues on track.

MR KEYS: Good morning, Justin.

MR DIDDAMS: Good morning. Thanks. Justin Diddams from Citi. I just had a question on margins. Maybe if we just exclude the fixed line business, given the shift to NBN and NBN payments sort of distorts that, but for all of those businesses outside of that fixed line business, given all this growth in Asia, you know, some of the reinvestment in mobile and the growth in NAS, should we be expecting over the next five years, the margins actually to be declining because all these new growth areas are coming on at lower margin? Now, I'm willing to acknowledge that profits might be higher, but should we be expecting more capital – more intensity in these businesses, more head count, and, ultimately, lower margins?

MR THODEY: I will get Andy to give some more comment after I've said – but, look, yes, I think the – it's unusual to find, you know, businesses with the sort of margins that we have, and therefore, as you look at starting new businesses, they start with lower margins, but as you build them, they hopefully give you a better return. So I think you will see some movement there. But, at a company level, you know, still there's – a lot of profit comes out of the core, and – but, you know, in five years' time, there will be, you know, new businesses, revenue streams with lower margins, and, hopefully, they will get better returns as they go forward, but, yes, I would expect that. But I don't know. I am about profitable revenue growth and EBITDA growth. I think we went through a stage of saying, you know, that unless we can find something with the equal margins we've got today – and then you wouldn't do anything because that's just an unrealistic expectation.

So I think that's what works. We do look at what sort of margins they potentially can deliver. And, Andy, do you want to.

MR PENN: Well, I think all I would add, Justin, is to say that within the business lines in which we're operating, you know, we are looking to continue to drive our margins at the same levels, or, if not – as David says, as we get operational leverage, it increases, and then improve those margins. The only place that that wouldn't qualify for, as you mentioned, is the fixed network and the effect of the NBN on the fixed network. So if you look at an individual product line level, absolutely continue to drive margin. But, to David's point, as the business – you know, if we do more of different types of business, which naturally has a lower margin per se, then that might affect the weighted average. But at the individual product line level, we would be – continue to – look to continue to drive similar margins.

MR KEYS: Okay. Are there any investors or analysts who have been unable to get to the mike in the middle of the room because we do have a roaming mike, and if you put your hand, I'm sure Hamish will get to you as quickly as possible. No. Okay. And I don't think we've got any questions on the phone, so that being the case, we will adjourn for morning tea, and we will recommence with Kate McKenzie's presentation on networks at 10.30 which is in – just a fraction over 20 minutes from now. Thank you.

MS K. MCKENZIE: So good morning everybody and welcome back. I'm going to talk to you for a little while about network leadership and why it matters to our customers. I will talk to you a little bit about maintaining our mobile network advantage through our spectrum holdings and through innovations, a

little bit about where we are investing to differentiate further in our IP network, and also what we are doing to create the world's – one of the world's largest Wi-Fi networks. Network leadership has been core to our strategy for some time now and it does mean that we stay ahead of our competitors, meet our customers' needs and drive customer and revenue growth. We do it through innovating over our networks, investing in spectrum and constantly focusing on staying ahead of the competition.

As a company we have evolved from voiceover phones to data over devices to solutions over networks, and that will continue to be a focus for us going forward. Whether it's fixed, mobile, IP, cloud or WiFi we are leaders throughout and we bring those networks together. For example, our new WiFi network which David spoke about earlier on enables home broadband customers to use their data allowance at nationwide Telstra hotspots. We bring together technologies to create world-class solutions and we take in many of our domestic product sets in the IP network global. We strive to understand what our customers need before they know it themselves.

We plan years ahead and we execute on our road maps. We drive network efficiencies through new technologies such as LTE broadcast and carrier aggregation. Our strength in convergence helps customers to transform their businesses. Spectrum is the oxygen of our network and our strategy around its use has helped us get ahead in the market. We've got a very good balance between low and high spectrum bands which underpins our mobile technology. We have acquired double the amount of bandwidth in the 700 MHz and 2500 MHz spectrum bands compared to our nearest competitor. Our spectrum assets will enable us to better manage the growing demand for data and continue to deliver a superior network experience well into the future.

The use of low frequency spectrum is fundamental to our strategy as it delivers more speed, more capability and greater reliability. As David mentioned there has been phenomenal growth in data traffic. Wireless data traffic today is about 3000 times what it was a decade ago. Smart phones today are more powerful than the computer responsible for the Apollo missions that put a man on the moon, and we have 7.5 million connected devices on our network. One single Telstra customer device can now download data more than 10 times faster than the entire Telstra mobile network 10 years ago. There continues to be a growing demand for data, as we just discussed, across all technologies; whether that's through machine to machine, the Internet of Things, growth in video traffic or the ever-increasing emerging devices that keep driving that growth.

We are continually planning and innovating to ensure that we are well placed to handle all that traffic. As most of you already know the Telstra Mobile Network is unmatched in Australia. It has the largest coverage, 2.3 million square kilometres; plus an additional million square kilometres out to sea. And it covers 99.3 per cent of the population. It has more reliable speeds. When it comes to speed our sustained innovation and clever use of spectrum is delivering up to 50 megabits today and we have road mapped for 450 megabits peak speeds in the near future.

We have fewer dead spots and we continue to out-invest the competition. We've invested \$5.5 billion to date and we have more than 8000 coverage sites. We have fewer dropouts and our new call reconnect feature has further improved our mobile call dropout rate, which is now below 0.4 per cent. Hopefully most of you will have only noticed less call dropouts and enjoyed the experience without understanding what's happening under the covers, there. As always, demand continues to grow with new devices, tablets and wearables coming along and with increased interest in machine to machine and the Internet of Things. Our technology and capacity management roadmaps ensure that Telstra remains at the forefront of mobile connectivity.

We're constantly testing and trialling new technology to stay ahead of the game and to ensure that we execute on our roadmaps. We're maintaining our mobile network advantage through superior spectrum holdings and we have some of the best mobile engineers in the world and it's a great pleasure to lead them. Our 4G strategy is built on our superior APT 700 MHz spectrum holdings. This will do for 4G what 850 MHz did for 3G in terms of coverage, reach, depth and speeds. We will have 90 per cent of the population covered by 4G by the end of January 2015. The network of the future we are constantly evolving towards. As you probably know we've been focused on the APT 700 [MHz] band, its standardisation and its worldwide adoption for over three years now.

Live networks for 4G on 700 MHz are already operating in four major CBDs and 11 towns across the country. On 1 January 2015 more 4G on 700 MHz will be switched on covering a three kilometre

radius of all capital CBDs and 50 regional locations. Our strategy with APT 700 has been to get as many 700 compatible devices into our range ahead of launch so customers can benefit from day 1. I am pleased to confirm we have achieved this with eight devices in our range today including the iPhone 6 and the iPhone 6 Plus and 17 expected by Christmas. In fact we expect that we will have more than a million 700 MHz-ready devices in customers' hands by 1 January.

Carrier aggregation is another important component part of our strategy. It allows us to combine our spectrum assets to boost network speeds. It's the first step of LTE Advanced and it will underpin network capacity and performance going forward. Our combination of our 700 and 1800 megahertz bands is already available where we have deployed LTE 700 and it will expand as we increase the LTE 700 footprint in January. It's delivering peak speeds of up to 300 megabits and it's by far the fastest 4G service in Australia. A combination of our 700, 1800 and 2600 megahertz spectrum bands has the potential to offer peak speeds of 450 megabits and we are already working on that and that will be coming soon as part of our future roadmap.

What we call Cat 9 commercial devices are under development and we expect will be in the market in the next 12 months. We will continue to test those devices and determine when they are ready for mass consumption and we are very excited about the future there. Another innovation is our LANES strategy and I'm sure Brendon will talk some more about this in a moment. It provides dedicated spectrum and reserves that spectrum exclusively for use for particular customers like emergency services.

It's our strategy for public safety mobile broadband. It has been a strategy three to four years in the making and it was successfully trialled and demonstrated live in the network in late 2013.

Following this, emergency services used LANES at the Woodford Folk Festival in Queensland using tablets for video communication between agents in the field and a control centre. The feedback was that they loved it. We've now deployed LANES in Brisbane and we're currently working with emergency services there ahead of a large-scale live trial of LANES at the G20 on 15 and 16 November. This trial will see LANES used by Government and emergency services as part of their operations at the event. It also has broader applications for other enterprise customers. Again, I'm sure Brendon will mention those.

Another area of advance that we're working on: LTE-Broadcast. We conducted the world's first trial in January this year with Cricket Australia and Channel 9 at the Melbourne Cricket Ground using three streams of content from Channel 9; live broadcast, highlights reels, and stats. This has got the potential to radically change the experience of our customers at those events. It's sort of like TV on your phone where you can surf through a number of different channels to get the information and the entertainment that you want. It gives you the opportunity to never miss out on the action ever again. We've also trialled that technology at a recent sportscasting conference at Etihad Stadium where the technology was enabled for the entire stadium and broadcast three video feeds; Fox Footy, Fox Sports 1 and Fox Sports 2. It was a great opportunity for broadcasters to think about the potential of this technology of this technology in the future. We will be showcasing it again at the Spring Carnival in November using four channels, including TVN Racing Networks, and Channel 7 to improve the experience of customers at those events.

I move on, now to leadership in IP. Next IP is our core data network. It's the nationwide backbone that connects people, information and applications around Australia. Next IP delivers our IP and data solutions and is the fundamental enabler for delivering a series of IP-based solutions to our customers, such as unified communications, Cloud, security and application optimisation. It's the largest IP-based network in Australia, and it's been around for almost 10 years. It gives foundational strength to the Telstra Network, including mobile and six broadband networks, and it supports over 5000 customer IP-based wide area networks.

Next IP provides market-leading security capability, increasingly important in the modern world, supported by scalability, flexibility, and combined with five-nines reliability. We continue to plan ahead and plan for growth on that network. For example, we were one step ahead with IPv6. Our first IPv6 deployments occurred over three years ago. We were also the first to use the world's largest router, the NCS 6000 – or the Linkwood router, for the nerds in the room – which we are using to manage traffic on the busy Melbourne to Sydney path, which carries, on average, 11 terabits of data per minute. The router has the power to process up to eight terabits of data per second, which is equal to

downloading over 2800 hours of video or running 123 million concurrent high-quality voice over IP calls in one second. It's just amazing to see how quickly that technology has advanced.

This Next IP leading edge network capability is underpinned by a strong technical workforce and over \$1.5 billion worth of investment. It's interconnected with our global network, and Andy talked a little bit about that earlier on, through over 2000 points of presence around the world, in addition to our undersea cable and data centre assets. We continue to invest in the latest state of the art Ethernet, optical technologies, traffic analytics, policy intelligence and software-defined networking, which enables us to provide a range of differentiated services. In fact, one of our education customers uses this application assured networking and policy control capability to turbo charge the Next IP network during school hours and ramp down outside of hours and during term holidays, allowing them to achieve optimal performance of applications for the school and for the students.

We continue to innovate and explore network function virtualisation technologies to address our customers' growing demands and the movement to Cloud environment. This strategy will enable us to aim towards a unified customer experience for on-demand networks, Cloud and security product and services, and it certainly is an underpinning and support for Brendon's growth ambitions in his part of the business. Moving onto Wi-Fi, we are connecting Australians wherever they are through our leading Wi-Fi initiative. We have a five-year strategy to create one of the world's largest Wi-Fi networks. Our Wi-Fi plan will complement the mobile network, offering customers more options to stay close to people and content, whether they're in the home; in the community; or via partnerships with small businesses, enterprises and governments.

We've put in quite a lot of work around connected stadiums, providing high-speed Wi-Fi connectivity that's changing the way that sports and stadiums interact with fans. We've already connected five major event stadiums in Sydney, Melbourne and Adelaide. We're also creating 2 million hotspots nationwide over the next five years and providing access to 12 million international hotspots. We'll create 8000 plus Telstra-managed hotspots in busy social precincts, with the first 1000 hotspots going live before Christmas. This will allow customers to trial the service before its official launch early next year. The Telstra Wi-Fi network will allow customers to access their home broadband allowance at Telstra hotspots across the nation, meaning they'll be able to take their Wi-Fi devices with them when they leave home and stay connected wherever they go.

We've also launched our new and advanced Telstra Gateway Max, the first modem that uses the latest AC Wi-Fi standards to improve broadband reach and quality in the home. Once the Wi-Fi network has launched, customers will be able to update the software on these Gateways and join the Wi-Fi community. Customers will receive up to three times faster home Wi-Fi on the Telstra Gateway Max when they're using AC-compatible devices. This will be a significant improvement in their experience. So every day, we're thinking about the next 10 years. We're never standing still. We're constantly trialling, testing and leveraging new technologies to meet customer demand. We're constantly innovating, and we aim to keep on doing that to stay ahead of the game.

Telstra has a great deal of institutional knowledge that underpins all of our innovation and delivery. Our people are sophisticated thinkers, and they work closely with our partners to deliver on these innovative projects. As well as the technology I've already mentioned, we're developing a number of new technologies for Telstra. Advances in small cells, for example, are providing opportunities for targeted coverage improvements and capacity solutions, such as a trial we recently performed in Yangan in South East Queensland, where we deployed a small cell on the Yangan exchange, and you can probably just see it in the photo on the slide there. Local residents certainly noticed, and the feedback was positive, with a lady at the local café delighted that she was able to send a photo to her friend overseas from her handset from inside the café, instead of going up to the hill and holding her phone at just the right height, which was what she had to do before.

We're also investing in voice over LTE. We're already trialling this in the network, and it's rapidly becoming a reality. Skinet, our technology connecting commercial aircraft to land-based base stations for in-flight broadband is coming along as well. We're constantly exploring disruptive technologies and their capacity to change and reshape our social, business and economic landscapes. We've already taken the first steps in trialling software to phone networking technology, including a trial called the Virtual Enterprise Trial which is set to commence in November. It's targeted at our small to medium enterprise segment and will help business run more efficiently by allowing them to activate some value

added functions such as firewalls and content filtering using Cloud-based virtualised network functions. We're seizing these disruptive technologies and innovating in a way that serves our customers and ensures that we continue to lead. We are a business that is obsessed with doing incredible things for our customers, and we will continue to drive network leadership to achieve this.

So coming back to where I began, network leadership does definitely matter to our customers. We are absolutely determined to maintain our mobile network advantage. We're investing significantly in the Next IP network, and we are creating one of the world's greatest Wi-Fi networks. And with those words of introduction about what's happening in the network, I'll hand over to Brendon.

MR B. RILEY: Thanks very much, Kate. And with all of that excitement happening in Kate's world, it's a real pleasure to be able to collaborate with her team.

I'd like to talk about global enterprise and services, and I wanted to start, first up, with our customers, and I think that's the most important place to start on anything to do with GES. I wanted to just sort of explain a little bit about how we look at our customers, because there is quite a diverse base of customers.

And we start with the multinational corporations, the MNCs, which you can see there. And we sort of break that down into three groups: the Australian MNCs out, so we want to be able to go with them; the global MNCs, which are increasingly moving into Asia as a source of growth, and we want to be ready to welcome them when they arrive; and the Asian MNCs, which are also increasingly building in scale, and we're seeing some very, very exciting big and emerging companies coming out of China.

Domestically, we have three major categories: our tier 1s, which would be our top 50; our tier 2 and 3, which would be the next 1500; and then into the SMB area, and we're at well over 1 million SMB customers in Australia. We also have some important wholesale relationships, and that's with the over the top players, and we've been doing well with them. I'll talk about that in a moment. And also, we have some sophisticated wholesale arrangements with carriers right across Asia and around the world.

So that's how we think of our customer base, but I wanted to sort of move on and talk about some of the major factors impacting, influencing and driving our customer behaviour, and I want to start with disruptive technology, because disruptive technology is playing out with all of our customers and across all their industries.

I like the McKinsey view of the top technology disrupters, and I'll just quickly touch on the first five: mobile internet; the automation of knowledge workers – I think you could say that links with big data and analytics; the internet of things, all of those devices, sensors, connecting, throwing off data; Cloud technology; and advanced robotics. So if I discount number 5, I would say those top four technology disrupters, which are playing out in front of our customers – we're seeing it the – all the time through apps, mobility, Cloud – play naturally, I think, to our strengths and where – maybe we've come from our past, but definitely where we're going in the future. The smallest of those disruptive increments to market opportunity is sized between two to four trillion dollars by 2025. That's the smallest, so that disruption is going to drive a lot of opportunity, and obviously, I think, we're in a great place to go leverage on that.

The second area that I wanted to touch on is the Asian century, and we are seeing obviously everyone look at Asia as the source of growth and Telstra is no exception.

China will be the world's largest economy probably by 2017. The GDP of Asia will double some time in the 20s. 20 of the world's largest cities are in Asia, half of them are in China. And if you look at what's happening in Indonesia, 50 per cent of the population below 30 and will add to the middle class about an incremental 100 million over the next 10 to 15 years in Indonesia. So we need to be – you need to be in it to win it, so we need to be in those markets, and going with that growth, and also supporting all of our customers as they're searching for that growth.

And the final is the rise of the global enterprise, and I think all of the customers that I speak to are global in some way, whether it's their customer base, their supply chain, their leveraging of technology

solution or a technology partner from some part of the world to help drive their business so we know we need to be a globally integrated and globally operating part of Telstra.

Now, when I introduced myself as the Group Executive for Global Enterprise and Services a lot of people say, "What's that?" So I thought I might talk a little bit about what it is, and I start with why we created it, and we created it based on a lot of what I just took you through. All of those disruptive forces we know we've got to be a globally integrated business to continue to scale, but there's some history here, and we've brought some things together. So you can see Telstra Enterprise and Government which was primarily our domestic customer business, Telstra Global and Reach which was our Global Customer Business, so we brought together into one unit. You can see down the bottom what Kate used to lead with TIPIN so we've taken the innovation and product dimension of that into a new products and solutions business. NAS which has evolved into services. Defence. We're standing up Telstra Software Group, and we're also leveraging very heavily from Ventures, and I will talk about that in a moment.

We're going to evolve some of the names that we use for these, so NAS will become Global Services. We will have Global Products and Solutions, our global customer unit. We're also standing up a global industries portfolio which I will talk about as well, and it's important to know that our services business and our products solutions business service all of our business customers, so, and Gordon will talk about that part of his business. So all of these elements, I think, enable us to be positioned to be global, positioned to address some of those challenges that our customers are facing, and importantly generate strong growth for Telstra.

This is chart that we've used many times, and we like to keep using it because I think it explains simply on a page what we're all about. I think we've had a very, very powerful explanation from Kate on just how differentiating networks can be, and for us it's about the intelligence, it's about the integration, and it's about the application performance that we have in those networks, and that's very important when you go to the next layer around cloud because those two things are becoming, you know, much more integrated. The timing of today probably doesn't go in our favour on Cloud. We've got some significant announcements on Cloud coming in the next few weeks, and I think that will put us in a terrific position in the enterprise market, and also the ability to scale that globally. Security is fundamental. Any board you want to talk to, any senior executive team, you say the word security, you get a lot of attention. We're in the position where many of the non-Telstra customers come to us for their security needs such as the capability, a lot of it in Kate's team, a new practice we've built in the services business as well. The end to end management is what managed network services is about, and, again, I also think it's beyond just managing the network, but it's really making sure we've got the integration on the application and the services.

On Unified Communications I like to think about this as the sort of a cross between collaboration networks and business process, and increasingly unified communications has been leveraged to drive employee productivity, to drive new business models with customer interactions, and communication. Our industry solutions which we've now created a new focus around industry solutions. Kate gave you a terrific example there of LANES, but we think continuing to build new industry solutions and new pools of revenue and EBITDA are important, and finally we have the integrated service management, and that's being able to pull all of these things together whether it's the whole thing, whether it's components of it because ultimately that's what our customers want.

So our execution plan is to not only continue to drive the differentiation and innovation in every one of these areas, build new areas like industry solutions, enterprise mobility which I will talk about, but increasingly take this global into the markets we wish to operate in.

Everything we do we want to convert into results. We know that's how you hold us accountable, and I think we've had some solid results. The business group at four per cent. We outperformed the market. If you want to look at it domestically we grew at two, that outperformed the market. If you want to look at it internationally up 18, that outperformed the market. I think if I look at the services business we had very, very strong growth in our services business. I would like to say that we haven't been cannibalising our carriage business. I think we've learned from other carriers around the world that maybe took slightly different approaches. We've got a mature seasoned services executive team running this. We've got a clean book of business. We've increasingly moved to global delivery. That's important on our growth aspirations, and we're growing our margins.

We've had strong international growth. One of the questions to Andy earlier. We added 112 new logo customers in the last year internationally. We think that's very significant, and that comes from the over the tops. They tend to like to be a little bit more confidential about what they're doing with who so I would like to be able to share more, but there's some very, very significant over the top players that are now Telstra customers, the global firms and obviously the Asian MMCs. You can see we've continued to do well with some other major customers I can talk about. So Westpac we've extended our partnership. It now includes all of St George, so that's a win-back from another provider for us. Woolworths, we're now the exclusive carriage provider for all of Woolworths. Stockland was a win-back. Leighton, we've moved Leightons from just providing domestic to now supporting them in 15 countries around the world.

Kate has mentioned that wonderful example in Queensland, and it is a great example of what the GES team and a wonderful engineering team that Kate has, you know, can do, and that's managed digital radio, voice, data, all of the services initially to support the G20, and then beyond in terms of Queensland Emergency Services.

We've been active in acquisitions, and we will continue to look for acquisitions to the criteria that David outlined before, so Bridge Point and O2. We acquired O2 last year, Bridge Point last week, and that's – they're being integrated into our security practice. You can see here on Ooyala with the intelligent video which we've spoken about, and on Tuesday we added to that intelligent video play with the acquisition of Video Plaza out of the UK. The integrations are going well. We're on track in terms of our business cases for those.

Telkom Indonesia, very exciting to sign that arrangement a little earlier, and, you know, we're very clear and we had the CEO of Telkom Indonesia here Arief Yahya talking about the reason Telstra was chosen because they viewed that slide I showed you before as market leading, not only in Asia, but in the world.

We're setting our business entities now. We're building our infrastructure now. We already have a pipeline of customers. We've been very, very pleased with the reaction from the market, and I know last week IBC awarded this partnership as the most innovative industry partnership for 2014, so that was nice to get to.

David has mentioned muru-D. We've announced our second intake. That's all about, you know, continuing to build that start up software innovation type, you know, capabilities in Australia. Customers and customer satisfaction is our number one priority for every part of the Telstra business, and I'm pleased to say that we have significant positive NPS in enterprise, that's domestically and internationally. We've seen good improvements year to year, and our research suggests we're market leading in Australia, and we are very, very close to market leading in Asia, and we will continue to drive that. I have a pretty simple view on NPS in enterprise. There's sort of three keys: delivery, delivery and delivery. It's really all about fantastic delivery, and we've done a lot to build dedicated delivery teams, delivery specialists. We've built services practices, which help ensure we monetise the benefits on everything we're doing for our customers. We've done a lot on our process improvement to improve our responsiveness in the speed at which we're able to respond, particularly to a lot of that small base project activity. And, importantly, we're integrating how we deliver with how our customers deliver, and other partners they have in their environments.

I want to move on to some of our strategic priorities. And I showed that staircase slide before about market leading capabilities. So we want to have market leading capabilities in all of those segments. We know in some parts of the world where we're leveraging some of our partners, we will have to work with them to bring that to life. We have, I think, some market leading capabilities that we're going to build in Indonesia. We're looking to move into enterprise mobility. And we've got some exciting developments coming in cloud. I think of cloud not as one thing. I think of cloud as unified cloud, that our enterprise customers will be looking to series a source of different workloads.

Their environment is a series of different workloads. What they're after is somebody to help provision those, orchestrate them and optimise the performance, and that's what we will have in market domestically and globally. That's going to be very, very exciting for us.

In terms of strategic partnerships, this is one of the ways that we drive innovation in our business. I would like to start with Cisco, and just talk about a couple of things we've done with them. Cisco is one of our, you know, most longstanding and important global partnerships. And we were the global launch partner for Cisco in a Cloud. That's their cloud offering – global launch partner. Launched it, here in Australia. We've launched it through our data centres around the world.

That's important because we get to do some really, really cool things with Cisco out of the chute, but, more importantly, we've seen an extension straight into the Cisco unified communications as a service platform, that runs on top of that Cloud – first in the world with that. We've landed the largest contract for Cisco in the world, with that offering, already, which is Commonwealth Bank here in Australia. That's – we've got more to come. We've got more to come in that Cloud space that will start to mirror some of that capability, first in, and then start to build more Cloud, SaaS-type offerings on top.

We're also looking at partnerships in different ways. So we have our Ventures capability. Ooyala went to acquisition. But we're really looking to leverage some of the companies that we're investing in, exciting new start ups. A couple of examples will be DocuSign and TeleSign. DocuSign – can't wait to get that implemented inside Telstra, but that really, really helps drive that authentication and approval cycle and document management flows in a business. Enormous productivity gain for businesses. Again, the wonderful thing about that, it runs off the cloud, bills monthly. TeleSign is another one which is about leveraging the SIM for location-based authentication. Again, very important in financial services or in retail, and again, runs off the cloud and bills monthly.

So a lot of those emerging start-ups we can leverage quickly, and I think we've got a very, very healthy pipeline of SaaS-based offerings. And I know we've got some very, very exciting things that we're doing as well in the small business space, in terms of apps for small business. I like cloud. It's fast to deploy. I think if you look at what is playing out in the global tech sector right now, if you look at some of the struggles going on in that sector, we are positioned to leverage some of those big, historical partnerships, as those companies evolved, and we're really, really well positioned to leverage some of the new fast moving offerings.

Andy covered Asia really well, and our play is simple – country by country, we tile it out, we go and look at the offerings we want to deploy, country by country, and then we've got decisions about whether we're going to build, buy or partner. Telkom Indonesia was a partner decision. Singapore is more of a build decision. We're going to continue to take those offerings that we have in Australia global. What we are taking global is at the very, very leading edge of all of our offerings. And, again, what we've launched with Cisco is a great example of that being global. I believe one of the great heritage qualities of Telstra is its ability to integrate. Kate has given a number of examples of how it plays out every day in our networks. But what's happening in our industry, in our business, is the integration between the network, the cloud, the apps, the services is getting tighter and tighter and tighter. I think for some of our future offerings, it's probably going to be very, very difficult to split out what is – what we would think of is service as a network. It's just going to be a service. We've got to continue to integrate with our major partners and smaller partners, we want to continue to integrate those solutions for our customers, and, importantly, as we start to open up APIs, so those application programming interfaces, with those solutions, we can now build some really, really unique integration for our customers.

I have touched briefly on enterprise mobility, but this is a new focus area for us. We've done very well with SIOs, in traditional mobility and machine-to-machine. But we can see that opportunity in enterprise mobility growing. That's moving up the stack in terms of platforms, device management, software. I was talking to Ian from Moody's at the coffee break. I don't know where Ian is. But he was talking about some great retail – there he is – some great retail examples in the US, where, as you're starting to approach a retail store, they actually know you're approaching, they know you're in the store, they know a lot about you. So those types of enterprise mobility solutions is what we're going to focus on. And I believe, in terms of what Andy has spoken about, those are extendable into Asia with the relationships we will build there.

And then, finally, on co-created industry solutions – and I've used co-created as a deliberate word because that's what our customers really love. They love it when we're in there with them, co-creating a line to their strategies and their agendas. It enables us to differentiate, and we're going to continue to do that. But, some examples – the intelligent stadium, which Kate has referenced.

That's everything, really – mobility, fixed, Wi-Fi, all of the integrated media, the managed services, the integration. I was recently at Adelaide Oval for a game of Aussie Rules last year. That's a fantastic example of a smart stadium, and a great stadium to – you know, to visit and be a part of. LANES, which Kate mentioned. She mentioned emergency services. You know, we've got discussions going on in mining, oil and gas where we can do – provision those services. You can cloudify LANES to enable us to replicate that. In retail, we're leveraging one of our partners, which is Mando Media. If you go down into the Telstra store downstairs, you will see all of that – the integrated screens, touch, feel, content, updated real time all comes from the cloud. Again, we're a telco, we bill monthly, so that works very, very well for us. Classrooms with the Catholic Education Network, again from the cloud. And everything we're doing with intelligent video with Ooyala. So an awful lot in industry solutions.

So, closing out, co-creating, co-creating with our customers, aligning to their strategic agenda, aligning to their growth plans in Asia and the world, making sure we go global with them, continue to drive that innovation, not only what we do ourselves, leveraging our partners, big and small, and to support our objectives for Asia, really focus on that as one of the primary growth parts of our portfolio going forward. So that's it from me, and I'm delighted to now pass over to Gordon.

MR BALLANTYNE: Thank you, Brendon. We're going to try to keep up with the pace of Brendon Riley and give you an update on our retail business. And, as you know, our retail business is a \$16.3 billion business here in Australia. It serves 8.8 million households. It serves and connects 16 million mobile customers. And, within that division, of course, we're also supporting and serving 1.1 million small businesses. So it's a significant business. And we believe, at its core, we can continue to feel growth from our retail business. So, today's we're going to talk about innovating to grow within our retail business and ensuring that we continue to challenge ourselves to think about where are the growth opportunities for our retail business. And I want to focus on four specific areas because at the core – advocacy sits at the core of the ability to earn the right to grow right across our customer bases. We're going to spend a little bit of time – I'm going to go to pace, so we've got four key things we want to cover today.

We want to talk about creating advocacy, and an update on advocacy. I want to talk about retail core growth, supported by that advocacy. I want to talk about how we're choosing to think differently about Telstra business. The Telstra business, as you know, is ..... point one million small businesses, but we see that as a growth engine of the future, and we're only just beginning to imagine the size and scale of that ambition that we should be setting ourselves. And, finally, if you haven't been reading the papers this morning, and I'm sure you have a few questions, we have just launched our Telstra health business. So we really want to talk about new – completely new businesses that we're creating because we see an unmet customer need. And when you identify an unmet customer need, you can create extraordinary value, and I think we're uniquely positioned to do so.

So, firstly, a little bit of an update of advocacy, and I think David mentioned earlier on, the focus and the fabric of Telstra over the last four to five years has been extraordinary in our attention to how we want to change the way every Australian talks about our brand. As you know, every day we receive 120,000 calls through our call centres, 110,000 visits to our stores. Each day, as David mentioned, we do interaction NPS surveys: 21,000 surveys. 30 per cent of those surveys, a customer will give a verbatim to say how we can improve our service, or what we did well, and what we should recognise or stop or create. And as we've listened to that feedback and as we pay attention to that feedback, what we need to do is act on it. So very much when we listened to our customers there was three key things that we were choosing to act on in a much more focused way to address what our customers are telling us. The first is the unpersonalised service: it's just too hard to do business with Telstra; too many times it's a huge amount of customer effort.

So that's why we've launched personalised service. In the last six months – or since we've launched personalised service, when a technician visits a home they will leave a business card where the customer has the ability to return a call to that technician. 500,000 cards have been left at a customer's home through that initiative. We are now enabling customers to call back the consultant they spoke to in the first instance. Every day we send 90,000 emails or SMSs to customers, as they choose, to give the contact details of the consultant they spoke to so you can get back to the consultant who is managing your issue and you don't have to navigate the system. And every week in our retail stores we have 30,000 contacts to customers within 24 hours to check in with those customers who came to the store where we've enabled a service.

The second is simplifying our offers and, you know, we need to provide our customers with a sense of peace of mind to avoid bill shock, and over the last 12 months we've reduced domestic roaming by 70 per cent, international roaming by 80 per cent, but we're also being innovative in some of the offers we're offering in terms of in the first month a new mobile customer or a re-contracted customer, they get 25 gigs for free in the first month. Why do we do that? Because we see our customers telling us, "My first bill, I had a shock because I was using so many features of this new phone," whether it be the iPhone 6 or any other brand, "and I absolutely overran my data allowance." So we're really identifying pain points for customers, particularly new customers with new devices, to ensure we're, you know, earning the right to have their advocacy for paying attention to what we could do for them in the first month of usage.

And the third is providing choice and convenience for transacting online. You know, David talked about the rate of digitisation and we had our digital summit this week as well. You know, over 700,000 customers come online every day to telstra.com. That's a huge opportunity for us to think differently about how we choose to serve our customers. 46 per cent of our transactions are completed online. We are getting to a tipping point where our digital assets will recharge and transform a lot of the productivity that we can drive within the business. And since we've launched a 24/7 app, we now have 1.7 million regular users, monthly users, of that app; the ability to take control the way you want to manage your account.

And although we've made huge improvements and we've seen a positive improvement in our overall strategic NPS, we're the first to say there's still work to be done, and we'll see many more – much more innovation around advocacy over the next 12 months. And with our focus on advocacy, we continue to see good momentum within the business. And if we look at overall performance of the business in retail, you know, the business itself is 16.3 million. As I said, it was up 3.6 per cent last year. We won almost 1 million customers. You know, our fixed voice revenue declined at a slowing rate to 7.5 per cent. Fixed data revenue was strong at 6.3 per cent.

These are just – in terms of the fixed portfolio, there are the strongest results we've had in five years. So we're really seeing our focus on advocacy as earning us the right to grow from our core business here domestically, and that's a really positive statement around the health of the business. You know, our performance in consumer is 4.6 per cent, an incredibly strong result for consumer business, led by Karsten Wildberger, who's joined us about two years ago, and we're seeing great momentum within that business. And, as Kate mentioned, that's as a result of us focusing in investing and differentiating in the network.

I think one of the things that will be clear from today's presentations is the very fact that we're not complacent. We continue to invest because we understand the competitive advantage of our network, and we're not being complacent because we continue to innovate, as you heard, in terms of the investment of \$100 million to roll out the world's larger Wi-Fi network. That's an incredibly important part of how we show up in front of our consumers here in Australia each and every day. And by Christmas as will have 1000 Wi-Fi hotspots launched right across Australia, so the pace of innovation, the pace of executing that strategy is really coming to fruition.

I wanted to spend a little bit of time on Telstra Business. You know, as we talk about the momentum we have in the core business, Telstra, we believe, is a future growth pillar and an accelerating growth pillar, and we talked about value from the core, growth from the core. We talked about these accelerants and we see Telstra Business as being a key driver of that over the next few years. As you know, Telstra Business serves about 1.1 million small businesses and in FY14 we had some significant growth. We returned growth. Where business previously had been in decline, it grew one per cent to 4.8 billion.

And we've seen really strong growth across almost all of our categories, whether it be mobile broadband, fixed broadband, machines ..... with T-Suite. But one of the things we're noticing about small business, their early adopters of many of the services and technologies that Brendon have alluded to, Cloud technologies. You know, the digitisation of the economy and the digital readiness of our customers, and the opportunities to accelerate are really strong in this particular business unit.

And we see three big opportunities: acceleration in IP and NAS. You know, last year we grew our client services by 44 per cent and we believe we can accelerate that further. We made significant

investments and that business is led by Will Irving, and we're really investing and driving these really emerging accelerants for TB. We're accelerating our mobile's apps business. You know, we've built one of the world's best app stores and we now have – you know, we look at our T-Suite products. We now have 400,000 customers using these Cloud-enabled apps, so we really see that as a positive signal of the things we're doing. Our small businesses are responding to that and embracing this digitisation at a pace.

And, of course, we're accelerating in intelligent monitoring. You may know we acquired SNP, SNP security, so Telstra SNP monitoring offers a whole bunch of monitoring solutions for small business. That's a 1.7 million market. It's highly fragmented. The reason why we're entering that market is because we believe we can consolidate that and grow – have a market-leading position in that market. That's a future growth engine for our business. TB is emerging as a growth – an accelerated growth engine for Telstra and to – and we'll continue to make investments in areas where we believe we're uniquely positioned to win and support the digitisation of 1.1 million small businesses.

Now, I have to pause. This advocacy-led growth we have from the core is now really affording us the right to think about new ways we can keep society in a nation-building approach, acquitting new business to better serve unmet needs of all Australians. So I – I know you're aware we launched Telstra Health yesterday, but just to give you a sense of our ambition for Telstra Health I thought I'd show you a little video.

## VIDEO SHOWN

MR BALLANTYNE: So in terms of our launch of the health business yesterday, we're really facing into some really acute unmet need, both today and in the future. Health spend today is 120 billion. It's increasing at a rate of twice GDP. By 2020, forecasters predict it will be \$200 billion, driven by aging population, increase in chronic disease, and also looking to seek to provide better access to all. And these are just some of the challenges we face as a society. You know, our shared ambition, as we think about launching Telstra Health, is to bring quality health care to every Australian, you know, across what is at times a highly fragmented system.

You saw on the video some real pain points that we're trying to address. You know, many Australians experience the health system in a very different way. We have seven million Australians who live in rural – regional, rural, remote Australia. The average access to a GP will be 3.5 GP visits per year. The national average is 4.1. So what we're seeing is health outcomes just based on access, the ability to access a GP at a time that's possible in remote Australia. One in five medical errors are due to incomplete patient information. Approximately 20 per cent of elderly patients over the age of 65 are readmitted to hospital within 30 days because their care is not coordinated.

And because the system isn't integrated, one in six pathology or radiology tests are actually duplicates in the system with a cost incurred, because we don't have the ability to seamlessly access those tests at the point of care where care is being delivered.

There are over 200 million pharmaceutical scripts written every year, 40 per cent of which are repeat prescriptions but requiring sometimes the inconvenience of having to return to your doctor for that repeat prescription to be provided. There is clearly a huge amount of waste and inefficiency in the system, and there is unmet need.

So Telstra Health is a brand new business we launched yesterday. I know many of you attended the launch, and I hope you got a real sense of the purposeful approach for us to becoming, you know, a leading provider of integrated health care solutions here in Australia. And with Telstra's heritage connecting communities across the nation, I really feel as if there's a different role that Telstra can play at a national level for some of these fundamental issues. You know, we've seen what the digital revolution has meant for other industries, and we believe health care in Australia could benefit from eHealth to better serve all Australians. You know, we see our role as integrating eHealth solutions across all care settings, not just one specific care setting where we see today a lot of innovation. So connecting you to your doctor, your doctor to the other providers, and having access to care and information where you want it, when you want it. The health system is highly fragmented, and has not undergone significant digitisation.

So I'm sure you will agree there's a huge unmet need where we believe we can play an important role. The key to our Telstra Health business is really working with partners and providers and funders in a collaborative way to really benefit all Australians, so it has got a purposeful intent. And we haven't entered this market lightly and this industry lightly, and we've done it with the purpose of establishing a dedicated business that sits at the centre of the health business. We want to be a partner of choice for health industry, you know, to connect with patients, health care workers, hospitals, pharmacies, government, health funds, just to build a safer and more convenient way for managing all of our health. And we can't achieve that without doing a few things, so yesterday we announced – I think many of you may have already met Shane Solomon, who is the MD of our health business at Telstra Health. He has had – you know, used to be CEO of the Hong Kong Health Authority, and he brings 30 years experience working in very complex health systems and brings a huge amount of learning to apply to how Telstra Health will be successful in serving Australia better.

We've also made really quite a lot of progress since we have initially talked to you about our health opportunity. We've invested over \$100 million in about 10 innovative businesses that are serving the sector, both Australian and global. And yesterday, of course, we announced a new service using many of those capabilities called ReadyCare, which was the first national telemedicine ability – telemedicine service, which we're working in partnership with Medgate, a Swiss company who's a market leader with global capabilities in that space. You know, we think about the – almost eight million consultations occur out of hours, and almost 2.2 million patients turn up at hospital when they could have been seen by a GP.

So the ability to provide access to ..... costs that we're driving into the system is not insignificant. And that's what is exciting about this development. You know, we are really creating a new business. We're working together and collaborating to solve issues that impact every Australian. And I think we are very purposeful in that, you know, through technology we can re-imagine a different health care system, one that's highly connected, one that's highly digital, one that's integrated and perhaps for the first time one that puts the patient at the centre of that system and not at the edge. In conclusion we continue to deliver strong growth from the core.

We are accelerating into new profit pools and Telstra business is an emergent accelerant of growth, and thank you to Will and his leadership as we really create and re-imagine some of the growth opportunities within the business sector. And we, you know, we are structuring to enter new adjacencies, you know, as evidenced by our commitment to create a whole new business called Telstra Health. Customer advocacy is the heart of this strategy to innovate for that growth. So with that thank you very much and I think we're going to have some questions. Or, sorry, Andrew, back to you.

MR KEYS: I will just get the chairs set up for Kate, Brendon and Gordon. And we definitely are keen to take questions from anyone viewing the web cast. So if there are analysts or investors overseas I would suggest you use the Conferlink numbers provided with the invitation to the event and dial into those numbers now and we will get you hooked through as quickly as possible. Right to go?

MS MCKENZIE: Good to go.

MR KEYS: All right. Excellent. All right. Hi, Sameer.

MR CHOPRA: First question is for Brendon. Brendon, could you give us a sense for what percentage of the NAS business right now is repeat versus one off, because you used the word "monthly" numerous times during your conversation. If you could give us the sense what percentage of this business is repeat business, can I think so, other than being one-off your revenue mix. Second one is, you know, the mobile churn that you have is top 10 per cent globally. It's a phenomenal effort. I was wondering, you know, if you could share some data around fixed broadband churn because your fixed broadband churn last time I saw numbers was around 15 per cent and it's still quite high compared to mobile. I just wanted to get a sense for where fixed broadband churn is, thanks.

MR RILEY: So on the first question, yes, we are continuing to build – I don't think we've really sort of split out the annuity from the once-off but obviously one of the objectives we've had with the services business all along is to build greater annuity. And we've continued to build that so the size of our

backlog has increased every year and continues to increase. One-off is still an important element of what we do particularly as it relates to, you know, technology drops and, you know, technology around the integration. But I would certainly say, you know, we certainly have, you know, the majority of our business which is, you know, annuity – annuity-oriented. And the second part of the question, was that for me? That was for you.

MR BALLANTYNE: Actually, I am going to look to Warwick Bray who is just going to give me an update on the – sorry - - -

MR BRAY: [inaudible]

MR KEYS: Sorry, we will get a microphone to you, Warwick. Sorry.

MR BRAY: Yes. We don't split that number out but it's much lower than the figure that you mentioned and we're pleased with it in the same way we are pleased with the mobile number.

MR CHOPRA: And do you think that number is still trending down? Do you think there is more - - -

MR BRAY: On the mobile side of things as we've said there's - - -

MR CHOPRA: Mobiles no but fixed line do you think?

MR BRAY: So with our fixed line it's about where we think it should be as well, same as mobile. Just – I'm to clarify both that on the mobile side of things we don't think there's any substantive room to get the mobile churn down and the fixed churn is about where we would want it as well.

MR CHOPRA: Thank you.

MR KEYS: Thanks Warwick. Hi Fraser.

MR McLEISH: Thanks. Fraser McLeish from Credit Suisse. A couple from me just first for Gordon. Just trying to understand the business model, I guess, around Telstra Health a wee bit more. I mean, at the end of the day, I mean, there's obviously a mountain of opportunity you have identified but to solve a lot of these things is it not a huge systems integration and network contract from the Government or can you sort of do these things in – a lot of these things independently of that?

MR BALLANTYNE: So the, you know, our purpose is to be a market leader in integrated eHealth solutions. A lot of the where we play is actually not in hospitals but actually in the continuum of care beyond hospital. You know, there's a lot of very high cost legacy in environment and hospitals. You know, you could say that we don't have a "health" system, we actually have a "sick" system because the focus of our cost is actually solving poor health as opposed to wellness. So, you know, if you look at aged care, if you look at pharmacy, if you look at in-home and community care, if you look at more integrated sharing of information we believe we can provide that level of integration.

Part of the thing we're building to support that level of integration which no one, if you think of some of the funding models within in health it's very much focused on individual silos of funding for a particular activity. If you look horizontally there's no incentive to really integrate at a horizontal level. And that's exactly what we're building. We're building an electronic health platform that sits on top of and across all of these care settings to better integrate.

So yesterday we announced that we would be – had a partnership – that Silver Chain in Western Australia had selected our eHealth platform to deliver in-home hospitals – hospital in the home for a significant – 300,000 – a community of 300,000 in Western Australia.

And we also announced that, you know, the – with the NT Government they had selected us to actually provide the teleservices for remote indigenous communities as well. So it really is, you know, the simple thought of – the data information around connectivity, connection and better integrating across care settings we believe doesn't require deep investment in legacy systems and infrastructure; it actually just requires having the intelligence and information flow appropriate to deliver a better health outcome.

MR McLEISH: Great. Thanks. And, Brendon, this is for yourself. Just can you talk about competition when you're competing for business in Asia and who you're coming up against and, you know, who you see as sort of best in class in Asia?

MR RILEY: We've – certainly, if you look at our – the past year one of the things that we're seeing is some of those big global contracts sort of being broken up and sort of being farmed out a little bit more geography by geography and we've been very, very successful in that space particularly in Asia which is where we've been focused. I think what comes through with a lot of feedback from our customers is we're very fast and we're agile, and no, those two words don't normally go together with Telstra in some people's minds but that's what we've been able to create there and we're very, very excited, you know, by that.

Obviously you have strong incumbents in some of the, you know, major markets there. You know, in Singapore we've got a very, very good relationship with StarHub and we think with our capabilities and their, you know, we can – and particularly with what we're about to, you know, build out with cloud we're going to be in a position to compete very, very effectively with anyone across Asia. China is still a little bit more landlocked in terms of that market but that's something that we are certainly exploring and I sort of didn't mention it in my speech but we've also entered into a new arrangement with Tata in India where we now have access to all of their points of presence – over 100 points of presence across India. So we're building our differentiation and I think we're competing and we're winning.

MR McLEISH: Thanks.

MR KEYS: Hi Paul.

MR BRUNKER: Hello, Andrew. Actually, I had a question for Brendon, and also one for Gordon. Brendon, am I right – did I hear it right, you said that GES domestic revenue growth last year was two per cent, I think?

MR RILEY: That's right.

MR BRUNKER: So, obviously, there's some pretty heavy drags on some of the legacy products. I wonder if you could just talk to those drags – I mean, things like ISDN to IP – you know – do they continue as far as the eye can see or can you see those drags starting to abate?

MR RILEY: Well, I think if we look at, you know – you know, the PSTN side, so, you know, we're sort of in line with the company on the PSTN decline. I ..... some of those very, very old historical products, yes, I think it's fair to say that they will continue to decline, but I think we've been able to more than offset that with what we're doing with some of our new network offerings, cloud, you know, and – you know, and with services. So it's – you know, it's – it's stable, in terms of the predictability of some of those legacy products. I actually am going to have to say it's still, you know, a marvellous offering. It's still really, really going strong. So – yes. Right.

MR BRUNKER: And then, for Gordon on health care, IT. I mean, the history of health management information, IT rollouts is littered with some, you know, pretty awful disasters. The NHS, for example. Maybe, if you could just talk to that history. I'm sure you have looked pretty carefully at that, in respect of your own ambitions.

MR BALLANTYNE: Yes. I mean, I think we are – if you look at the ecosystem we're creating, you know, we're not trying to completely reinvent these legacy systems, particularly ..... in our – in a hospitals setting, like the ..... of the world. You know, our focus is really – you know, let me give you a very good example. RDNS here in Victoria come to us and said, you know, we have three and a half thousand nurses. They drive 170,000 kilometres per day. We spend \$200 million for a nurse, a highly trained practitioner nurse, of an average age of 55, and they will visit a home six times out of seven days, and the sole purpose, 50 per cent of the time, is to watch a patient take their tablet. So when you can go to an organisation like that and you say, well, by the way, we can reduce your visitation rates to one in seven, and not six days in seven, and you can provide and redeploy highly qualified, wonderful practitioner nurses to do high value work, you can see that there's pools of value just reinventing and reimagining how we could deliver that service in the home to those patients who require that level of care.

So this is not about trying to, you know, build some very complex IT infrastructure. This is about solving some very simple unmet needs for – that we all experience when we kind of touch the health system, and many of them are very – are very, kind of – very straightforward, are kind of datacentric, integrated information opportunities. You know, one of our businesses, Dr Foster, which is also in the UK, provides all of the clinical data for every single clinical outcome in hospitals. And so a lot of the benchmarking of hospitals and clinical outcomes and the waste associated with re-admissions we're applying here in the Australian market. Both New South Wales and Victoria have now included all of their clinical data into our Dr Foster health informatics capability. And we will – and more health – more states will follow soon. So you can see, just by having some of that information and understanding the power that information has to better address some outcomes for patients. It can be quite dramatic.

MR KEYS: Hello again, Richard.

MR EARY: A couple of questions, actually to Brendan, and then on to Gordon. Just – Brendan, on – just on, obviously, GES, and particularly on NAS, can you give us a little bit more flavour, in terms of when we're going to start to see a sort of material profit contribution, rather than revenue contribution out of that business, and maybe if you can talk about contract lengths that are coming through in the space, and sort of like the IRR curves within those contracts, so we can get a feel in terms of obviously when we can start to see sort of profit contributions.

And then, Gordon, you obviously mentioned some sort of pleasing stats around sort of online activations, I think, up 46 per cent, you know, when can we start to see sort of, like, as it tips through ..... more than 50, more costs come out of the system to obviously have a positive impact on the margins. And, maybe, lastly, I think, Warwick touched on the fact that, you know, mobile churn is obviously now sort of getting to the level that it's going to be hard to actually reduce. Does that cap, therefore, the ability to actually grow the margins within that mobile business?

MR RILEY: I will go first. So in terms of the services business, you know, we've been – and we've been, I think, pretty consistent about this. We're primarily, you know, running there on a service contribution, gross profit. If I use gross profit, I think, that's probably more, you know, a generic term that everyone recognises. The business is in the 20s. It's improving. We've ingested some of those very large contracts, you know, which tend to have, you know, quite a low year 1 margins. We're globalising our delivery. I think we are moving a lot more of what we're doing with our new offerings to the cloud model which, again, is a more efficient way to do it, so, you know, we're – I think we are in a good position. We've gone a very, very clean book of business, you know, we're not – we don't have any troubled contracts, and, you know, major disasters or anything like that, so, you know, it's going very well, and we will continue to drive that.

In terms of term of contract I would say probably generally for the industry that we operate in, you know, those very, very big, you know, long term contracts, there's probably, you know, fewer of those, but we're certainly seeing that offset, you know, by, you know, some of the shorter term and some of the medium – medium term opportunities. In terms of IRR contracts, I mean, that's not something that I think we've released or, you know, we're probably going to talk to today so – but that's what I would say on that one.

MR BALLANTYNE: To cover your question on digital, yes, it's 46 per cent of transactions – in transactions online. The first wave of those transactions have been very simplistic, you know, simple transactions, and now we're moving into this next wave of more complex interactions, and that's prompted us actually to really fundamentally look at some of the business model innovation we need to drive. Under Robert's leadership we've created a new project with a significant pillar where we're investing \$170 million to really have this second wave of digitisation that really deals with some of the fundamental waste and failure in the system, so, I think – I think the outcome of – of those combined initiatives under a project where we call TSOM internally, is to continue to deliver a billion dollars of productivity out of the business for the next foreseeable future.

So digitisation – the digital first initiative is a significant pillar of driving this next wave of productivity so, and you should see that filter through as we – as Robert will be able to speak to in terms of our productivity profiling as we begin to implement our digital first strategy, and I was going to pass to Warwick on mobility.

MR BRAY: Yes, we've said previously that the mobile margins are about where we would expect them to be, and so we haven't guided towards higher mobile margins.

MR TONG: I've got a couple of questions for Kate. Just wondering in terms of - - -

MS McKENZIE: He set you up for that.

MR TONG: - - - mobile network – the 700 megaHertz spectrum that you've released today, can you, maybe, give a sense of how the network's performing versus the areas where it doesn't have 700 megaHertz at the moment?

MS McKENZIE: We're pretty happy with the way the network's performing across the board.

MR TONG: Yep.

MS McKENZIE: Definitely, that will give us a lot more capacity and a lot more coverage, and we'll have a lot more of the traffic going onto the 4G network, and that's where we're making the investment, but, you know, already it's starting to take load off the 3G network and, certainly, load off the 2G network, and that will continue, and I think the guys are very, very good at managing to make sure that, you know, the customer experience is always there, whatever part of the network people are tracking on, and we just look forward to having even more capacity and coverage when we do the bigger roll out come January.

MR TONG: And just in terms of, I suppose, the early NBN trends in the NBN rollout areas, can you, maybe, give a sense for what you're seeing in terms of competition, whether you're holding share, you know, are you seeing more of the competitors coming in in the last six months?

MS McKENZIE: Are you asking me or did you want to speak to .....

MR BALLANTYNE: I can answer that. It would be fair to say that, you know, we've been more than taking our fair share in the last 12 months, but I think we are seeing more market entrants coming into the market. You know, we're not complacent in the slightest, and we're really, you know, focusing both in terms of our core Telstra product offering as well as the belong offering as we see some price points being quite aggressive in the market. You know, we continue see good momentum. We're not overly concerned, but we're highly alert to, you know, paying attention to those competitors and, you know, we – our mission is to continue to win in an NBN world, and we'll continue to focus and execute that strategy and adjust accordingly.

MR TONG: Right. And I think David mentioned earlier that one of the key priorities this year is to grow broadband, IPTV, bundling. Can you – can you maybe give a sense for what the strategy is with Foxtel, their price cuts that they're putting through in November, how that will flow through to, I suppose, your triple play bundle? And also Foxtel's entry as well, sort of next year, I suppose.

MR BALLANTYNE: Yes. So we're – we were being competitive on IPTV. And Foxtel, as you know, I think it was nine per cent close in Pay TV last year. All of that growth was actually filled by Telstra – Foxtel and Telstra through our IPTV produce on T-Box as well as Foxtel Telstra – sorry, Foxtel and Telstra. So we continue to grow. We will continue to compete and be competitive with the new offers coming into the market. They won't have a material impact this year. But clearly, you know, we will continue to give you updates on how we're tracking in that regard.

MR TONG: Thank you.

MR KEYS: All right. Is there anyone else in the room unable to get to the mike? We're happy to get the roving mike to you if you have a question. Otherwise thank you. We don't have any questions on mine so thank you, Kate, Brendon and Gordon.

MR RILEY: Thank you.

MS McKENZIE: Thanks.

MR KEYS: I will hand over to David for some closing remarks and at the conclusion of this a media briefing we will start about 10 or so minutes after David finishes up. Thank you, David.

MR THODEY: Great. Thanks, Andrew. Yes, look, just a summary chart. Look, I hope we've, sort of, given you some sense of how we see the business going forward. I mean, our strategy remains unchanged but I think you can see within all the areas, we're looking for new areas of growth, how we can apply our learnings into new areas and then delivering, you know, better outcomes for our customers.

So, look, I gave you a quick overview just to quickly go through the summary in terms of, you know, just where I see the industry and our strategy. I think that Andy has given you a bit of an insight into our views on Asia and the three areas that we're looking for growth in the future.

Kate gave you a good sense around our absolute commitment to network leadership and why we continue to invest in different integrated networks. We still believe that is a differentiator which has, you know, in many jurisdictions around the world people have gone that, you know, networks are not a differentiator. We fundamentally believe that they are and the customers choose based on the strength of the network.

I think Brendon gave you a really good insight into the enterprise services division and now the global services area. We have a lot of opportunity in that area. I think that as we drive out the services business that we have been very clear all along to make the services business a profitable contributor to the business and not let it purely just offset carriage margins.

And then Gordon, I think, gave you a really good insight into the, you know, the retail business and we continue to look at our core business there as an opportunity for growth. And we will continue to try to grow our customer base, provide new offerings, enhance existing offerings and drive leadership and then, of course, the new eHealth area. So three areas – advocacy, driving value from the core and also new growth business – remains our strategy.

We did not ask Robert to come and talk to you about simplification today but I should just reassure you that costs management, doing things more efficiently is a very high priority and Robert and I meet every week to go through how we're going, you know, on our productivity and we will continue to do that as we go forward.

So thanks for your time and as I think Andrew – it's, what, at five past, we'll have a quick media session, too. So thanks very much for your time.