

# Telstra Transformation: Redefining the Business

**“The transformation is a bold strategy and we are delivering results... we are resetting and redefining global expectations as to what is possible.” Sol Trujillo, Chief Executive Officer, Telstra**

Telstra is now three years down the transformation road. We are transforming from a regulation-centric incumbent into a fully integrated, global media-communications company. We have invested in building next generation networks and the IT transformation currently underway will bring this media-comms vision to life.

We have achieved a lot in just three years and we have significantly exceeded what was expected when we began. Our end-to-end transformation has the objective of being a global leader... it's a journey and we're not done yet.

## TRANSFORMATION: DELIVERING RESULTS

- Next G™ network: 99% population coverage and > 2 million sq km
- Next IP™ network: 600% bigger than nearest competitor
- Retail sales revenue grew +5.9%
- Mobile services revenue growth almost tripled from December 05
- 47% 3G mobile penetration
- Retail broadband market share increased by 2 percentage points to 49%
- 588,000 Wireless Broadband subscribers generating ~\$90 ARPU per month
- 87,000 retail PSTN lines added

We reported strong financial results that achieved or bettered our stated 2008 guidance:

- Total Revenue grew 4.7% to \$24.8 billion, ahead of our guidance of 3% to 4%;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) grew 5.6%, also above our guidance of 4% to 5%;
- Profit after tax and minority interests increased 13.5% to \$3.7 billion;
- Free cash flow increased 33% to \$3.9 billion; and
- We maintained our fully franked final ordinary dividend at 14 cents per share, bringing our full year ordinary dividend to 28 cents per share fully franked.

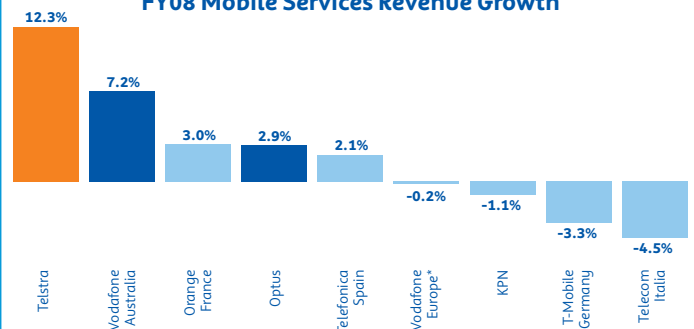
Strong sales growth continued across all retail business units, Sensis and key product segments, including broadband and mobiles. Sales revenue for financial year 2008 was up 4.2% to \$24.7 billion, increasing \$1 billion for the second consecutive year.

We are also transforming our culture, products, service offerings and channels to improve our customer experience. An illustration of our channel transformation is the launch of our five world-class T[Life]™ stores during the year where customers can see, touch, hold and interact with live devices. Furthermore we are planning to revitalise 88 stores in the 2009 financial year.

Telstra Share Price relative to the ASX 200



FY08 Mobile Services Revenue Growth



Source: Company reports. \*Vodafone Europe: June Quarter