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ELECTRONIC LODGEMENT

Dear Sir or 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 at Telstra's Investor Day held on Wednesday 31 October 2012, for release to the market.

Yours faithfully

Damien Coleman
Company Secretary

Telstra Investor Day 2012
31 October 2012

BEN SPINCER: Good morning everyone. My name is Ben Spincer. I'd like to welcome you to Telstra's Investor Day for 2012 here in Melbourne. Also I'd like to welcome those of you who are watching on the webcast and also listening in on the phone from around Australia and around the world. As ever with these sessions we try to make them as informal as possible. I'll be handing over in a moment to the management team to give you some presentations. We should have ample time through the day for you to ask questions of the team as well. We've also got a short break in the middle of the morning but there's tea and coffee at the back, so feel free at any point to have some tea and coffee and have it in here.

We hope to be finished up here on Level 43 at about 1 o'clock this afternoon. At that point we'll then invite you to decamp down to Level 2, our Experience Centre down there where we'll serve some lunch and give you the opportunity to look through some of the new products and the innovations that we've been showcasing down there. So I guess without further ado I'll hand over to the CEO, David Thodey. Thank you.

DAVID THODEY: Thanks Ben. Good morning, great to see you all and we're looking forward to this morning. It's a little bit different to what we've done in previous years. As Ben went through what we're going to try and do is do a bit of deeper dive on a number of different parts of the business. I'll give you a little bit of an overview of where I see the industry and the company but we really want to focus more on the next 12 months and some of the trends and some of the opportunities we're seeing in the industry and for the company.

And the other feedback we've had from you over the last few years is more time for Q&A and so if you've got all those questions we are going to stop at the end of a number of different sections and just pause, get you to ask some questions and then we can sort of move on to the extra area. So try to get a little more interactive rather than sort of a whole tirade of charts and presentations that you sort of get to the end of and you say "hey, what was that all about". Okay. So that's what we're going to do.

So let me just start then with just a little bit of a view of what I'm seeing going on in the industry. Now it's always interesting, this sort of time, actually well I do it quite often but in terms of talking to you, I sit back and sort of think about what's going on in the industry and what relevance has that got in terms of the future of Telstra and I've got to say that it continues to astound me just how active and exciting this industry still is. I know that may sound a bit strange but it is still moving in at an incredible pace and every week, every day in terms of both responding to customer demand but also in terms of technology trends.

So let me just quickly go through a little bit of that. Now in one sense there's nothing new in this but when you think about the future of the company and where we need to be in terms of creating value for shareholders, this is a fundamental underlying necessity. There is incredible demand for our products and services. In fact unparalleled in my nearly 30 odd years working in sort of the ICT industry and as you know in the technology it always has a bit of a tendency to overstate demand but it's not the case. It's driven out every week, every month in terms of this unprecedented demand for greater communications, greater access to online content etc.

This whole trend around digitisation is just astounding. I mean everything, everything is going digital. Now you say "well that's nothing new", we've known about that in terms of the media markets, in terms of books, in terms of photographs, in terms of advertising but everything is going digital and when that happens, that creates insatiable demand. So when you've got incredible digitisation obviously you've got to store it somewhere and that's why storage is such a big growth market in terms of computing but also you've got to get access to it and to get access to it means you need big strong pipes and you need to be able to get access to that information.

And more and more of that is going to video. Now video in itself is a completely different set of information to be able to manage in a network sense. Now we've talked about this and creating video experiences on mobiles, on your PC, on your television and that sort of plays into this whole area about how consumers are consuming differently and that is a significant change in terms of how companies like Telstra, any telco has to go to market. So digitisation of content is incredibly powerful.

The second area is the whole area of cloud. Now cloud is nothing new, let me say that upfront. Cloud in terms of storing, of shared virtualisation of computer capability, where you put storage etc. However what has changed is that it was always like the holy grail. I mean I go back to the days of the application service providers which were around, remember Solution 6 it was going to be an ASP for the legal fraternity, it was all going to be held in some central server and every law firm around the country was going to share that.

And of course it failed because the network infrastructure and the experience wasn't there. And that was another form of cloud computing in those days but now cloud computing is very real and we're seeing enormous growth, both in terms of storage be it at a consumer level in terms of storing photographs, storing your personal files through to small business and the way that they're actually starting to store their own financial data, how they're going to get access to information and also in the enterprise.

These are really big, well I think game changes in terms of what companies like Telstra need to do and of course for our own products like T-Suite or in our cloud computing product that's why we see such incredible growth in that area and we're going to talk a bit about that today because it's very important you understand that in terms of where we need to go in providing value added services to our clients and will create value for shareholders in the future.

The other interesting thing is the power of the consumer. I mean a lot of people ask me about our focus on customer service and yeah, it's great, a wonderful thing to do but to be quite honest with you it's such a necessity because the power of the consumer in terms of determining what they will buy, when they'll buy it has moved from the supplier to the incredible power of the consumer and the demand for tailored and personalised offerings is incredibly strong. This needs you to change the way you actually run the business.

Now remember four or five years ago we talked about market based management, remember those days and we talked about all our segmentation based on behavioural segmentation. In a way it was way ahead of what is actually happening in the market today but in terms of your degree of maturity in terms of segmenting markets, understanding where market trends are, this is going to be an absolute necessity and that's why you hear these terms "big data". I mean you've all heard this term "big data" about data analytics, about collecting information on consumer behaviour, that's what Google, Yahoo, all the so called over the top social media players are doing.

The reason that's so important is to get preference or understand preference in terms of consumer behaviour. This is a very, very important aspect of a telco's life now and of course what do telcos have, incredible amounts of information if only you can extract the value from it. Sometimes trends play your way, sometimes they move away from you but the power of the consumer and our ability to really tailor offerings to consumers is absolutely critical as we go forward. And then you add on top of that the insatiable appetite to communicate and communicate in more ways.

I'm astounded. I mean we talk about our text messaging continuing to grow at the same time as Twitter is growing, as all the social media sites are growing, I don't know where people get the time to do it but the absolute exponential growth in how people communicate and how they consume content is absolutely mind boggling. And for us as we try to look at those trends and move our business model to creating value for that demand is very, very important. So we're still seeing very, very strong growth across all our different types of communication, even in voice calls. Now of course traditional fixed voice calls are down but mobile calls continue to go up.

Now there is some trade off there as people are using text or WhatsApp or those other over the top apps in terms of how they communicate but voice calling is still very strong. So the actual number of voice minutes continues to be very strong. However people are communicating differently. So that's a big consideration and I know many of you will have questions, what does that mean in terms of how you price your products and services and how do you move your model from a voice based model to a database model.

They are things that we've been working on for a number of years around value based pricing because you've got to change your pricing model to be able to do that. That is probably the holy grail of every telco around the world. So very important in terms of our considerations going forward and then of course this underlying demand on our infrastructure, the actual network growth. How do you manage your capital investment with that demand and continue to extract value?

And so we're seeing the demand for more integrated services, consumers don't care whether on wi-fi, on a mobile network or on a fixed network, they really don't care. What they're interested in is an experience, a seamless experience that allows them to get access to the information or the person or the capability they need at that time in the easiest possible way. And if you start with that design point then you are able to really build products and services that truly differentiate.

Now it's a great world today, some of it's still too complicated but therein lies the importance of simplicity. Simplicity of offerings, simplicity of product design as we move forward. So those trends are very important to understand as you try to look at where our future and where we will create value in the future will be. And I would put to you that we probably haven't seen a stronger period in that demand statement than we are seeing right now and as I introduce this first chart, set of charts and I don't see that changing over the next five to 10 years. I think it's just incredible because there's an incredible unleashing of creativity and innovation.

When you go to the valley now and you go and talk to these new companies who are finding new ways to provide services it is very exciting. Now the question is for the telco where do you play in that value chain and how do you stay close to what you do well but also create opportunities to go forward. So that's what we've got to do, that's the opportunity we've got.

So let me just go through, as you know our strategy has been pretty simple in a way. I like simple things but they actually have a lot of meaning behind them. You see when I talk about improving customer satisfaction it's as much about the experience for the customer but it's actually also about the culture of our company, about being externally focused, not internally, about having a fundamentally different culture within the company that is always reaching out and listening and doing things differently and that has been an incredible driving force within the company and continues to be.

I don't want to overplay it but I would say it's probably one of the biggest changes we're seeing within Telstra. Now we look at the external factors around reduction in TIO complaints in our service centres and they are very important because they actually are around how we run the business but it's actually secondary in terms of the type of company that you are and your ability to be open to innovation and to doing things differently and that for a company the size of Telstra is very, very important.

So this cultural change or this focus on the customer is about reorienting everyone within the company to a different way of thinking and therefore if you look at the trends in the industry it is very, very important because you will not be able to pick the winners and losers as you see this future ahead of us unless you've got that sort of attitude within the company. So I would really put that as probably the most important thing that we are doing at the moment. As much as I want to reduce the number of complaints and I want to serve customers better it's actually a deeper significance to it.

Also underlying this desire and commitment to grow and of course keep our customers is another more important factor. You see you could very easily, when you're managing big legacy businesses it's very easy to start to drive for just profit. Now I know we've got to deliver EBIT growth, revenue growth every year but if you are driven purely by profit and not in retaining and building that trust with the customer you actually lose a lot more than just that end year profit on the customer.

So growth of our customer base and retaining our customers actually creates far greater long term value for the company and shareholders than is actually immediately apparent. Then when you look at all these different trends, simplification within the business is also around cost reduction but it's also about creating products that are easy to use and if you look at products like the iPhone but even with Google and android, one of the great differentiators is the ease of use, even with Windows 8, if you've tried, ease of use and simplicity is becoming more important because people want to be able to do things quickly and efficiently even though it's very hard to do it.

So a lot of the simplification work that Robert will talk about when he comes up is about simplifying process taking cost out but it's also about a mindset of building simpler products and services that customers can pick up and use quickly and it comes under many different guises. Sometimes it's called design thinking and you look at where the home of the future is going to go. One of the things that you will see in your life, if you can't get the value from it quickly within sort of 10, 15 minutes you won't use it. So how do you build products and services, easy to use, simple to provision, simple to support and the customer gets a great experience. Really, really important in terms of our future.

So the simplification of the business is both cost re-engineering and doing things differently but it's also about our go to market and then of course we need to participate in these value streams in terms of how we are addressing the areas of new digital media, network apps and services in Asia and we're going to talk a little bit about that today.

So these priorities have served us well and they are our priority as we go forward but let me just sort of pause there for a moment because this is really our short to mid term strategy. We spend a lot of time also looking at what we think the business will look like in 2016 out to 2020 because we see a very different world, obviously as NBN rolls out and we're already thinking about that, trying to work through where we'll see the industry, where we'll see the markets and that is a whole separate piece of work that has been going on for over a year and a half now.

But we only want to talk today about our core priorities now because that's where the most important thing is at the moment, however we are looking at where we need to be out over the longer term in terms of those horizons.

So as you turn to full year 13 there are some really very important focus areas that I want to go through and then each of the speakers are going to go through as well. The first is mobility. Mobiles continue to be a wonderful, wonderful product category and how we continue to extend our lead in that area, how we continue to serve our customer area is very important. Obviously the fixed line battle is very important for us as well as we move from copper and cable to the NBN world, how you package that up, how you look at that portfolio, very important as we look forward over the next three years. The growth business I talked about and then how we build up this customer service culture.

So let me just say a few words on each one of these and then I'm going to get a few of the team to come up and talk in a little bit more detail. So in terms of mobility, well it's great to have Warwick Bray here who's going to be talking to you about the business and I want to just stress that we are very strong believers of the school. If you don't have a great network you ain't going to have a great business, and so our investment in that network is very, very important. We see it as a key differentiator, both in terms of the breadth of the network and also the quality of the network and therefore that's why we're accelerating the rollout of the 4G, we're putting in $1.2B of capital into that network [3G and 4G networks] this year and we'll move to about 66% [4G] coverage of the population of Australia and that should be done by about the end of June.

Very important in terms of really making the capital work in terms of the interests of the shareholder. Now the 4G success is continuing and I'm really pleased to say today we've sold over 820,000 devices, now that's 405,000 handsets, the rest being dongles and the wi-fi hotspots. So it's a great story, we're very pleased with how the 4G network is going and very importantly the efficiency of how we're carrying data on that network is meeting all our expectations, if not slightly exceeding them.

So the mobile network is going very well. So Warwick will come and give you quite a bit of detail about how we're going in the mobile business and some of the things we see in the future. Of course the second area is winning in fixed and of course we spend a lot of time in this area. This is actually quite a detailed chart but you've got to understand that this is an incredibly important portfolio as we look further into the next couple of years and so growing, the fixed broadband customer set is very important, managing the PSTN in decline and managing yield and the number of PSTN services which you guys are all aware of and then the transition to the NBN.

But I will say and Andy will say a little bit more on NBN in a moment, it's still very early days with the NBN. The volumes are very small but we will give you some, a little bit of colour on that this morning and then next April we're going to give you a deeper sort of dive on that and we're going to take you through exactly what we're doing in the NBN. But I do want to just stress, while the revenue from our fixed business has decreased it's primarily in the PSTN area, fixed broadband has actually been going very well.

So when we look at the portfolio now we very much put together voice and fixed broadband into one category and we try to manage the trade off between both, especially as you've got new technologies come into that area. So it's really about how you manage the fixed portfolio and the split between the various products areas. It's a great product and we think that as we build out some really differentiation around some of the services that's going to have an exciting future and we'll come back and talk more about NBN and probably we'll pick up a little bit of a deeper dive on media as well in April.

We're not going to go deep into media today. I'll say a few words on it and then we'll try and give you probably a couple of hours, two or three hours in the April timeframe. Okay. So that's the fixed portfolio. In terms of the simplification let me just make a few more comments on that area. Robert's going to come up and talk about the simplification project. It's really about productivity, it's about improvement in core services and business support and that's what Robert's responsible for.

I've got to say that this, I won't say it's business as usual because that's not really a fair reflection. It's so fundamental re-engineering a company the size of Telstra is a day in day out exercise because you've got to re-engineer to take costs of out of the business, to take all the bad work out. Now I think I've said that from the first day I was up here on the podium. It is incredibly difficult and you've got to be very disciplined, you've got to really have managers that are, don't get thwarted when things don't quite go right and they've got to stay the line, they've got to keep going back and back to re-improve, review, invest and it is probably one of the hardest things for a large company to do. And I want to say that that is probably one of the biggest, well one of the more challenging areas and yet one of the areas that we're most pleased about as we've really looked at how we drive the change in this business.

You see if we don't do it we can't reinvest into new areas and grow in new areas because you've got to keep taking costs out to reinvest and actually hold your cost line as flat as you possibly can. So it's very, very important. Now as you know we got grossed up benefits of about $1.1B last year and that was across labour, productivity, we saw a significant reduction in core volume. So you've got to real stuff, not just financial numbers. You've got to see real physical change in how the business is operating and so we've seen the core volumes go down and then of course seeing the transition of how customers interact with this.

So a lot of people talk about online business, that they're going to move online but you've got to see it in the numbers and you've got to be actually to see that you're driving a better customer experience at a lower cost. Now often companies will say "well we've got this great customer service agenda" and they say "therefore you've got to invest more" and you do need to invest. At the same time you've got to take this cost out of the business. So Robert's going to take you through that, he'll talk about our aspirations for 13, 14. I'm not sure he'll get to 15 but he probably should but it's very, very important and we've got to continue on taking significant costs out of the business so that we can actually earn the right to invest.

Okay. So then you would turn to the growth businesses. We're going to spend more time today on network apps and services and Brendon's going to take you through that, BrendonBrendon Riley and we've got Paul Geason and Will Irving here and also Martijn Blanken. Martjin is running our NAS international portfolio for Asia and then how we run out and readdress this growing market opportunity. We want to give you a bit more colour about that today.

You see what's so important about this and I know that a lot of people look at me and say "well what's NAS and really what are you talking about". You see it's a natural extension to what a telco does. You've got core carriage services, very capital intensive but to make them meaningful and to drive value from them you need to put services around them that you charge for and there's many different types of services that you do that for and what Brendon's going to do is take you through that and we're going to try and give you some real examples within the SME market, within the enterprise market, of what we're seeing play out in that area.

There is no question that cloud computing is going to be very big. You've got to manage the expectation carefully because a lot of people are going to say it's going to be an expediential growth. I think it's going to be a continual solid growth going forward but there's definitely a great market opportunity as we go forward. So we're going to talk about that today and Brendon's there to really give you the colour there and Martijn will give you the detail about what we're doing within Asia. Okay. So that's within the growth portfolio of NAS.

In terms of media, as I said we're going to come back in April and give you a bit of a deeper dive. Today is not the day to that. We're doing a lot of work going on, Rick and the team are really working through this. But I want to give you just a sense of what we're doing within the media portfolio because the big change that we've made within the media portfolio is to set it aside under Rick and to run it as a profitable business in its own right.

Now there are a lot of different schools of thought around why a telco is in media. And there's one thing which is about to drive core access and usage and then there's the other side which is more like a Bell Canada who's running a big media division in it's own right. We still see both being relevant but you've got to manage it very carefully the trade off between the both but if you run your media business in an unprofitable way that is not very good business sense. So we've got to run as a profitable P&L in its own right as well as use it to differentiate our core access offerings going forward.

So we're going to balance that out as we go forward. So there's key areas in terms of the media portfolio. Firstly, the media entertainment and content services part of the business. Now this is where all the content brands sit, be it Bigpond, NRL, AFL and IPTV because that's all about how you present content and differentiate content on the multi-screen environment because if you think about how people are consuming content entertainment it's across multiple screens, different times of the day, catch up TV, SVOD, VOD. That's the whole future and the question is for us as how we participate in that and how we drive value as we go forward. So that's the first one.

On the other side we've got what we now call media marketing services and that's an important change of tune. That's where Sensis sits and this is about the transition of Sensis which was called Yellow Pages to becoming a small and medium business marketing services company. Now it does have digital in there but this is a long term transition. As I've said it's a challenging transition, great assets in terms of the customers but we have to fight to hold that customer base as we go forward. We're still going to expect double digit decline in revenue as we've already told you before but the business is holding up how we would expect it to at this point but it's another couple of years before we're going to see that sort of transition out and we're going to ride it through.

It does mean different skills within that business, it means a different way of doing business and having John Allen come in to run that business has been a good move and we're starting to see some nice initiatives coming out of that part of the business. So that's the media marketing services part of the media portfolio.

Second part is Foxtel and look I'm very pleased to say that Foxtel, the Austar acquisition is going well. Obviously there's some discussion about Foxtel and Triple Play. I just want to make sure you all understand. Foxtel's had a dealer arrangement since the inception of Foxtel in terms of fixed broadband from Telstra. So a lot of people say to me "well gee what do you think about the Triple Play from Foxtel/Telstra, David " and of course I say "well it's always been there and the question is just how we massage that as we go forward. So Roger Frudenstein has been talking about it.

We think it plays a very important part of our strategy moving forward but there are regulatory considerations with that that we have to be very careful with because the regulator said how we have to have the Chinese walls within the company and we're very attentive to that but we think we've got a great future. We need to see Foxtel market penetration increase and we're going to help Foxtel do that as we try to move through to about a 50% market penetration. It's a great content brand and we're very pleased with that business. So that's a little bit about the media group and we're going to come back in April and sort of play out a little bit more on that on some of the things that we're doing.

Okay. And then as I mentioned creating a great customer service culture, as I said this is more about a deep seeded change in the company and it is a cultural change, we use that term changing the way people talk about Telstra. I mean it's an easy thing to say but when you deal with nearly what 350,000 calls a day, 100,000 people into our shops, we go into the homes of about 40,000 people. How do you create a great experience every time a customer deals with Telstra and how do you create an experience where they say "gee that surprised me" in a good way, not a bad way.

But that is difficult because it's about how people turn up, it's also about systems and processes, it's about getting long term sustainable change into the business and not accepting that good enough is okay, and actually getting every part of the company to step up to another level and that's what we're really focused on at the moment. And that's right across the business, be it in Phill Sporton and Brendon can talk about our field techs but today we're going to get Rebekah O'Flaherty who runs our retail shops and talk a little bit about what we're doing in the shops and also we're going to Gerd Schenkel who's running our online channel business to come and talk to you about some of the innovation that we're seeing within the online world. And I think that should be and I hope you enjoy that.

Now Gordon Ballantyne is not here, he's across in New Zealand because we closed on the Telstra Clear deal yesterday, so we got commerce approval. Andy will say a little bit more about that, so I'll be looking after that session. So look that's a little bit of my views. So I think still seeing tremendous demand in the market. I think the big question and the opportunity for us is how we respond to that demand, really driving down into our core initiatives, really staying true to that, being consistent, delivering on what we say we're going to do. So we're feeling that we're on the right strategy at the moment. That doesn't mean we haven't got a lot more to do but we've got a lot of other things we've got planned to do and we're on track to deliver for 2013.

So generally the report card is strong at the moment but it is not in any sense that we can sit back, we've got a lot of work to do but it's all good stuff. So Andy, why don't I get you to come up and now give us the real numbers and then we'll come up and take Q&A. So Andy.

ANDREW PENN: Thanks very much David and good morning everybody. I'll keep this fairly brief because understandably given where we are in the year we don't have any new financial information to share with you but I really wanted to cover four things this morning. Firstly, some comments on guidance for 2013. Secondly, an update in relation to capital. Thirdly, I'll touch on our recent announcement regarding the agreed acquisition of Adam Internet and finally as David indicated I'll make some comments on our early experience with the rollout of NBN.

Turning then to guidance. As you heard from the chairman at the AGM there is no change to Telstra's guidance for 2013 of low single digit growth in both EBIT and income. This is of course on a normal guidance basis and excludes Telstra Clear numbers for both the 2012 and also the 2013 numbers. Following our announcement to accelerate the rollout of our 4G network which is going well, we expect the CAPEX to sales ratio to be approximately 15% in 2013 and as we indicated before it will also be 15% in 2014 with a view to bringing it back down under 14% in 2015.

Taking this into account we expect free cash flow to be between $4.75B and $5.25B. Finally and again as the chairman confirmed at the AGM the board intends to pay a fully franked dividend of 28 cents per share in fiscal 2013. This is of course subject to the board's normal approval process and there being no unexpected material events.

In April we presented the market a strategic framework for capital management. And of course I and the company are both fully aware that there is going to be continued very keen interest in our capital position particularly as we go through the process of rolling out our NBN proposition and NBN rollouts itself and therefore we are going to continue to bring you back to this framework for the purpose of this discussion.

In relation to it though I'd like to make just two points this morning. Firstly, that whilst we have confirmed the board's intention to pay a fully franked dividend of 28 cents per share for 2013 we will no longer be providing guidance on Telstra's dividend beyond this. We will return basically to our normal practice of considering dividends on a half yearly basis as part of our normal board processes and we'll obviously update the market in conjunction with our results.

Our previous two year commitment to the dividend was very helpful to avoid any short term uncertainty during the period of the negotiations of the NBN agreements. We're in a different position though today and we have clearly articulated capital management strategy framework in place. The second point I wanted to make was in relation to what David just mentioned and the announcement yesterday that we received approvals in New Zealand for the sale of Telstra Clear and I can confirm in fact completion is occurring right now this morning. We're in the process of going through the necessary steps to clear the $667M of sale proceeds which are coming through from Vodafone this morning and the $391M pre-completion dividend which we were already holding as cash in our consolidated position.

And in that regard therefore the sale proceeds are incremental to our previously stated excess free cash flow position which we expect to be around $2B to $3B over the next three years. However because it was previously included in our consolidated cash the pre-completion dividend isn't incremental. As I indicated at the full year our excess position at the 30th of June was approximately $1B. We have a significant year ahead on the capital front. We have debt repayments of approximately $3B. We have material spectrum commitments and investments and the funding decision to increase our CAPEX for 2013 and 2014 obviously plays out in this year.

Given this and notwithstanding the New Zealand sale proceeds we have no further plans on capital management at the moment. The sale of Telstra Clear is of course an example of a more active approach towards portfolio management at Telstra and as is the announcement last week of our proposed acquisition of Adam Internet. Adam Internet is a great business that includes an online low cost customer acquisition and service model providing opportunities for growth particularly for customers that want an online sales and support service. The Adam brand is strong and we intend to build off these capabilities and maintain the brand as we extend Adam's presence nationwide beyond its current focus in South Australia. It will operate on a standalone basis from Telstra.

Like iVision that we acquired 18 months ago, Adam Internet gives us the opportunity to invest in capability and customer relationships at a cost and the timeline that we could not achieve organically. The acquisition of course meets our investment criteria of being earnings accretive by year two delivering a return in excess of weighted average cost of capital by year three and being more attractive than alternative capital management of the same value. It is of course subject to regulatory approval and we are engaging with the ACCC. However given the size of Adam relative to the fixed broadband market in Australia it is our view that the acquisition is not likely to significantly lessen competition.

Finally, then turning to NBN. As you will have picked up from the NBN presentation to Senate Estimates recently there are currently approximately 6,400 active fibre services connected to the NBN. In addition there are a number of satellite and fixed wire line [wireless] areas that have been rolled out. To be clear we are currently trialling fixed wire line [wireless] services with customers and we are planning to launch these by mid next year. We are also considering options for satellite services. So we are not currently offering services in these two areas at the moment.

In active NBN fibre services which we are currently offering we are progressing well as you can see from the chart on the left of the slide with our weekly activations ramping up and we expect our market share to increase as the rollout progresses. In the transit network we've delivered more than 8,000 kilometres of fibre which equates to nearly a quarter of dark fibre links that we expect to rollout. We have also delivered over 3,000 equivalent rack spaces in our exchanges and we've remained on or slightly ahead of plan on all pre-deliverables. From a financial point of view and as you are aware we received $321M payment last year under the Information Campaign and Migration Deed as well $100M relating to the Retraining Deed.

We will recognise around $170M and $15M of these respectively in fiscal 2013. In addition we have started to receive payments related to the TUSMA Agreements and some early infrastructure service access payments. We have not yet received any significant disconnection payments given we are at an early stage of the rollout.

In summary therefore it remains as David says very early days for NBN, however we are making good progressive and we think that we're very well positioned as the momentum builds. So thank you very much, that concludes my comments and I will invite David back to the stage and Ben will chair a session on Q&A.

Q&A BEGINS--------

BEN SPINCER: Thanks David and Andy. We've got some time now for some Q&A. As David mentioned we do have Warwick and Robert coming up soon, so if you've got questions relating to the productivity area or the mobile area maybe hold them off for another half an hour or so and we can get to them there. First question from (41.02). Thank you.

Sameer Chopra, Bank of America Merrill Lynch : Morning. I had two questions for David. David, the first one is you articulated the four strategies, customer satisfaction, retaining and growing customer, simplification and new growth. Out of those four I'm just wanting to know which is the one that you think most needs work over the next couple of years? I'm trying to understand of the four strategic initiatives where will you be emphasising the most. And the second one is we spoke about cloud computing and where do you see the biggest opportunities, in consumer land, SME land or is it in enterprise and government?

DAVID THODEY: Okay. Answering the one on the strategies. Operationally it's customer service but strategically it's the growth areas. So it's actually two. If we get the customer service right in an NBN transition and when you look at a company like Telstra with the share we have it drives enormous value to the company. So getting that service right and in a repeatable consistent way, absolute critical and by the way if you get it right costs fallout with simplification, customers growing. However where I'm spending more of my time as with a very strong management team is looking at where the business needs to be in 18, 19, 20 because we need to start to put in place the building blocks for a lot of that future and that's work in progress and so they really are the two areas. I think those two drive everything else that I do.

In terms of cloud, it's interesting. It's different by each segment. I mean if you think about what Apple have done with iCloud, there's enormous opportunity there if you think about it, though most of the people in consumer are giving it away and I don't think that's a sustainable model in terms of cloud storage though cloud apps are going very well. So if I looked at where the value creation mostly is it is probably enterprise and top end of small and medium business but what you've got to do is have a utility model.

You've got to be able to get it so it's a standardised model, a little bit more like Rackspace and Amazon who have done very well in that area but when you look at their revenues it's still reasonably small revenues but we see enormous opportunity in those two areas. Now I think software as a service which is part of the whole cloud infrastructure and Will will talk a little bit about that. It's very interesting, small and medium business are a wonderful market because you get a good, simple repeatable model. They just want to get on and run their business and stop worrying about all of this technology stuff and if you get a good offer, that's why digital business is part of that solution and that's a lot of cloud stuff and they're a really big opportunity but if you ask me where's the first here you've got to go hard at business and enterprise and then slowly build in the consumer side.

Consumer side is not just as much profit and we see it sort of more in the business side but I think that model will change. Does that give a bit of a sense? In fact the guys can talk more about that when they're talking later on.

Raymond Tong, Goldman Sachs: Morning David, morning Andy, Raymond Tong from Goldman Sachs, just two questions from me. Just firstly on the dividend. You mentioned again today that one of the long term priorities is to raise the dividend. Just wondering whether you could help us sort of understand how you're thinking about that, just given I suppose a few things here in terms of spectrum payments coming up, level of franking credits, certainty around the NBN payments coming in and how important that is? First question. Secondly, just hope you can sort of help us understand how the structure with the transit network build is happening? So how many stages are there? Secondly, how do the payments ramp up over time and in terms of when you hope to finish that, is that still 2014?

DAVID THODEY: Okay. I'm going to get Andy to restate what the dividend policy is and then on the transit, if you want to make comment on transit I can then add a bit more.

ANDREW PENN: I don't think I did actually say what you articulated in terms of, I don't think I did say that it's our intention to necessarily increase the dividend over time. To be clear there's no doubt that we, our perspective is that the best way to return value to shareholders is through a fully franked dividend and obviously over the longer term our philosophy and strategy is to seek to increase that. To achieve that what we've obviously got to do is build a successful business which is growing profitability.

At the moment our franking balance is quite low as you know and that's because basically our payout ratio is about 100% and so the key focus though is to maintain the dividend at its current levels on a fully franked basis and then operationally to improve the performance of the business, to grow the business over the time which would then give us the capacity to grow dividends, recognising that that is the most attractive way from our point of view of returning capital, returns to shareholders.

On transit build as we sort of indicated, we're around about sort of 20% to 25% through the build. There's really three main phases of the build. We have been looking at ways as you know at the half year of potentially accelerating that rollout. As I said we're either on or slightly ahead of schedule. We're not necessarily expecting to be materially ahead at the moment and I think Brendon, I'm looking at Brendon, I think sort of end of 2014 is still more or less when we expect to have completed. David, I don't know if you wanted to add.

DAVID THODEY: No, that's right on, end of 2014. Look we are, every quarter we're adjusting with NBN Co as their schedule firms up but we're slightly ahead of the schedule that we needed to be on and so we're responding well and everything is going well and of course remember there's the transit build but also you've got to get this FSAM, every FSAM you've got all the ducts and everything ready as well and there's quite a lot of work in that but that's all going to schedule and so we're pretty pleased with how it's going, got a good team on it and we manage their costs tightly, as we go forward.

ANDREW PENN: And in terms of the infrastructure access payments which go with that by far the majority of those are associated with the second of what David is talking about which is the sort of access and the pits and the ducts etc as opposed to the transit and that to some extent is somewhat sort of constrained and limited to what the rate and the pace of the rollout by NBN Co is.

Daniel Blair, Nomura: Morning David, morning Andy, Daniel Blair from Nomura. Just two questions for me. Firstly, just perhaps putting Sensis to bed for the day, David, in response to a question of mine in August you said that you expected FY15 would be the trough in the revenue decline. I just want to see if that's still consistent with management's thinking and then secondly, on multi-brand, I just want to understand how you think that's going to help you in an NBN world, I guess it's fair to assume that, we're all here assuming that market share declines and fixed voice, fixed broadband as the NBN rolls out we can argue the trajectory but it's all embedded into our models. How does multi-brand help you as you rollout whether it's Adam, whether it's some of the MVNO work you've done over the last couple of weeks?

DAVID THODEY: Well to answer your first question. Look as best as we can tell full year 15 looks like the time where we hope to see it sort of flattening as we go forward because then we would have done the transition from print to digital, we will have a good a sense of the trajectory of that business around digital and of course we're doing quite a few other things to try to bolster up the Sensis portfolio. So full year 15 is about where you should plan and that's where we are definitely planning for at the moment.

In terms of multi-brand, yeah, look in the NBN world there's been a lot of work on multi-branding in terms of maturity of markets, how you address different market segments. There's costs in multi-branding and you've got to be very careful because I think I can remember a couple of years ago there was a lot of discussion about why don't we do a Jetstar, it wasn't the right time. Even on the 3G as you would have been aware we've done NBNO on 3G but the 3G NBNO is very much on the footprint against our competitors. We're not actually giving any differentiation to go NBNO on wireless.

So what I'm saying is two things. One is we think multi-brand plays a good role in addressing market segments where we don't think we've got the share that we want and that's in terms of addressing where we're just not as strong as we'd like to be and giving a different value proposition etc. So we'll continue to look at that going forward. Second thing in terms of NBNO and product we will always favour retail because that's just the natural position for us to be in but we'll look at NBNOs or other models to help us address new markets and the whole wholesale strategy will move from a regulatory bias to a go to market bias as we go forward. So we are doing quite a bit of work in the area.

Daniel Blair: Just on MVNO David, where are you with the MVNO platform and I think if we think back to the 3G, the next G launch there was some teething issues, so where are we?

DAVID THODEY: Yeah, yeah, there were. Generally pretty well. I'll just look at Stuart. It's on track. I'll get Stuart because he's closer to the detail.

STUART LEE: Yeah, our prepaid platform launch to market is imminent, so that's probably the best way I'd say that.

DAVID THODEY: So no issues but it's looking good.

Fraser McLeish, RBS: Hi, Fraser McLeish from RBS. Just Andy, on the costs side of things, obviously still getting good productivity savings coming through, can you just put that in context of the other costs areas where maybe you're seeing some cost growth around the EBA or investments and on a sort of medium term view with those savings still coming through as a sort of a flat cost base, an achievable outcome for Telstra going forward.

ANDREW PENN: Thanks Fraser. I mean I think that's right, I mean if I sort of look at it from a top down perspective we've got a number of drivers of cost on the one hand, so we've got a $15B cost base roughly speaking in the aggregate and we've got a number of drivers to that. So obviously CPI, salary inflation, outsource service contract increases and of course also we are increasing substantially our volume, so over the last couple of years our mobile volumes have gone up by 20% and in addition to that we're investing in areas such as NAS media and international. So there are a number of drivers of cost on the one hand and then on the other hand we're looking to achieve productivity savings with a view to try and hold our costs flat.

So at the moment I think that we can continue to do that and that's our planning assumption. I suspect there might be some minor increase in our cost but broadly speaking Robert and his team are endeavouring to deliver around $1B worth of productivity savings to offset around $1B worth of cost pressures coming from the other side.

Mark McDonnell, BBY: Yes, good morning, Mark McDonnell from BBY. A few questions from me. Firstly, with regard to the 6,400 active FTTP services that the NBN has rolled out, what share do you have?

DAVID THODEY: Is there just one question Mark or do you want to give all three? Go through all three and then we'll go from there. And I can think about the answer to the first one.

Mark McDonnell: Yeah, by all means. Secondly, with regard to the Retraining Deed and the $100M, part (a) of that question what's the offsetting cost, is there any margin or in fact is the term of these agreements with the Commonwealth such that you're expected to fully expend the moneys and that your revenue recognition in fact recognises the expected expense? And the third question, on the same subject, to what extent does the retraining arrangements that you've entered into with the Commonwealth limit your ability to sack people?

ANDREW PENN: Okay. In terms of the 6,400 we haven't said anything about market share but we are fast approaching our natural market share.

At the aggregate level and I think what you've also got to bear in mind is that there's basically 13 FSAM areas that are currently rolled out to so we're looking at our market share in each of those FSAMs. So our market share is ubiquitously the same across the country, so we're looking at it both at an aggregate level and at an individual FSAM level and as David said in terms of our current run rate it's at or about our current market share and we expect essentially us to increase over time.

DAVID THODEY: That give you a sense?

Mark McDonnell: Very broadly.

DAVID THODEY: So what I was saying is that the ramp up as you'd expect, I mean the people who are going to migrate are usually early adopters, people who are waiting for fibre for a long time and therefore they are the ones who go first. We haven't really got into the bulk of the installed base yet but we've actually been very pleased. What we're doing using the different 13 areas is to test different go to market strategies because every group has a different socioeconomic sort of make up. You've got to lock out what offering is best in what area and that's what we're spending a lot of time on at the moment.

So the share is really to me of secondary importance at this time with such a small volume in the market but interestingly as the weeks have gone past and we look it on a weekly basis we're pretty pleased as it's sort of climbing up to where we'd naturally expect it to be but we've got a lot of work to do and that's what we want, we'll give you a bit of a colour of in April next year. It's also obviously very competitive sensitive as you imagine as we sort of go through and look at what we're doing.

ANDREW PENN: And that's right. Sorry, if we're sort of coming across a little bit sort of guarded on that it's partly because that is their sensitivity and the other point Mark which is the point I made earlier is that we're not currently offering services in wireless and satellite and clearly that's been rolled out in advance of the active fibre connections.

DAVID THODEY: The other two questions. Look on the training fund it is primarily there to train our technicians, our people in fibre, the people who are going to be displaced from copper. It's not a profit driven thing, we've never discussed that. However it is funds that we've received and spending to what we have to do. Now Tony or ourRegulatory guys were down in Canberra last night talking to the NBN, what do they call it, joint parliamentary committee, so we have to report, talk about how we're managing the workforce etc but it does not prevent us continuing to do any redirection of work.

So if we're got to retool people or we've got to restructure areas and there's some redundancies, there's no prevention there but of course our desire is to get people productive driving out good business and where possible driving revenue. So we're retraining where we can and maybe there's opportunities to drive into new revenue opportunities as we go forward because that's what we're trying to do. We're using it to look after our people so we're not really looking at from a margin perspective.

ANDREW PENN: Absolutely. I mean this is isn't about making a profit, this is about investing the money to provide the training.

DAVID THODEY: But it doesn't limit us in any way.

Alice Bennett, CBA: Hi, Alice Bennett from CBA. David, just a big picture question I suppose around risk. It seems like everything is going pretty well now in terms of the competitive setting, NBN deal is out of the way. Where are you looking at the greatest risk from where we sit now going forward? Is it regulatory, is it mobile regulatory which is Vodafone is really pushing pretty hard for or *content regulation, wholesale ADSL, what's sort of important to you at the moment to keep track of?*

DAVID THODEY: Look all those things are important but they're all individual. My focus is more about how we can move this and it's risk and opportunity. How do we continue to move this business forward to address incredible opportunities we see in this emerging new marketplace and the risk is we miss it and that's where we've got, we've got to do all the foundational stuff, we've got to get simpler run the business better, serve customers better, manage the regulatory environment and of course that's ongoing but at the end of the day we create our future and that's what I'm more focused on and I think if you look back in eight to nine years about this period it will be more about the decisions we make in the next two years about the future of the company which will really determine the success of this period. Yes, we need to deliver on revenue and profit growth, manage the regular environment but if we don't make the right decisions to set this company up for success in the next six, seven, eight years that will be it and that's what I spend a lot of time thinking about. Risk or opportunity, they go together.

Alice Bennett: So maybe a follow up question just around the mobile regulatory sort of settings, is there a kind of revenue share which you're feeling is ceiling at the moment, that you don't want to push your luck with the regulators, is that kind of how you're looking at it?

DAVID THODEY: Well I've been in the mobile industry a long time and I'm a great believer in he who invests will get a return and he who manages well and it's a free market, it's a very open market, always has been, regulators have always been very clear about that and I think that that's the way it should stay. Now I'm not looking to any artificial constraints on market share. We want to continue to serve our customers and should we do a good job and should they choose to come to us? Well I think they deserve that right. So that's where we stand on that but yes, I do understand some people will talk about it but I'm not focused on that, I'm focused on serving our customers.

Paul Brunker, JP Morgan. Sorry to drag you back to the dividend guys but I had a question about the medium term. Obviously as disconnection payments roll through to the earnings, would you see those as a basis for increasing the dividend if the rest of the earnings wouldn't allow it, so they are obviously one off payments, philosophically do you think the dividend could be raised if disconnection payments allow it but the rest of the earnings base wouldn't?

ANDREW PENN: Well that's an issue that we'll address I guess when we're in that position. What I should say is financially they would allow it in the sense that the disconnection payments and all of the other associated payments are fully taxable and therefore will bring franking dividends forward with them but in that sort of hypothetical situation which I'm not predicting, we would have to sort of address that at the time but that would you put in a situation of increasing the dividend and then looking at whether you would be able to sustain that over the longer term so it would be a consideration.

Ian Martin RBS:, I also have a couple of questions on dividend and cash flow. Andy, I mean you made a very strong point about the capacity to grow earnings needs to be there behind that long term dividend outlook but in addition to that *you've got that excess free cash flow of $2B to $3B and I wonder, that's not money the company needs by definition excess, how and when can shareholders expect to get that back. Secondly, that amount I think applied to the three years FY12, 13, 14 which predates that issue of payments from the fat period of customer migrations assuming NBN achieves its business plan, this I believe an 18 month handover period when fibre serving areas are declared before all of the migrations are complete, at what point in that 18 month period do you start getting those migration payments, is it all at the end or is it all as people make those migrations or a couple of months after that and will that then flow, I guess it flows through operations, so would that also affect the normal course of dividends or is it viewed as excess free cash flow because in a sense it's like sale of a business, it's just a 10 year sale of a business?*

DAVID THODEY: I can handle the migration but you handle the dividend.

ANDREW PENN: Well all I was going to say is that the payments, David will comment on the migration but the payments will basically be received when the disconnections occur, they effectively get invoiced at that point of time. So if people don't disconnect until the end of the 18 month period that's when it will happen. If they disconnect during that 18 month period that's when it will happen and of course with only 6,400 connections so far we don't know yet how that is …

Ian Martin: Payment on a monthly basis, quarterly basis?

ANDREW PENN: I can't recall if it's quarterly.

DAVID THODEY: It's as we go through it will be monthly.

ANDREW PENN: The infrastructure service access quarterly.

DAVID THODEY: I beg your pardon it's quarterly.

ANDREW PENN: Yeah, it is quarterly. So that's that point but sort of working backwards, so yes, you're right, the $2B to $3B excess is over the periods of FY12, FY13 and FY14. I also mentioned though in my commentary, we've got quite a big year this year. We start the year with a big liquidity position of about $3.9B on the one hand. On the other hand we've got some fairly significant debt repayments this year of around about $3B. We've got some big spectrum commitments and investments coming up in the latter part of the year and then of course we've got our increased investment as well and then of course we've got obviously normal operating cash flows in 2013. So given all of that other than the excess free cash flow that we sort of carry at the moment if you like most of that additional excess free cash flow will really sort of flow in 2014 and then that's also partly true because of what the NBN rollout is expected to be as well which is relatively small in 2013 relative to 2014.

So we will be making those sorts of decisions when we have that cash flow and that's continued to be my position. I know the market is keenly interested in our capital management philosophy and our capital management position, that is why we've articulated to you a very clear capital management framework to set out the principles and the criteria against which we will measure ourselves but the thing that we have been clear about is that the capital management decisions that we will make we will make them as and when we have those excess free cash flows and we'll make them at that time. And I think that's what you expect us to do because market dynamics at the time will influence what's the best way of utilising that cash whether it be investing it organically, inorganically or returning it to shareholders in some way.

DAVID THODEY: So in terms of the migration Mark, I wish it was a nice even distribution but based on all our experience with any transition customers are reticent to change and so it will backend loaded but remember that at any one point within three or four years we'll have thousands of FSAMs sort of going all around the country. Then you've got to do the normalisation of that but there's no question, it will be backend loaded in terms of every FSAM area but we are going to try diligently to migrate as many customers as we can early on but it is unlikely that that will happen.

Richard Eary, UBS: Hi, it's Richard Eary from UBS, just two questions. First of all David, you mentioned in terms of the Foxtel strategy, I don't know whether you can expand on it a little bit more than you mentioned in terms of how you see that relation growing and obviously how you expect to obviously drive penetration. The second question just follows on from a number of other questions. Back at the April sort of capital management day you talked about $1B of free cash flow coming through from NBN payments in 13 and 14, that's obviously not been reiterated today or reiterated in the August results, so is that something you're still comfortable with or is that something that's sort of changed as a consequence of NBN rollouts.

DAVID THODEY: It wasn't intentional we didn't say that number but I'll let Andy work that through. Let me come back to the first one of Foxtel. Look Richard was going to do an update probably reasonably soon, I'm not sure, is Richard doing an update on Foxtel strategy? Nothing. The Foxtel relationship is in good health. Obviously we've got some changes in the shareholding going on which should come through in the next few days. It's a very strong working relationship, stronger than I've seen it before. The Austar acquisition has gone very well, really working hard at moving all of the synergy savings in that transaction and we are very keen to see Foxtel share increase over the next few years. So we're working diligently with them on how to do that.

As you would understand in terms of Foxtel content that can be consumed in many different ways and therefore looking at how best to do that and we sell Foxtel on TBox, so that's a good collaborative relationship. We do a triple play with Foxtel today which is very good in terms of our bundling strategy and we'll continue to look at innovative ways going forward to make that even more attractive we think to households and individuals. So Richard and the board are doing a lot of work in this area. In terms of their plans on triple play they're working through that.

They've got to make that decision on their own terms because it's a separate company, they've got to look at it in terms of the financials of that and they'll make their decision as they see fit but we are not concerned, it's just a straight commercial transaction and that's the way that we handle the relationship and have done for many years. But no, the relationship is very strong and I think there remains good opportunities as we move forward in terms of a rich experience for the consumer in the home or on a mobile, on a tablet, on TV etc. So it's going well.

Richard Eary: Are you suggesting David that Foxtel will actually bundle itself and actually drive triple play itself from the side rather than driven from the Telstra side?

DAVID THODEY: Well I think that you've seen BSkyB, their model there and in an NBN world especially as you're getting ready I think yeah, that's a good position, so we see that that is a part of our long term strategy.

ANDREW PENN: Richard, in relation to sort of the two lots of a billion dollars I mean we did not reiterate that today for any particular reason. What we did say however in conjunction with the results was that we were sort of cognisant that NBN had communicated a new plan within it which basically indicated that there was a six month delay that they expected to catch up over the term of the rollout. As best as I understand the plan, as I can see it, that catch up is sort of at the end of the period rather than at the beginning of the period but what we also said though nonetheless at the results briefing was that notwithstanding that we still think $2B to $3B is a reasonable estimate of our excess over the next two to three years.

So that's just taking things in the round, the fact that we've got the sale of New Zealand on the one hand, we're investing another half a billion in the networks on the other hand. So I didn't consciously not say it this morning but as you raised it yes, there would be some impact of that as a consequence of that six month delay that NBN have communicated since April and today.

Richard Eary:So the sort of natural hedge offsets any delay?

ANDREW PENN: Yeah. I was just going to say the natural hedge still applies, so there's nothing we're seeing within the, besides the timeline of NBN Co rollout everything is travelling pretty much as we had anticipated as we go forward and I think that's the big message but timing is the one but as you say and as we've reiterated the natural hedge puts us in a good position.

BEN SPINCER: We'll hand over now to Warwick Bray, our executive director of mobile products to run you through some of the latest trends in the mobile business. I'll also get the microphone moved forward a little bit for the next Q&A, so you're not all asking questions from the back like naughty schoolchildren. Over to Warwick. Thank you.

Q&A ENDS--------

WARWICK BRAY: Thanks Ben and welcome to the mobile section of Investor Day. I'll start with a brief review of FY12. So a good year, we welcome 1.6 million mobile customers to the Telstra mobile network. We grew our revenues 8½%, EBIT by 21% and we ended at a 36% EBITDA margin. We grew share in most of our product categories, in particular in prepaid handheld where we moved from number three to number 1 branded share. Just as a note prepaid handheld is soundly profitable, so that is profitable revenue growth.

Possibly even more pleasing than the financial results is customer service results. So our TIO complaints were down, our calls per customer into our service centres were down and our customer service metrics were up. There are myriad of customer service initiatives that we implemented in FY12. Three in particular stand out which is the speed and accuracy of commissioning a post paid handheld phone in our stores, the whole online impetus for online self service and our award winning 24/7 applications is an example of that. And also and extension of our alerts program where we alerted customers at 80 and 100% of their allowances on Freedom Connect and our Everyday Connect.

FY12 was also the year of the network. We rolled out LTE and we announced plans to extend LTE to two thirds of the population by June 2013 and also FY12 was the year of the network in the sense that we were much more clear about our network superiority and I hope you're currently enjoying our network without equal campaigns in the market. There was some external recognition of our network strength for the JD Power survey and our financial outcomes from Frost and Sullivan.

So that's mobile kind of in isolation. Just putting mobile in the jigsaw of the overall Telstra Corporation now. This is Telstra mobile's contribution to Telstra Corporation's overall revenue growth and just in terms of returns, the return on capital for Telstra mobile is sound, well above the cost of capital and growing and Telstra mobile is now making a substantial contribution to the free cash flow generation of the overall corporation. So that's the past. Looking to FY13 and beyond. This is our priorities for FY13 and they're along the lines of the corporate priorities.

So in terms of improving customer satisfaction and advocacy, we do have scores of initiatives again to go in this area but they can be sort of grouped in the following. Firstly, we're really interested in why customers call our call centres and getting underneath the root cause of that and fixing the problem before they call us. So if it's a broken process we fix that, if it's something with a device we fix that, it's a matter of educating the customer, we do that as well. Possibly even more important is repeat calls and we apply the same processes to that and the trend of improving those types of processes is online and so we've got again a large sequence of online improvements and our ambition is that any transaction that a customer wishes to do with us they can do simply and easily online.

The third aspect of our customer service is improving the match between the expectations of the bill and what they actually receive. That starts from when we sell the service through our My Offer Summary and Must Tell Before You Sell programs which we're continuing to rollout and we're also continuing to rollout the clarity of the first bill and also we're going to extend our alerts program, so customers know how much they're using of their allowances as they go along.

In terms of retaining and growing customers in mobile we think of that as "why Telstra" and you can expect a lot more marketing of the benefits of our network and what we're trying to achieve in investing in our network and then what we're trying to market is three customer benefits. So it's the coverage, so 2.1 million square kilometres, it's fewer dead spots, so more likely to work in the second bedroom at home and it's the reliability of the speed experience, so fewer dropouts and the page turns when you're surfing the web and you're not seeing the whirling circle. So expect more marketing along those lines and we'll be weaving in some of those customer service messages into that as well.

In terms of improving our margin I'll go into more depth in our operating cost and SARC initiatives and also the other side of improving the margin is best practice

ARPU, we're being ever more scientific in how we're deploying capital in the network. In mobile we're fortunate that we also believe that there are aspects of the business where we can grow the market and in particular helping Australian businesses get ever more productive through productivity applications that use our mobile broadband and machine to machine services.

So in the spirit of customer service the rest of this presentation is about the five most popular questions that you've been asking us recently and have submitted three about revenue, ARPU, over the top and market revenue growth and one about margin, in particular the recontracting challenge and one about how we're coping with the growth in data on our network.

So just starting with ARPU, this is the table from the financial highlights. The summary point about ARPU is that pre the MRO adjustment handheld ARPUs post paid and prepaid were flat year on year and the rate at which mobile broadband ARPU is declining has halved. So three general points about ARPU. The absolute best way that we can continue with sound ARPU management is managing what we call the value premium and the value premium is where our customers tell us that we are providing great value to them as a result of our network, our customer service, our brand, our retail stores and our ability to market all of that.

So when our value premium and price premium is in harmony we're able to maintain the ARPU, when it's not and we are required to do price decreases the issue with that is they can flow through our ARPU with a delayed reaction of two years and so the price declines of more than two years ago has affected ARPU up until now. We're a lot of the way through that process. The third aspect of managing ARPU is something we talked about last year at Investor Day and that's our joiners, leavers and stayers programs. So we're very much aimed with our channel remuneration, our plan constructs and our marketing so that we are getting joiners, people who come to us at higher than the average ARPU, leavers who leave at lower than the average ARPU and when a person recontracts they make a great value decision for them and a great value decision for us.

So what I'll do is I'll now talk about those three principles on a product by product basis. So post paid handheld ARPU was about flat year on year. The biggest reason for that is that we're most of the way through the price declines from a couple of years ago and this would be the product where our joiners, leavers and stayers program is working at its absolute peak. Indeed as of today each of those three separate effects are adding to our ARPU mix. That wasn't exactly true all the way through the year but it's a journey to get there. Also there were some minor price adjustments that were helpful as a result of the introduction of Freedom Connect.

Now you may well ask why the second half ARPU growth wasn't quite as strong as the first half ARPU growth. So four reasons for that. The first of all was we introduced a great new credit scorecard in the second calendar half of 11 and the first half financial 12 and that credit scorecard led to the bad debt improvement that you saw on the annual report of $44M. However it has a reverse effect on one aspect of ARPU we don't particularly like which is early termination charges, so there was a slight decline there. The second thing is our alerts program which we're very proud of from a customer service point of view alerted customers when they were coming up to a bit of excess usage and that declined a bit of second half ARPU.

We sharpened up some of some of our BYOD pricing which is great from our economic point of view but BYOD pricing had a slight decline as well. And then the fourth factor is however much you scientifically manage ARPU there is a bit of randomness going on and the particular randomness was actually in May and June 11 where our ARPU was just a one off and unexpectedly strong and that didn't flow through to 12. So the summary message there is flat year on year. In terms of prepaid handheld again flat year on year. Where that's come from is intense focus on a $50 recharge price point over and above the $30 and also moving our customers onto the great value cap on call product.

In terms of mobile broadband a reason why the mobile broadband ARPU is coming down is the mix effect, we talked about again last year. So tablet ARPU being lower than card and cellular wi-fi ARPU and also prepaid mobile broadband ARPU being lower than post paid mobile broadband ARPU and the lower ones are growing faster. That's the reason it's coming down. The reason the pace at which it's coming down is we're most of the way through the price decreases of a couple of years ago, they've washed through the base.

Machine to machine, where that develops is pretty much determined on which verticals that we're successful in. If it's smart meters then that will be low single digit, if it's digital signage it can be up into the high scores of dollars. So summary there flat year on year in terms of handheld, rate of decline slowing in mobile broadband. We're not giving guidance on ARPU but we are determined to keep investing to maintain our value premium and to continue to invest in our stayers, leavers and joiners programs.

So moving on to the second question which was about over the top. The point of the question is over the top applications are they a threat to voice and SMS revenues? So point one is at the moment our voice and SMS revenues are growing strongly from the annual report. SMS grew at 21.6% and voice at 25.3%. So that's the growth at the moment. Is it a threat in the future? Well yes, the left hand side of this graph looks at a sample of smartphone users in Australia biased towards youth and what over the top applications that could substitute for SMS are they using and this is a ranked order of it. So probably no surprises there but the over the top applications are alive and well in Australia.

So what's our strategy for responding. The first part of that and most important is around price construct and what we're aiming to do is to put voice and particularly SMS into the larger bundles and so for instance on post paid handheld at the $60 plan and above it's infinite SMS and therefore the economic incentive to use an alternative is much smaller when you're using one of those bundles like that. And we have a similar policy on our prepaid cap on call.

The second part of the strategy is to rebalance towards data and less voice and SMS in terms of the pricing. You've seen our recent pricing moves are indication of how we are following that path. The outside pricing for business customers we do believe that we need to extend our universal communication solutions so our business customers can get the same look and feel on their mobile devices as they do at the office. It's particularly important for us to help them there because they need to work their way through firewalls and which we're working with them on and we are considering our own enhanced messaging solution and us like most cellular companies in the world are looking at RCSe and alternatives. So that's over the top.

I'll move now to the third question which is about market revenue growth. The left hand side of this chart is a combination of cell side research forecasts so we're not necessarily endorsing this but that is a view of market revenue growth. Our perspective on that is that the biggest thing that we can do in a slowing market is to monetise data growth so the traffic on our network has been doubling each year and we need to make sure that we're putting in the right pricing constructs so that we're sharing in the, well we're getting the revenue to cover the costs of that. So monetising data growth is one of the biggest things we can do. We also believe that we can grow the market through productivity applications particularly firstly in mobile broadband and what we're doing there is vertical by vertical in small business and extending to large business.

We're trying to understand the productivity benefits that Australian businesses can get from using our cellular services and we've got six case studies in your briefing pack today. I'll just mention two of them. One is a Newcastle based plumber with 11 plumbers. They send their plumbers out with a connected tablet with forms based applications. They are getting productivity benefits of an hour a day per plumber because they can type in the billing information when they're on the customer's site and get that back to the head office, they don't need to drive back there, cash flow benefit as well.

On the right hand side is a firm of Central Coast accountants and their specialist audit teams are getting similar benefits from taking out connected tablets. We're following that same policy in machine to machine. You'll see a number of case studies again in your analyst pack. The one on the right there is a very interesting one, it's a farm 35 kilometres east of Dubbo, they have 6,000 head of cattle, 100 watering points and 446 kilometres of pipe. They were spending a third of their time each day, this father, son team of going out and looking at the watering points and making sure there was water in there. With our M2M solution they're now able to monitor that from their homestead whether there's water there or not, it's solar powered.

The one on the left is actually a baker and that's Brasserie Bread and what they're doing is they've got cool rooms all the way around a city and then monitoring the temperature in the cool room through our M2M solutions. There's other case studies in there about ports where they're able to increase security by moving cameras around with our M2M solutions. I'll just make another point on M2M, we are continuing with our market awareness policies because this is a case of needing to build the market, so we're releasing whitepapers, case studies, we're participating in educational seminars and we're working very closely with our value added reseller partners.

We're continuing to enhance our, what I call the enabling layer of M2M and that's about the coverage of the network, security solutions and VPNs and our fantastic self management solutions. What's different to last year is we're pushing now deeper into industry solutions, so we've really prioritised our verticals and we're working very closely with value added reseller partners to win in particular verticals. So that's the three revenue questions.

Moving on to the question about recontracting and the point of this question is we were very successful in winning in the market two years ago, they were two year contracts, so what's happening with recontracting? The first point is that unmanaged it's obviously an extra cost to us this year. However the second point is we are closely managing it, so we do look at recontracting propensity by tenure and by channel and we are sending the right signals and taking the right measures so that recontracting occurs at the right time for our customers and the right time for us. Even with excellent management it's still a negative cost relative to last year because the number is bigger. However it's one part of an overall tapestry of costs that form our margin, many of which we're making substantial progress on, for instance, increasing the devices that are bring your own. We think about mix in so many ways, in particular a plan mix and channel mix and you can see the progress that we've made on unit subsidies.

So that's sort of an overview of the SARC side of margin but there's a lot more as well. We've made big progress on bad debt. The bottom two boxes there, this is the cost side of the customer service benefit of stopping those calls happening before they hit the call centre and reducing the repeat calls which we call the cost of non quality. And the other margin one that we're absolutely targeting is that we can get 10 points better margin on a recharge from some channels online relative to others and so focusing on where recharge happens is another big margin opportunity for us.

So in summary there we are managing the recontract and it is one part of an overall set of initiatives that we're doing to continue to make progress on our margin. I'll move to the evergreen question of how we're coping with traffic growth on our network. First point here is updated chart and it's doubled again. What went into the doubling though is a little bit different this year. So in previous years it's been mobile broadband devices that have been the major growth on the network. This year handheld has been a stronger driver of growth.

In terms of what we're doing we have an eight point plan to handle the challenge that all cellular operators have about growth in data on the network. What I would say is many of these are policies that we've implemented, some are strategies that we are investigating but I'll just sort of say how we're thinking about this challenge in a multi year basis. To start with with smarter networks we're looking at a lot of technologies including RAN aware content optimisation. RAN architecture, well the biggest thing that we have done and are doing is move to 4G.

We made an announcement last night that we're running a small cell network trial at Flemington Racecourse, that will increase the capacity there by 80%. So small cells and Hetnet is something that we are actively looking into and have a trial in place. I mean there's also the journey to LTE advanced. Spectrum of course is an important cornerstone of capacity and we've previously announced that we'll be bidding at the next Spectrum auction and the smarter devices is just so important here. Our policy as we've been through the different flavours of 3G is to get the latest devices out there because they're so much more efficient on the network and allows customers to have a much better experience.

That policy is triplely underlined at the moment, we're endeavouring to get 4G devices in the market. They have so many benefits, it's a lower unit cost for us, it allows the 3G customers to have an even better experience by taking those who want to move to 4G off the cell and also there's just steady research which is showing that 4G customers have a better net promoter score and are more satisfied.

The fifth part of the strategy is cellular is of course a scarce resource capacity there and so need to be sending the right pricing incentives to our customers and if you look at the totality of our price moves over the last 18 months you'll see that we are trying to send the right price incentives. Number six is and are we spending more and more time thinking about the intersection between our heaviest use cells, heavy customers and those who use it at the busy hour and there's a lot we can do. When you divide it that way you're getting into sort of a rarefied set of customers. There's a lot we can do, as an example proactively reach out and transition them from 3G to 4G.

The seventh is, well one of the best ways to pay for more capacity in the network is to grow your business, so the new businesses that I talked about are an important part of this as well and the eighth one is the one that I'd probably have to talk about most delicately and sort of our summary line would be about wi-fi overload would be selectively useful but no panacea. So in terms of the no panacea we look and look and continue to look at this. We look at the international examples from cellular operators who have implemented wi-fi overload policies and it's just not as big as is often touted. However we do agree that it's selectively useful and we continue to look at those right situations where we could implement it.

Just while I'm talking about the network LT investment will continue, so it's $1.2B in 2013, another 1,000 4G base stations and we've got 7,000 capacity upgrades in plan for 2013.

We're very pleased that the LTE 1800 Ecosystem that we form some part in forming has now taken off and that's very important to make sure that we get great network equipment and also great handsets. Then on the left hand side there's some examples of our network advertising. We've received very good statistics back from how effective that's been and expect to see a lot more of that.

Just on devices now. I've been around for the launch of 1G, 2G, 3G and all the sub-variants as well and I guess this is the first network that I've been associated with launching with such a rich array of devices. We've got 4G tablets out there. We've got 4G dongles, we've got 4G cellular wi-fi and a range of great 4G handsets across most of the ecosystems with more to come.

So just summarise. It was a good year in FY12 from the financial perspective, from the customer service perspective and also from the network perspective. Telstra Mobile is making a strong contribution to overall corporation. Our priorities are to improve the customer service and that's around managing the calls into the service centre, the move to online and the expected nature of the bill. We'll continue to push our Why Telstra story in the messaging around the network and customer service. We'll continue to work on the margin two ways, operating costs and SARC and best practice ARPU and we'll continue to push our growth businesses.

I shall finish up there and hand over to Robert to talk about simplification and productivity, then there's Q&A to talk to both of us after that.

ROBERT NASON: Thanks Warwick, well done. And I'll try and be quick because I think we've got a little bit of time to catch up and this is my third sort of investor day, so this story's been going on for some time and you might all be getting a little bit bored with it but it is important for the company and we sort of like having boring messages these days don't we David?

So the objectives started with what we called Project New. We've lost that name I think over time but it's very important to recognise that the objectives of the program are as we originally stated and those sort of themes of simplifying the business, improving customer service and realising productivity, really govern all the activities that we undertake in the operating performance of the company in terms of the reviews we do, the activities we do, the projects we kick off and those objectives have not changed for the last two to three years.

The program itself also hasn't changed. The intensity with which we're looking at the areas of the business hasn't changed, the focus and priority of this as a reform program hasn't changed and the opportunity that we see to improve is as strong as it was when this kicked off, so we do see strong prospects for continuing the momentum of the work that's been done to date.

I think the thing that probably has moved a little over the last two and a half years, this was a very project centred activity in the early days, so we had a whole stream of individual projects that, as a management team, we all managed and delivered and made decisions on. I think there's sort of now more of a balance towards the ongoing management of this agenda within the business and there are projects that support that across the business but each of the leaders of the business adopt the same mindset of looking for productivity service improvement, simplification in their management, so as a team we're delivering this agenda now. It's not so much a series of structured projects, although there are a number of cross company initiatives that continue and realising good benefits.

In terms of the results to date, our approach has been to sort of tell you what we're doing without setting targets and giving ambition around that and then just reporting transparently on how we've achieved those results and the results today are pleasing and they are in line with the sort of expectations we had for the program and not just in the financial outcomes, where we have had 1.7 billion of total productivity reported over the last two years but also in the improvement in customer satisfaction, the TIO complaint results and our own employee engagement, which is a very important factor to keep the 40,000 Telstra staff aligned with this objective and with us for the journey and that's something that we do concentrate on with the level of change going through the business. That's a big challenge for management and something we do focus our attention on to deliver.

So we're quite pleased and the results and of course that results in competitive differentiation and we've seen very good growth in market share above and beyond what's happening out there in the overall demand for our products and services we have been able to gain some ground competitively through the results of this program.

If I can turn just to highlight some of the productivity that we've done. I think in terms of addressing this issue, a company going through the level of change that we are in terms of new businesses getting created, new lines of activity being formed, as well as some of the legacy businesses eroding, it's very important to both define productivity the right way and to report on it transparently. So we've used this reporting methodology for the last number of reporting periods to sort of indicate the focus we have as a company on extracting productivity but recognising that we have growth businesses, like NAS, like the digital advertising business that Rick is running that require new investment, new resources, going into those businesses while we're taking productivity out of the legacy declining business and in an overall sense across the company.

In terms of where the productivity's being generated there is sort of an even spread across external partner optimisation, the operational productivity from the services process improvements that we're doing, changes to our structure and operating model, the dividend coming from customer experience improvement in reduced re-work, reduced complaints and so forth and the overall functioning of our corporate centre and the overhead functions associated with our performance. So there isn't one sort of big hitter initiative here. It is across the business and we think this way of measurement gives us the right focus and gives you the right transparency on what we're actually looking to take out of the company.

In terms of some of the changes in the operating model environment, I think it's important to recognise here that we're not about just a slash and burn exercise, or review of the company with just a drive on taking cost out, we're actually trying to create the telephone company of the future in a staged migration to the new service model and the new set of products and offerings that we have in the Telco of the future so that's required progressive change to not just our structure but the way that structure operates.

So we made some very big announcements during the year in terms of the creation of the media division, Gordon taking over as Chief Customer officer in the consolidation of our customer segments, which has worked really well for us and the continued investment, the network apps and services business and creating a very substantial business from very small beginnings has been something that's had a lot of focus. So a lot of these changes create this operating model for the future for Telstra as much as it is realising productivity benefits along the way.

We've also had a focus on improving and getting better value out of our relationships with suppliers. So over the last two and a half years we've reduced the total number of suppliers to Telstra by 29% and we think by the time the overall program's finished because we're still doing a wash through some of the spend areas, that reduction will be of the order of 35%, so we're looking at deeper relationships with fewer suppliers and a much greater accountability in our supplier partner base to our strategic objectives of customer service and productivity improvement. So we are working much more collaboratively with our partners now on achieving those objectives and seeing them as an integral part of our future in delivering service to customers and our overall productivity performance.

Now in terms of some of the results and I'll just go through these quickly, call volumes have and these are sort of two year from September 10 to now, a 29% reduction in call centre volumes. That's a good result and we're quite pleased and that we think there's more work to be done in that area and we can see the scale of that change continuing at about that rate as we migrate further to digital and continue process improvements and customer self-service into the business.

TIO complaints and the TIO reported out yesterday, we're very pleased with those results, which indicate even in a relative sense including to our services in operation or our overall market share where our overall level of complaints compared to the market is well down and we're very pleased with that result but still see that we'd like to continue that trend and really work hard at resolving our own customer complaints without them ever having the need to go to a TIO for resolution. But a 35% reduction over two years is the outcome to date.

On error provisioning, we've had a 59% reduction, which looks a great result in terms of over on two years. We got a lot early and you see the big drop off in that chart in that sort of initial kick-off. We made a lot of ground. It is just a hard slog. This is now, you know telephone companies are hard work business now and you get rewards for putting that effort in but it's changing processes, improving things, every day, having that that focus on it, managing to achieve that so there isn't going to be dramatic drops, it's just going to be continued hard work to get the number of errors we make in the service to customers improved and we need to have a relentless focus on that.

In terms of field re-visits, this chart sort of indicates the problems we have with weather and we've had a tough couple of years with the amount of rain that we've had, not just in the summer period but during last year that extended in that May, June, period we had unprecedented wet weather around the country, so our technical workforce responds. I think Brendon's got a much more service mindset now in our technical workforce and we're very proud of the work they do in those circumstances of coming to the fore when communities need to be connected when they've had these adverse weather incidents. But, in general, the performance of the field continuing to improve and 11% improvement over those two years and then in online Rebekah and Gerd are talking this afternoon and I don't want to steal their thunder but there's some very interesting data and reports on their level of migration.

We've very pleased with the digital performance and the take up that we're seeing and we're setting greater ambition now in digital. I think you would have seen in that earlier slide we sort of targeted 35% of our transactions online and we thought that would be a good ambition to have. We've now moved that to 50% because we're making such good progress. We're in the 30 percents already and Gerd will take you through some of the reforms and the activity under way to improve that environment.

Retail also represents a good challenge for us in terms of getting direct contact with our custom base and what do we use our retail footprint for and there's been some very good reforms that Rebekah's managing that I'll get her to take you through this afternoon.

On pricing simplification, again we're very pleased with our customers' reaction to what they're seeing us doing here, not just in price reductions and there has been some of those in terms of value for money from Telstra but also in the simplification of our offers, our bundles offers are now much more simple to understand and Kate and her team work on every pricing change we do now to try and introduce a level of simplification into our offerings to the market and our own market research indicates that we've had about a 12% improvement in customers ratings on those factors. Worth what, paid for and easy to understand pricing over the two year period through progressive work on pricing.

So that's a bit of colour in terms of where we're going with this program. The future though is what we're all focussed on and there are a couple of very important elements to the journey we're on. We've chosen customer advocacy as the theme for our continued improvement in customer service. We believe advocacy best fits our strategic agenda. It enables the cultural transformation, which is now receiving a lot of attention internally in terms of the mindsets, behaviours, attitudes of our staff to the customer. Whether they work in direct front of house roles, or in support roles in the business and the economic benefit we know from all the research you can do on advocacy in all industries, advocates buy more services, they spend more on those services and they churn far less than non-advocates do. So there is an economic equation here that we believe will drive continued performance of the company and set us up for a more competitive future with a relevant service offering.

Also conscious in terms of this and productivity is in the same boat, you hear the word 'productivity', you hear the word 'customer service' in all companies and they all talk about it. I think the difference is the level and intensity of effort going in to that challenge and in Telstra we would regard this move to customer advocacy as probably one of the biggest change programs Telstra's ever undertaken and so the extent of effort going, this is not about just rolling out a new survey and reporting some data.

This is a fundamental change to the way we think, we behave, we operate, we manage, we measure, we reward our people for delivering service to customers. It's got a real intensity to it. We're collecting 40,000 of customer information a day that is getting fed back directly to the employees that are serving. Those customers on their experience with Telstra and whether they would regard that experience as creating advocacy for them with their family and friends in recommending Telstra as a company to do business with.

So we're in the middle of rolling that out. We're taking 7,000 of our people leaders through a dedicated program to educate them on this. We're changing our operating model, our reporting, our incentive and reward structures and we see this is something that's going to take some time. It's not something that's just going to be a month exercise, it will take a number of years to fully transform the company to this mindset but we believe this will deliver our ambition on service as a telephone company and there's a lot of talk in the market place that telephone companies just aren't good at service and around the world that's sort of the case but we believe by really adopting this cultural change and linking it in to the process improvements that we're doing, we can actually change that level of thinking and we believe we can be regarded as a premium service provider against any corporate, not just in the telephone company world.

So that's the ambition and it's very ambitious and a lot of investment going into that over the next two or three years. That's also underpinned by the changes we've made to developing a continuous improvement approach, so we have now 16 process owners employed and their focus on an ongoing basis is to maintain the simplicity, the efficiency, the customer service in all of our core processes.

Customer facing and non-customer facing, they're up and operational and that's going to be a change from the project driven level change that we're doing to a continuous improvement change.

And then finally in the area of productivity I think there are, the first three items on this slide are the areas that we are continuing to focus on, so we're going to get a dividend out of further customer service improvement. It's been very good to date and we see that continuing because we're not satisfied yet that we're where we want to be on service, so there should be a continuing productivity dividend in, as you heard from Warwick, first call resolution customer self service. You'll hear from GerdGerd and Rebekah about the reforms in retail and online still delivering that.

And labour is also going to be something we focus on. I think they're getting the maximum level of productivity out our labour force and looking at how we construct and use, that labour force. We're in that situation where we have some businesses in natural decline and we have to manage that. We've got some businesses in rapid growth and we have to manage that, so our ability to partner, to achieve that and optimise labour and move labour around in the company to meet those needs, is a particular focus and we do believe there's further productivity there.

And then looking at creating this Telco of the future, global delivery model is something we're giving a lot of attention and Brendon will cover that off this afternoon but as we look at that NAS business and the growth prospects and the prospects both domestically and internationally for that business we have to create a delivery model that meets the targeted growth in sales that we're looking for and how can we deliver that, so thinking outside of our shores of what the best way of constructing that is.

Also creating the workplace of the future, so thinking about what does work look like in five to 10 years time and using all of this technology, all the innovation that Telstra has to create a workplace of the future that optimises the use of that technology for the benefit of people and their lives and how they work and also in productivity and service performance in the workplace. We're giving a lot of attention to that and we see ourselves leading in that, in creating those sort of environments going forward and that the variablisation of cost with a focus on industry partnerships, so those deep relationships I talked about will both help set up businesses for us in the future as well as give us reform and service improvement in our existing offering.

So in terms of all of those, if this program's running with the same level of intensity I think you can comfortably say there'll be an 18 month ongoing result coming out of that because we're fundamentally working on next year's improvements right now. Not this years, we're implementing this years but we're working in terms of change on next year and the year after. So while this program continues with the intensity, I would imagine the sort of scale of productivity change that we saw last year will continue and we've probably got a good number of years of productivity at that level and again we're not setting targets or anything on productivity, or customer service but again we're expecting a continuation of the rate of improvement in service going forward as well with the economic returns that will come from that.

So with that I'll close and we now move to question time. Thank you.

ANDREW KEYS: Thank you Robert. Ben is having a break so this is Andrew for those people who don't know me. David and Andy are joining Robert and Warwick.

Fraser McLeish, RBS. Three from me if you don't mind? Warwick, a couple for you. Just we're seeing a move to sort of bucket pricing in some other markets. Do you see that as an opportunity, as a threat and how you're generally thinking about it? Secondly, just on sort of wireless dongles, do you think that market's becoming sort of fully penetrated now, or is there still decent opportunities for growth there, or risk around things like tethering etc? And just one for Robert. I think you previously talked about Project New delivering savings on CAPEX, we're obviously not seeing that coming through in the high level, CAPEX numbers because of some of the investment going on. Are those savings coming through underlying, or is that something we've got to look forward to in the future?

WARWICK BRAY: So in the first of those questions, if 'bucket' means unlimited, then I think what we're seeing around the world and in Australia, that cellular operators are understanding that they do need to set the right price incentives for customers for using, what is, a limited resource. So we think that the plans that we've got in market at the moment are about the plans that we want to have. In terms of where you should see those develop, it would be that move I talked about during the presentation towards data and a bit away from voice and SMS. That would be sort of the rebalancing that will gradually occur for us.

The second question, which is about mobile broadband penetration, look tablets continue to grow and connected tablets continue to grow and they are growing faster than dongles and cellular wi-fi. Within dongles and cellular wi-fi, cellular wi-fi is growing much faster than dongles, so that shift is occurring. In terms of are we fully penetrated, well we still think that there are enormous opportunities, particularly in the business market around those productivity benefits that I talked about and we've really barely started there so I think there's a lot more in that direction.

FRASER MCLEISH: Sorry, just on the bucket thing I was sort of talking about, you get your wi-fi across different devices, you get a one-data plan and you can use that across different devices?

WARWICK BRAY: Yes. So shared, yeah, we call them a shared data plan and I do think that is a valid form of pricing and we are considering our moves in that area. Yeah.

ROBERT NASON: And just on the capital, it's true that there is a focus on capital. I suppose we have sort of an ambition that we manage CAPEX the same way as we do OPEX and treat a dollar of CAPEX the same way that it needs the same level of scrutiny and attention. We have got a temporary increase in capital to accommodate some of the growth issues in the business but we would see the capital efficiency of the business improving and a lot of the activity we are taking cost out of in some of the supplier programs, the actual cost of building IT and network infrastructure is coming down and that's resulting in a CAPEX dividend for us but we've got to manage that against the needs of the business to meet the growing demands for network capacity and so forth, so it's a harder one to present the way we do an OPEX because of that level of investment but it is true that we are focussed on CAPEX reduction over the long term.

DAVID THODEY: If I could just add, we, with the growth in CAPEX this year is for the accelerated 4G build. If we hadn't have done the work that we've done and through Robert, we wouldn't be able to absorb the NBN build. That's the big one and remember we always said we'd manage the NBN build within our CAPEX envelope but yes, we've brought the 4G bill forward and then a little bit of acceleration of NBN. So that's really but otherwise we would be, I think. Now it's tight though. I mean we're managing it tighter than I've ever seen us manage it in the company, which is good but if you ask the liners, saying every dollar of CAPEX is just about as importantly managed as every dollar of OPEX, it's really tight and we're only doing projects we can really see a return on, so it's a very different culture to what we used to have. So really important.

Thanks a lot.

Andrew Levy, Macquarie. Warwick, I just had a question for you on what's happening at sort of that cusp of people who are sensitive between prepaid and post-paid plans and as plan structures change and consumer demands and behaviours change, what you're seeing happen sort in the shifts between the two handset offerings?

WARRICK BRAY: Yeah. So in my years in mobile I've seen these gradual waves. So there's sort of a set of people who want to buy post-paid, a set of people who want to buy prepaid and there's sort of the swing voters and over some decades and years, there's been this sort of wave. What I guess I've never seen before is what we're seeing now, which is a big move from prepaid to post-paid and our hypothesis as to why that is, is that they're after some of the smart phones that they can get on the post-paid plans. So that's been happening, I guess, for well more than a year now and is currently continuing.

Thanks.

Sameer Chopra, Bank of America – Merrill Lynch. Two questions. One is Robert, there's been quite a few announcements from some of the competitors about head-count cuts in the range of sort of 10-11% and I'm trying to understand, is this an industry shift in operating model, or is this more driven by top line transit competitors? How do you see this playing out? And the second question is for Andy. Andy, given the guidance that's been provided so far, when do you think the company might return to a positive franking balance? Do you think that's possible in 13, or is that maybe in a later year?

ROBERT NASON: First question for me. Look there are some just natural trends in evolution that customers prefer to deal online and with being more online savvy there is a natural reduction, you're getting call centre traffic, call volumes, which does cause closure of call centres and responding to that change in mix but I don't want to speak to what the competitors are doing but we're seeing that labour needs to be managed very carefully, we've done quite a bit of in-sourcing of what we've previously outsourced as well. For example, in IT, we felt we went too far outsourcing and we've brought that back in, so I think each business needs to look at that in it's own right, as far as an issue and what the best labour model is.

I know Brendon's putting a lot of thought into that as we grow the NAS business out and with partnerships, what our partners do, what will we have inhouse, what will we contract out to do to build a capability and he can go through that this afternoon. So to me it's quite a sophisticated question and there isn't a simple answer to it and that's how we're dealing with it; it's not about achieving a number. It's not about exiting so many people to make a profit figure. It's about thinking through what business you're trying to create.

DAVID THODEY: Robert, would it be fair to say that we look for productivity improvement every year in every division and that's the only way you can look at it?

ROBERT NASON: Yeah.

DAVID THODEY: And so if you look at our numbers, you'll see an enormous move from part of the core business into new investment areas. So last year our head count was flat. I mean, now remember there's lots of funny things in FTE in terms of contractors and in-sourcing and outsourcing but when you really get underneath it, I think we moved about 2,000, little bit, maybe less, into new business areas, so the NAS business is a very, far more people intensive business, so if you look right across all the core parts of the business, nearly every one of them would have seen a decline in the number of people's improvement in productivity.

ROBERT NASON: That's right.

DAVID THODEY: As you invest, so I can't comment on other companies because they've got to look at it but we do it every quarter. I mean Rob and I meet every week to go through the numbers and so that's the only way. Every part of the business, whether it's sales, whether it's in media, whether it's service field engineers, it's just continual driving it. These days of the big programs when you get into trouble and you cut 10% it's just, it's destructive to the business, you've just got to keep at it. That's the only way that we've learnt how to do it and that's why this program's so important and it's looking at every part of the business, the number of times a customer calls you. It's really disciplined, hard work and that's why I think you see from Robert's charts. So I don't look at it in terms of those terms but we are investing in new business areas and we're going to continue to do and sell and be more people intensive.

ANDREW PENN: Just on franking Sameer, whilst we expect some improvement in franking in 2013, just because of the low single digit growth guidance we've given, there are some realisations and deferred tax assets, so that's sort of, is largely sort of neutral but in 2014 we would expect to see surplus franking credits come through, of course, subject to NBN roll out etc and that impact and interesting the last element in that of course is the government's recent announcement to introduce a monthly payment system. That drags forward a couple months worth of tax, which in our sort of terms is somewhere between 250 and 300 million dollars of extra cash out flow in the year of transition but that does bring franking with it as well.

Brad Clibborn, Credit Suisse. Three questions from me. The first two for Warwick. Warwick, just in terms of the 4G what you've seen so far, you've got 800,000 customers there now. In terms for like-for-like ARPU are you actually *seeing any uplift there, or is the push into 4G more about lowering unit cost and improving utilisation of spectrum?*

Secondly in terms of the market growth rates, you showed that the market revenue growth has slowed and I guess if we look at the last five or six years, it's been driven by the take up of dongles and tablets and the like. Looking forward do you think that machine to machine can offer us another wave of revenue growth for the industry?

And then my last question for Andy, just in terms of CAPEX you mentioned after the mobile investment over the next year or two rolling off there's an opportunity to come back below 14% CAPEX to sales. How materially over time do you actually think you can get that CAPEX down below, or how materially below 14%? Thank you.

WARWICK BRAY: So just picking up the second question, which was about the market revenue growth. So we're not going to make a forecast about the market revenue growth. We just put that up as a point of reference, without endorsing it. What I would say about Australia market revenue growth relative to other countries, well at least we've got population growth, so we've got 1.4% population growth. The other thing that is important is, to the extent that GDP normalises and more jobs are created, that's very good for cellular around the world and so to the extent that you believe in GDP, that's good for the Australian cellular market as well. We do believe that there is growth in M2M, as you've pointed out and growth in mobile broadband along the lines that I've indicated but I mean it's up to offset that against other parts of the business.

Could you just repeat the first question?

BRAD CLIBBORN: It was about 4G ARPUs and the trends you're seeing so far. Is there any uplift in like for like?

WARWICK BRAY: So three comments on that. We have announced about customer satisfaction being significantly and sustained better for 4G customers over 3G. And the second thing is you're right, there's a big benefit on that in terms of unit cost. We haven't given, we haven't released like-for-like ARPUs for usage at the moment but I did say that in terms of our post paid handheld plan mix, re-contracting is a positive at the moment. So that doesn't exactly answer your question.

DAVID THODEY: Okay. And just on the CAPEX to sales ratio, so right and the reason we were quite explicit about making that point is we wanted to also be clear that the increase in 2013 and 2014 was an acceleration, not a sort of a permanent increment, if I can put it that way. I mean over the longer term, I mean these things are a bit hard to predict but we have said previously that 12-13% is where we believe long term CAPEX to sales ratios should be. As David has indicated we're dragging quite a lot of CAPEX at the moment just on the NBN rollout, so beyond 2014 – 2015 that would be our sort of aspirational sort of target to aim to bring down the CAPEX to sales ratio by another percent or so.

And the other way of saying that is either I put a target out at 12 to 13% internally. Look it's as much as you can predict, that seems to me when I look around the world, I look at all the different telcos, some at different points in their, some are cash strapped and are pulling it back for other reasons but when you look at a going rate, it seems to be around that level. Now but I can't say that's a forecast to the market because I don't know what other growth opportunities we may need to have in that period but if I look at a steady state and trying to drive a greater, efficient, use of CAPEX is really important for a telco and therefore getting the right returns for where you invest in capital and really driving it and that's a lot of what we spend time on. So I mean, I'm sorry, we don't want to get in to but we're just giving a sense of where we think the natural position is, that's what I've concluded but it's a best estimate.

I think that's where we're at.

But that's what I'm challenging all these guys to do.

Justin Diddams, Citigroup Three questions. First for Warwick. Just follow on from Brad's 4G question. In a lot of Asian markets we've seen LTE priced at a premium because the operators have realised it's a better product and they can get more money out of the consumer. So I wanted to understand why Telstra's decided to price LTE at the same pricing point and not, given that it is a very nascent and very attractive product, not get some of that pricing premium? If you can run through that? That's question one.

Question two. Just one the productivity savings, a billion dollars of productivity savings is a fantastic number but yet costs are flat. So I wondered how we should measure you on the success of that other than just you'll tell us it was a billion dollars next year and a billion dollars the year after, so I wondered I you could give us some colour on that?

And then the third question for David. You said Foxtel and you used the word triple play and NBN and product offering and I wondered if you're telling us you're letting the dog off the leash, so to speak? That Foxtel is going to be offering triple play and maybe your biggest single competitor in the market, given they're a monopoly content provider and what potentially that means? If you could just clarify your comments around Foxtel, that would be useful.

WARWICK BRAY: So just on the first question and there's a number of factors that we took into account for 4G pricing and the first of all is that we are already a premium service and we wanted to continue offering more value at that premium point. The second point is it's very much in our interests to move our customers as quickly as possible from 3G to 4G because of the unit cost benefits. That's influenced our thinking as well and then relative prices as well.

DAVID THODEY: And I think it's important to remember we have pulled back in terms of data allowances. I mean I think you've seen some, quite a bit of movement in the market already in Australia and that's, so I think that there is just slowly a movement of value back into the LT offer, so, anyway, I think that's where we're going but yes but we're aware of what some Asian are, every country's different. You've got to look at the dynamics, where the environment, so it's, we watch them pretty closely.

Robert?

ROBERT NASON: And on the productivity one, I think we've tried to be as transparent as we can because we think it's too sophisticated a question just to give a net number so if you look at productivity we've made a very big investment in DVCs to accommodate the growth in our mobile business, that's been a very, now if you look at the productivity, we've largely absorbed that cost through productivity savings, so keeping costs flat in an environment where you're significantly growing your number of subscribers. So it's three million new mobile subscribers over the last two years has quite an acquisition cost associated with it and then you've got new businesses that are being formed, like the NAS businesses. Those businesses are evolving, margins are reduced and we're getting to write costs models, the change from print to digital in Sensis, we've swallowed that through the productivity savings.

So I think it's the right question to be asked but we're trying to give you that information of what we're taking out and then where it's being deployed, where is it going in the growth businesses, where is it going into DVCs so you're seeing, in terms of producing a net position, is that a good result, or not and that's for you to judge but we're trying to give you the information so that you can assess that, as these growth businesses mature, then a lot more of the productivity is going to hit the bottom line and that's sort of as we go, that's a reasonable expectation.

DAVID THODEY: I think that's a really good explanation. I mean it is at the aggregate level. You've got to deconstruct it and see where you're driving your productivity to invest in the sales effort and in the creation of new businesses and to get a flat result in a very changing market and I think you just need to look at every telco around the world, some are, how they're approaching that and we've taken this course, so I think it's the right strategy and I think it's really, I mean we're very disciplined about it. They're not easy conversations to have and as we go through that. Yeah. Foxtel. Let's be ...

ANDREW PENN: David, just to finish as well. If you just sort of take our starting cost position of about 15.2 billion and apply what you perceive to be general inflation that's occurring at the moment and also the other measure to look at is the percentage of DVCs is of our total cost and you'll see proportionally that's gone up at least a couple of percent over the last two years. That will show, you'd be able to backwards engineer your, from that point of view what would be the natural drivers across and then of course throw on top of that the fact that we mentioned earlier that our mobile volumes, just in terms of subscribers, has grown at least 20% over that period of time as well and that's obviously driving quite a lot of volume.

DAVID THODEY: Covering the declining business etc, so that's the way we look at it. Okay, Foxtel. Well look Foxtel's a separate company so I mean this thing about triple play, I'm just repeating what Richard Frudenstein said, so putting the dog off the leash, I've never thought of it like that, that's not, we're on the board, we're a 50% shareholder, they have the right, nothing's every stopped them from doing a triple play ever, it's always been there, so I don't think we let them on the leash, they've never been on a leash to the best of my knowledge. So but we do look at it in terms of value creation and value creation for the Foxtel business, which is really important and then how we can look at it within the new world but there's no question, you look around the world, different consumers buy in different ways.

Some people will buy for the technology. Some people will buy an entertainment package and pull the access along with it and both are bona fide ways, we've done that with triple play before, so there's nothing new here but what we are saying is that we really support Foxtel's desire to increase market penetration. Robert's the chairman of that business and that's it. So I don't see anything significant. I get asked a lot of questions but we're not, we're just trying to run the business as profitably and at the whole and at the Foxtel numbers we can and that's where we're at. So there's nothing more to it than that.

RICHARD EARY, UBS: Thanks. So just to Warwick. Just looking at the actual 4G subscriber numbers that you've given out today. I mean is there any way that you can give us a feel in terms of what the traffic loading is on those subscribers relative to where it was on 3G? I know there's some stats out there from global players, which suggest it's quite a large step up in terms of loading on networks.

Yeah. I think and when we decide to release it, it will be sort of in a more considered ways than just like this but at the moment, we're not releasing that number.

Maybe just to, in terms of, again early days but do you have any views in terms of what 4G means for fixed and mobile substitution, whether it becomes more complimentary than 3G and are we seeing any sort of early signs of that emerging?

WARWICK BRAY: So on that we continue to believe in the economics, absolutely suggest that for people whose needs are stationery and who are medium to heavy daily users, they should be using some form of fixed network. Mobile is a complementary service for when you're out and about. A very important signal we try to send to the market is you might have noticed a year or so ago, we renamed our wireless broadband product to mobile broadband and that was actually really thoughtful about the point is the mobile is about mobility and not the substitutional point and if you sort of take all of our marketing literature, we're very clear and we use the words 'out and about' about mobile being the complement to the fixed network.

DAVID THODEY: Warwick it would be fair to say, not, we're not going to disclose but the 4G network's going really well. I mean it's 800,000 odd users going really well. It's no signs of any strain on that and now we've got to manage the transition 3G 4G because you're running the two networks at the same time, so that's the challenge but it's going well and the guys are building out the new base stations and the upgrade now. So 4G very pleased with it and in fact the data I've seen has been encouraging.

Thanks.

MARK MCDONNELL, BBY: Thanks. Warwick, one question. So given the trends you've touched on around post-paid displacing prepaid and shift to 4G etc, I'm just wondering if I could draw you out on what the implications are for changes in the rate of product sales revenues coming through the mobile business and to what extent your subsidy levels are being impacted as a result of the new product mix?

WARWICK BRAY: In general our unit subsidies now are lower than the equivalent time last year and indeed to give more specificity on that, the more expensive device, the more unit subsidies are a bit down on last year. Is that what you meant by product mix?

MARK MCDONNELL, BBY: Yeah.

WARWICK BRAY: There's not much change in, there's not much subsidy that we spend on anything else other than post paid handheld, so that's where the main game is and the unit's there, the unit subsidies are looking good.

ANDREW KEYS: Thank you. We're going to take a short, five-minute break and after the break, Telstra's Chief Operations Officer, Brendon Riley will introduce the NAS session. Thank you.

Q&A ENDS--------

BRENDON RILEY: Good morning, I'm Brendon Riley. It's nice to be talking with you this morning with my esteemed colleagues over here to the right on NAS. This is a very important growth opportunity for Telstra both domestically and internationally and I want to talk about that.

In many ways it builds off many things we've always done for our customers but increasingly we're looking to develop a new set of offerings and capabilities that we can add to that base and what I wanted to do is just start off and talk a little bit about some of the trends happening in the industry that are impacting how our clients are buying and what we're doing to redefine many aspects of our business.

David's touched on many of these but certainly from a mobility and devices perspective that's incredibly important. We're seeing exponential growth in IP connected devices. Some are forecasting wireless only traffic is going to surpass IP based traffic some time in about 2015/2016.

Cloud and virtualisation is a huge trend and you could say "well what is cloud?" Is it a new delivery vehicle for consumers that's easier and simpler to use? Is it the future of the IT stack in that whole IT delivery environment? Or is it indeed the redefinition of what the network is?. And the reality is it's probably all of those but that's certainly giving us new ways to supply solutions to the market and giving our customers out there lots of new ways to buy.

Video represents about 40% of our traffic today. That's going to grow to over 60% by 2015. We're seeing the standards around how video is delivered across devices starting to converge. So we think this is going to be an incredibly important space in terms of how people collaborate and connect and that was one of the motivations behind our iVision acquisition.

The buzz word of the year in our industry, last year it was LTE, this year it's Software Defined Networking, probably buzz words and that's really talking to how networks are managed and provisions and moving away from what's typically been a hardware and fixed configuration environment into something that's really commanded by software. We're heading off over the weekend to Silicon Valley next week where we will be spending a lot of time with some of our major partners and a lot of the new emerging entrants in the software defined networking world.

Many of those trends and directions are also creating new opportunities for our customers in terms of how they're buying. I guess any time anywhere, any device, the term I use sometimes is "connected ubiquity". We all want connected ubiquity and we want it to move with us as we live our lives, whether that's home, car, office or in the act of travel somewhere in the world.

Software as a service is starting to move us into really anything as a service, a much more flexible based consumption models and that in turn is creating a whole lot of new business models, B2C, B2B, I think we heard a couple of good examples from Warwick in terms of what machine to machine is doing in how bakers, plumbers and farmers are able to run their businesses and that underlying flexibility of how our own customers can set up their go to market offerings and particularly shift what they're doing to an online environment.

All of those things creates opportunities for us to change what we're doing; and I mentioned the basic capabilities we already have, we've got to look to build on that basic capabilities with a set of offerings.

So fixed and mobile convergence, I guess the concept of a connected life, whether that's your employees or whether that's us as individuals and we've got to have solutions that facilitate that and really bring that to life.

The underpinning core IP network remains vital to not only deliver some of the bandwidth type applications and services that businesses need but also to underpin what we need to do on wireless.

One of the things we've developed is an application called "Application Assured Networking". It's our intellectual property, it's aligned to software defined networking and that's all about how we fundamentally optimise the network around what we're delivering across the network from an application's perspective, so enabling our customers to self service, tune the network performance relative to the applications and delivery that they're driving.

Those things are incredibly important when you move up into that cloud space because the way people are going to be buying and the way we're going to be delivering solutions is through cloud ecosystems. You may have a cloud solution from us, a cloud solution from somebody else in the market and how you orchestrate and provision the network to bring that ecosystem to life is fundamental and vital and that's an area that we are very, very keen to mark out a competitive advantage.

Unified communications is vital and that's sort of the convergence of email, video, telephony in a fixed and mobile world across a range of different devices and that's just that any to any sort of experience, we've got to have a set of offerings that go with that.

And in any services business, I sometimes say there's three keys to a great services business, delivery, "delivery and delivery". So you've got to have fantastic underlying delivery and in many respects we have that today in Telstra but there's still a lot we need to do as we scale out and push our growth ambitions.

The next slide just sort of nice and succinctly talks about what NAS is today. So those trends are impacting how we need to shape it but what it is today it's pretty simple. It's the underlying connectivity that we build our solutions on, manage network services, so how we configure, optimise, run and in an increasing number of cases outsource network management, unified communications, the convergence of all of the ways we use devices, media, email, on top of that is cloud and then finally is aligned set of professional services. Professional services like video, unified communications, security. That's very important as you start to design and implement whether they be standardised or customised and integrated solutions for customers. So that's how we define it, it's pretty simple, fairly straight forward.

In terms of our growth, on the next slide you can see that we've been doing well. It's nearly a $1.3B business, we haven't had it running that long and we're obviously going to continue to push and grow this faster than the market so that we can continue to grow our share.

There's some things we've been building. Firstly we've been recruiting and continuing to scale out our leadership team. David Burns has recently joined us as the now new Head of NAS. David is a very accomplished global services executive. Paul McManus, who was David's predecessor is now moving to be our new Head of NAS Asia and he will be working closely with Martin and the Telstra Global Team and Head of Delivery is Nick Holdsworth, again extensive delivery experience in the industry and a sort of a two for one with Nick because he most recently was a customer of ours at Commonwealth Bank so he brings that very important customer lens.

We've been driving our sales engine well. We continue to have a healthy pipeline and we'll hear a little in a moment from Will and Paul on that.

Standardised offerings is something that we've been working on to develop because with standardised offerings you can manage your costs more effectively and then it's easier to clip those together and integrate them to deliver integrated solutions.

We've been building out a client delivery unit and that's back to the theme of delivery and this is particularly for our large enterprise clients where we are now providing a single point of integrated management and focus on all of the customers. The feedback from that has been excellent and increasingly as you sell these complex solutions having delivery capable people as part of the sales process is also vital. And we're grounded in the strategic objectives around advocacy which Robert and David have already touched on and we have already received in the early stages some awards from the Customer Service Institute and other bodies on the service models that we're running for our customers.

If I go onto the next slide, we see there's still healthy growth opportunity domestically and also as we start to move into Asia. If I talk about the domestic growth, it's important to note there is still net new incremental market opportunity coming into this segment every year. While some of our segments are in decline, this is one that is growing and as I mentioned before it is our intent to grow ahead of the market.

Earlier this week in line with this growth objective we did receive some very positive news in that Telstra has been selected as the Department of Defence as preferred tenderer for its terrestrial communications tender. That's quite a significant opportunity. We are now entering into negotiations with the Department and we will be looking to contract that as quickly as we can.

Looking at Asia, the market opportunity is extremely significant and my experience in working in the emerging markets of the world is you start to see the sophistication of solutions and services that our customers buy, start to move up the services curve. We're well placed already in some of the markets of Asia but it's certainly our intent to focus on entering other markets.

Our approach is, we've got those offering categories that I discussed before, managed network services, unified communications, cloud and aligned professional services, so we'll be looking to match that against the geographies and the cities that we want to move into. We'll be focused on multinational corporations, so those Australian entities moving into Asia and also global entities from other parts of the world moving into Asia and Australia; and as Robert has mentioned scaling out global delivery.

In some cases we will be relying on our own presence and existing capabilities, in some cases we will be looking to forge partnerships in these markets and we'll also be looking to acquire companies where we think it can build on critical core capabilities. If I can move to I guess the net summary slide of what we're trying to do here. Based on those offerings that we have and how we're going to continue to develop those offerings, grow the core that's here domestically, expand the offering roadmap on that core and shift both of those things into the international stage.

We've already announced an $800M investment in cloud. We will be building new professional services practices, we'll be looking at particular industry solutions and also looking to acquire new capability that helps us scale those out. We want to continue to grown revenue from our core, so that's winning new clients in the Australian market, winning back clients from our competitors and also looking to augment new offerings and solutions into the contracts that we already hold. So iVision, if we look at that acquisition, that has been very successful in growing new video based solutions for a number of our corporate clients already in Australia. Then we want to expand internationally and that's not only countries and cities and offerings and following multinational corporations but it's also building global delivery and I think Robert gave you a very good summary of that earlier.

If you look at the sort of growth aspirations we have, we've clearly got to be able to grow our delivery capabilities in line with the contractual commitments we're moving on with our customers. So it's about scale. It's also about competiveness, because increasingly this market is moving to one which is dominated by global players so we've got to be globally competitive in everything we do. We're going to be exporting out a lot of our great talent and base capabilities from Australia in Asia and we want to be able to leverage the capabilities that we build in Asia for Asia and back into Australia.

What I'm going to do now is I'm going to pass over to Will and then Paul and Martin. Will's going to give you some insight into the Telstra business space and particularly on cloud, Paul's going to talk a little bit about the journey we go through in NAS with our larger clients and Martin is going to update us on the state of Asia and then we'll do Q&A.

WILL IRVING: Well thanks Brendon, it's great to have a chance to talk quickly about small business, a very exciting area when it comes to cloud.

If we think about Telstra's business group, we have a bit more than 1.1million small and medium enterprise customers spread everything from the very home small businesses right the way through to some very significant medium sized businesses before we head into the enterprise space that Paul will talk about in a few moments.

What are the key value propositions that we bring to a very dynamic customer base? There are a range of things that we think make Telstra unique when it comes to cloud and it comes to the NAS journey that we're on. And the first is that we have the full array of products. Whether it's software as a service and things like Office 365 which for so many small businesses is the core. It's their email system, it's how they're running their spreadsheets, it's how they're making presentations to their customers with PowerPoint and that's exclusive to us on the T-Suite platform. It's about security, things like Semantec and McAfee.

If we take it a step down, it's about utility hosting and we see that as a huge area of growth, particularly again for small to medium business that lacks the internal information technology expertise to be able to do it for themselves; and then it's also about dedicated hosting for those larger enterprises which have a need for cloud and I'll talk about that in a moment and who want a partner that can do things in a very specific way but don't have the scale necessarily or the desire for a whole range of good reasons to do it internally.

If I think about the breadth of small business and medium business in Australia, we offer some unparalleled reach, whether it's 90 Telstra business centres dotted all around the cities and the major business centres of Australia, whether it's account management teams everywhere from Darwin to Hobart, Brisbane to Perth and in between we can reach customers in small and medium business and offer them something that they can't get from our competitors in terms of local service and a trusted advisor relationship. And for us that's the big opportunity with cloud.

History in the small business space Telstra has provided the connectivity, we've been the route in and out from the business. With cloud now we become part of how you run the business. Whether it's your security, whether it's your accounting system, whether it's the way you work internally as well and that requires a very high level of security and when you think about the breadth and depth of Telstra's security teams in the network space and beyond we think we again offer something that our competitors can't match.

So to with reliability. Whether you look at the next IP network, the breadth and depth of the next G network and we see a number of our customers choosing to come to us because in small business they don't have the luxury or redundancy in terms of multiple lines on multiple sites. They've got one site and what happens there is what happens.

So if I pick La Manna, a group that does vegetable and fruit wholesaling, based initially in New Zealand with a big Australian operation, badly affected by the

Christchurch earthquake, made the decision to go to cloud, came to us because they knew we could offer that reliability and redundancy that others couldn't and a very high level of service on top.

Then there's our network intelligence and for those who come down at lunch time to have a look at the bike shop down on level 2, you'll see what we're doing with integrating both our fixed and mobile networks and I don't just mean a bundle of services put together, I mean the small business that's had its fixed line on the side for the last 20 years and now when a customer rings that small business they can have that fix line ring and their three mobiles all at the same time or they can choose for any one of their numbers where the calls will go because for so many small and medium businesses being real time for your customers, answering the phone is so critically important. If someone needs a plumber and the first plumber they ring doesn't answer they don't leave a message, they ring the next plumber and so in small business we see real value and real competitive advantage linking the networks to the clouds so that you can both reach customers so that you can serve customers with real time intelligence.

And so whether it's infrastructure of a service product and we've seen in grow tenfold since the first couple of months, compared to list time last year and it's growing very rapidly but off a small base. Whether we look at the number of seats that we now have on T-Suite where we're heading up during the course of the next few months towards 200,000 seats in T-Suite and growing literally a percent or two a week at this point. So it's a product that has now reached the early stage of real market growth for a couple of years of being there but it only really being the early adopters. We're now seeing small and medium business really take off when it comes to software as a service.

So we see a lot of growth. We see growth right through the stack, from people who just want a bit of software and have it on any device in a convenient way right the way through to how you save money and run your business. And if we think about that medium business space, just to finish up with the more industrial end to lead into Paul, we had a group of economists do a survey for us late last year looking at what were the cash flow and expense savings; and even for the largest of businesses in our customer base, around a 20% saving from moving from having onsite service and getting internal IT staff or having IT staff bought in as needed compared to what you could do, at the small end closer to 70% savings because so many small businesses, if they're using a server they're not using its capacity, they're not using it efficiently, they're not keeping it upgraded, huge potential efficiencies plus of course the cash flow benefits of being able to pay as you go, scale up and scale down and again for so many small and medium businesses they face quite seasonal flows.

So we think we have some compelling offers, we think we have stuff that nobody else in the market has and we're looking very forward to some really explosive growth in the years ahead. And with that I hand over to Paul.

PAUL GEASON: Let me talk about Enterprise and Government and I just want to be clear about what it is that we classify as enterprise and government in terms of the segment that we serve. I want to talk a little bit about the drivers in that market and I actually think that a lot of the conversation this morning, in particular from Robert and some of the challenges we face in Telstra are very challenges that are faced by many enterprise organisations and government organisations as well as we look for productivity and we look for platforms for growth.

I want to talk a little bit about the products and services that are relevant here within this NAS portfolio and then give four or five customer examples of what does it actually mean when we talk about cloud in an enterprise and government environment. The easier part of that conversation is probably to talk about who is this identity of enterprise and government. For us it is our largest 1,200 organisations in Australia. It includes all of government, so Federal, all their departments' agencies, all of the State Governments and then Australia's largest 1,200 enterprise organisations, so the really big end of town.

In terms of drivers, I think it's pretty straight forward what is going on. We do see some variation across sectors. Clearly in mining and resources the challenge is how to optimise the opportunity. When we think about how we serve our retail and manufacturing customers it's very much about battening down the hatches, thinking about how to revise business models more from a driver of survival than it may be about optimising the opportunity that presents itself right now. And in each of those instances one very common theme is productivity, productivity improvement and you've heard our story of productivity and so often we're having that conversation with many, many large enterprise organisations but also governments where they also face the challenge of "how do I do more with less".

The other key driver in all of this is despite that conversation around productivity improvement and addressing profitability, we see a real desire for building platforms for innovation and building platforms for growth and that's really exciting for us in serving those clients in that relationship because they also see an inextricable link between ICT and how you actually deliver productivity and how you build platforms for innovation and growth and really take advantage of digital change and digital revolution. So those are the sort of drivers that we're working with.

In terms of the product set, I think that Brendon has actually described very well what it is that we call network applications and services. It's our language and certainly when I'm with customers I don't talk about network applications and services as such and in fact something that's really important to us is that these services and applications are not isolated from the network and I think David said that this morning also where we see a shift up the stack into managing customer environments, providing applications and services as being a very logical and very natural thing for us to do and in fact the core of what it is we do in our networking and the intelligence that we've built into our networking is the thing that brings an extraordinary advantage and differentiation for us when we talk about applications and services running out of the network. So in some respects I think in the last four or five years as we've talked more and more about cloud and applications residing in the cloud away from the enterprise environment, the network itself has been quite resurgent in its importance and critical role it plays in actually enabling that environment and providing confidence that its safe and its robust to put my applications in an environment away from the enterprise and that's a very big decision for enterprises to make.

So when we come to cloud in particular, I just wanted to use a couple of examples. It's very much a journey for large enterprise and government. They are a little bit different to the smaller businesses where enterprise and government you're very heavily invested in our IT environment, you have big IT departments, you have big capital infrastructure investments in data centre, in server environments and it's not that simple to just think about a forklift environment from thinking "I'm running it in the enterprise today, I'm going to run it in someone else's environment tomorrow." So we see them on journeys.

We're in a conversation right now, I can't disclose the name of this customer but it's a services organisation that has 300sqm of Sydney CBD real estate tied up in a data centre in their office locations, 100sqm in Victoria and for them the first step in a journey to the cloud is to say "we actually don't want that environment operating on our real estate, how do we actually get it out and do it somewhere else?" So it actually becomes a strategic co-location conversation with us to say "can we get our equipment out and put it into your real estate and we still wish to manage that but we actually have taken that first step of at least it not being in our enterprise" if you like.

The second step that they'll talk about is "well if we're comfortable with that, will you manage it for us? Will you actually virtualise that environment and take responsibility for the "hygiene" if you like of managing that ICT environment now in that different real estate".

The third conversation that comes or the third phase is how do we move that to cloud. The really encouraging element about that conversation is that all the while there might be three phases to getting to a cloud environment where ultimately the applications now do reside on a multi tenanted share environment is that there might be things that that client can do on that journey where they may have some really simple workload or a simple web facing application that they're quite willing to put into the cloud right now, which is very important when we think about a couple of our clients, Dominos being one and Coca-Cola Amatil being another.

In the case of Dominos, one of their fastest growing applications needs is their ordering app. They do 80% of their orders now online and a lot of that actually going to the mobile. So they have this huge scale need in terms of that ordering app. They don't want it in their environment, they've put it in our environment so we now effectively, on a managed virtual server environment, house that application and maintain and look after that environment for them. The advantage it gives to them is that we now provide that as a service and so as they scale in terms of the demand that they have for the need for that application based on their customer requirements we're able to manage that for them.

In the case of Coca-Cola Amatil it's very similar. One of their most important applications is the ordering app that's relevant to their 250,000 merchants who want to check that they've got enough Coca-Cola in the fridges in the morning and again at night, instead of coming into the call centre they want those merchants to be able to come into an online environment and that application again is one that's really quite key for them in terms of it being a web interfacing app, they don't want to have to manage the scale of app, they don't want to have to invest capital so it sits on a managed virtual server environment in our centres and we manage that for Coca-Cola giving them all the advantages again of that on demand usage based leverage of those services.

The other side of that equation is examples of our relationship with Komatsu and Visy where they have their big ERP application SAP again sitting in our environment. The decision was really simple for them, again they don't want to have to have the people and invest the capital infrastructure to manage the scale of that particular application particularly as their organisation grows and expands. So it's in our centres and it's in a dedicated managed virtual environment. So again we've virtualised it, we manage it, it's dedicated.

The next step for those customers and as we work through our service capability, is to say "can that actually move to a fully multi tenanted base". So instead of it being an environment where it's a version of SAP dedicated to a Komatsu or dedicated to a Visy managed in our environment, we say "are there further advantages to be gained by putting that into a shared multi tenanted environment". That's really the ultimate next step in terms of what you would see as a provision of cloud services.

So that's what our customers are doing. We're trying to keep that as standardised and as scalable as we possibly can and in fact our customers are demanding that as well. I think this desire to be standardised, to be able to share, to leverage multi tenanted environments for something that is common and used in a sector is a really appealing outcome for our customers but it's also very appealing for us then in terms of how we serve. And again I would just finish by stressing that the real advantage for us as we think about serving those clients is the network itself and when you think about an application sitting on a server environment away from your organisation the network and the intelligence in the network and Brendon referred to our application assured networking service, is absolutely critical in providing a level of confidence and comfort that that's a good outcome and a robust outcome for an enterprise or government organisation.

So with that I will pass to Martijn who will talk to the global opportunity.

MARTIJN BLANKEN Thank you Paul.

For the next few minutes I'd like to take you through the growth story of Telstra outside of Australia and it will be no surprise that an important part of that growth story will be fuelled by our NAS business but it's not exclusively our NAS business that will drive that growth.

Before I talk about what will be I think it's also worthwhile spending a bit of time what has been and I think it's worthwhile going back approximately two years when we announced the REACH acquisition.

In January of 2011 we announced that we took over the majority of the assets and the people of the REACH joint venture and behind the scenes we have been working very hard to build a platform for growth and I want to be talking to that for a little while; and the good news also that we have been able to achieve quite a considerable growth while we were doing that. But let me start by building that platform for growth.

Obviously if you go and acquire a series of assets there are a lot of assumptions underpinning it, synergies that you hope to achieve and I think it's very pleasing to see that in the last two years we've been able to achieve the expectations that we said in that business case, actually we've done better than that. So up until that point Telstra internationally was more a federation of locally oriented mini telcos, if you will, one in North America and one in Noumea and one in Asia and closely integrated obviously here in Australia and we've transformed that really into a global telco. Our customers are global, our people are local and our assets are anchored here in Asia. And in doing so we've also been able to tightly integrate our network infrastructure as well our global data centre infrastructure with the assets that we have here and the end networks that we have here in Australia.

But on top of that what we've also done is basically an open heart transplant from an IT point of view. We've basically done a rip out and replace of all our key IT systems, our service management systems, our product catalogues, our fulfilment assurance systems, our customer support systems, our billing systems, it's going to be all new and I'm very, very proud of the fact that come the end of this fiscal year we basically can state very confidently that we no longer have any legacy that will hinder us to grow our business; and that is very important and we'll dwell on that a little bit more when we're further down the track.

Next to that I think it is also fair to say that REACH was a good set of assets but it was also somewhat underinvested so we spent a lot of time but also a lot of money and a lot of effort in growing our asset base. We invested in submarine cable systems, we invested in backhaul, in key cities and we've been adding quite a few POPs to our network. Today we're announcing that we're adding in another eight POPs to our global infrastructure, specifically in those areas where our key customers will be it.

Whilst we were doing all that we've also been able to achieve an above market rate growth so far. We've been growing in the low 20% whilst the market, it's always a little bit difficult how you compute the market growth because it's a blend of various submarkets but we believe that we're growing at least twice as fast and the market and that's whilst we were getting our act together behind the scenes; and the way we've done that is quite simple, we've focused on a very specific set of customers. We've realised very, very early that we are not BT or AT&T or Verizon who have a very large customer base in their home country, in their home market and they can follow their MNCs and in doing so create quite a substantial skill. Obviously we do want to support our domestic, our Australian multinational corporations in their aspirations overseas but we do not have the skill advantage that they can achieve, however what we can do is by focusing very specifically on a set of customers, if you will the tier 2 and tier 3, of our enterprise customers as well as a lot of our competitors, our global service providers we've been able to out perform the market as I said.

The majority of our revenues currently come from other telcos, so GSP (Global Service Provider) markets. Roughly 20% of the revenues of Telstra Global come from domestic, both carriers as well as MNCs that are based here in Australia.

But I think the trick is other than simply focusing on a horizontal set of customers we've been very specific, as you can see here, on focusing on five sub segments. The GSP has been one of them and four other ones. The way we do that is we're trying to attract talent from those industries who speak the language of our customers and also tailor our offerings very specific to the needs of those customer sets and the whole concept of a dump pipe is often talked about. I dare to challenge that. I think even if you stick to the basic connectivity and data centre services, there's already a lot of differentiation that you can achieve in just being very specific in what you offer to your customers. So if you look at the financial sector, at one of the POPs that we're announcing today is in Chicago. Very quietly we've been able to build up quite a decent business in Chicago with high frequency traders who, as you very well know, are willing to pay quite a premium for the lowest latency routes across the globe and I think we can compete in that market quite effectively.

But also making a bridge to the other parts of the Telstra entities like CSL and here domestically we've launched 4G networks. 4G roaming will be a very big play in the future. It's a very small market but it will grow quite substantially over time. So we built an IP platform that enables LTE roaming and it will help with carriers and eventually consumers not only to have an optimal user experience if they roam in markets outside of their home market but also reduce the cost substantially. That is another example of, call it a boring infrastructure play but where you can be very specific in tailoring to the needs of your customers there.

Moving forward and echoing what Brendon already has mentioned, NAS clearly will be very high on the agenda. We will not be building a product set in our own right. Obviously we're leveraging the $800M cloud investment that has been done internationally. We've been preparing our data centres in Singapore, in Hong Kong, in London to introduce the IAS offerings that have been already on the market here in Australia, to introduce them to our customers in the other parts of the world but also Telstra Global will be a good, call it a test case if you will, for cloud based services that we want to offer to our customers, our investment in a virtual conduct centre company, for instance like called IP Scape, is a good example of that. It's a very simple, easy to deploy cloud base solution that we're currently offering to our international customers who want to have a quick, easy to deploy solution.

Brendon was also talking about getting to a lower cost base. What is very important that the platform for growth that we've built is an offering agnostic platform. You need to have a billing solution that can bill in multiple currencies, that takes the various tax regimes into consideration. That is already there and obviously we're going to leverage that so that it will be relatively easy for us to deploy these offerings that are quite successful here domestically, in other markets as well and on the back of that also working with our partners and Robert has spoken to it, to lower the cost base, initially to lower the cost base for our NAS offerings here in Australia but obviously the same set of capabilities will be used to serve our customers internationally; and on top of that maybe and hopefully we will be able to add certain sets of capabilities in those areas where we don't think we can build them as quickly as we would if we would acquire the companies.

So with that in a nutshell I think the prospects for Telstra Global are looking very, very promising. Admittedly the base is still relatively small but given the fact that whilst we were getting our act together have been able to outperform the market is a very encouraging single for us looking into the future.

With that, Brendon.

Thanks Martin.

Q&A BEGINS--------

Daniel Blair, Nomura: I just want to tie it back Brendon to some of the numbers you gave us that you mentioned on a slide the market was $6.6B in 2010 going to around $11B, I think NAS was about a billion dollar business in 2010. Is that how we should think about the market share and is that also how we should think about the market growth and I think your ambition of saying you're going to take share in the domestic market.

BRENDON RILEY: Yes, so we, in terms of the data that we have on the market, we see that it's certainly growing in that 10-11% range and it's our intent to grow ahead of that so I'd certainly like to see us this year in the mid teens in terms of how we're growing the business this year and obviously continue to sustain that growth level.

Alice Bennett, CBA: I just have a question around how you see yourself positioned relative to the other IT providers that operate in this space. You talked a little bit about the advantages of the network, I'm just wondering if that has any ramifications for your pricing and the margins that you can capture relative to your competitors?

BRENDON RILEY: In terms of the NAS services business, I mean the way that we price it and financially manage it, it's on the services only so I think that's quite important. The underlying network business that we sell continues to be managed as we've historically managed it.

One of the things that you'll see that isn't in our offering portfolio is we don't have things like core IT infrastructure outsourcing or application development and maintenance outsourcing or customer systems integration or business process management. So one of the things we're trying to do is really keep it to that offering definition that I laid out, managed network services, unified communications, cloud and aligned professional services and how we integrate the network, provision, automate and increasingly give our customers, whether they be a small business customer or an enterprise customer, the ability to manage that network with the workloads. We see that as one of the key differentiating areas going forward. So it's very much sticking to the network orientation and sort of convergence of where the world is head and that is one of the ways that we will continue to differentiate from some of the other providers.

Alice Bennett: Okay, and just on financials, are we right in assuming the margins that you're currently experiencing are pretty low, sort of 10% kind of levels and how much scale do you need to build top line before we see that really start to take off?

BRENDON RILEY: Our objective is to grow revenue in EBIT data. That's the bottom line, we want to scale this out over time. The margins I would say on the business today are solid. We've got a lot of work in progress to make them good margins and I have strong confidence that we will do that.

Continuing to focus on opportunities in the market that align to our offerings and our capabilities is very important. So not taking on high risk areas that we don't have expertise and capabilities is one of the things we have to watch for.

Alice Bennett: And just very lastly the $800Ml investment, I presume that incorporates all of the international expansion and can you give us an idea of the timeframe of the remaining places in Asia that you're intending to rollout to?

Well I think Martin's highlighted the immediate priorities and we will continue to announce other locations in due course.

Alice Bennett: And they're in that $800M, that full expansion?

BRENDON RILEY: We said that $800M was over three years, so everything that we're doing in cloud for Telstra as a whole is encapsulated in that.

Raymond Tong, Goldman Sachs: I just had two questions. Just firstly can you help us understand who, I suppose, are your key competitors in the domestic market firstly and then the international side of things; and secondly just on the $800M investment, what kind of returns do you hope to get to and what kind of timeframe can you do to justify that kind of investment?

BRENDON RILEY: In terms of the competitors, I think you know a lot of the organisations that currently exist in the marketplace. I think what we're starting to see is new global competitors enter, so some of the well known cloud providers and I think Martin highlighted some of the more traditional global players.

In terms of the return that we want to get on cloud, that's lined up with some of the things that the CFO mentioned earlier in terms of returns we want to get out any capital investment. We're focused on the profitability and the margins and the returns on that cloud business consistent with the investment.

Sameer Chopra, Bank of America Merrill Lynch: I had two questions. You've articulated a very strong value proposition for cloud computing and for the whole NAS service. When clients don't take it up what's the pushback that you get? So when a client doesn't take up your service for example, what tends to be the pushback.

I'll just ask the second one as well. It's my understanding that there's a lot of initial opex when you sign up a customer, so perhaps if you could talk about how margins sort of changes or profitability changes and the contracts mature.

BRENDON RILEY: Let me take the last one first and then I'll ask my esteemed colleagues to talk on the customer buying.

It is the case in if we're looking at some of the very large complex outsourcing contracts that you can, the outgoings can exceed the incomings for a period of time in the early stages as you go through transition and transformation and get it into steady state. What I would say that's a little bit different to the typical IT outsourcing business that I've probably spent a fair bit of time in is once you've done that it tends to be a lot more stable and predictable.

There are similarities on some of those larger end deals. On some of the smaller deals such as what we're doing in Telstra Business, we can see some pretty fast returns on those.

So I might ask my colleagues to comment on the pushback.

WILL IRVING: In the small business space it's a couple of things. One is, "I've just bought a server a year or two ago, I want to get some value out of that asset before I move but I see it's the right thing to do". The other big one is "this sounds great but I know the world is changing so fast, what's going to be there in another three months. So I'm going to do it but I'm probably going to give it another 6 or 12 months before I make that decision". So it's a case of when, not if, for most of our customers.

PAUL GEASON: I tend to agree with Will, I think we're in sales so we're eternal optimists, so we don't get a lot of pushback. No, I think it is the same thing. The comment I made about the level of investment today is something that you just can't walk away from so I think there's a sense of inevitability about this direction to the cloud but architecting that and doing that responsibly in light of that investment and managing that in terms of risk and programs of potential disruption or otherwise in the business are probably the things that weigh most heavily on the mind of most enterprises.

I think certainly in government, we've had to deal with issues of sovereignty of data and privacy and security and those issues. They're actually not just the domain of concern in government, I think in enterprise as well but again we address those moving forward.

I think they're the primary factors and really the final point I would say is that whilst this maybe technically possible, good CIOs and responsible CIOs are saying "show me how I leverage what is technically possible in really meaningful commercial ways in my organisation."

Mark Mc Donnell, BBY: Brendon, I'd like to drill into your comment about the application assured offering to understand what specifically is being guaranteed, that is to say how this differs from existing SLAs, is it a committed information rate that you're offering, what is that you're actually doing here that's different from pre-existing arrangements and to what extent is Telstra actually assuming contingent liability as financial risk around non-delivery.

BRENDON RILEY: Application Assured Networking, today you can come into our cloud portal and you can order and you can provision your services online, so that's servers, storage, backup, security, you can do all of those things in an online portal.

We also want you to be able to do the same thing in terms of how you self manage the network environment and to be able to self manage that network environment and tailor it to the specific user groups and applications that you've got deployed. So that's what Application Assured Networking, it's really giving our customers that cloud like experience that can have in server and infrastructure with network.

Mark McDonnell: Does it include dynamic bandwidth reallocation?

BRENDON RILEY: Yes, it does. And in terms of liabilities, then that's normally what we have to deal with commercially.

Mark Mc Donnell: Same as before?

BRENDON RILEY: Same as before, yes.

Mark Mc Donnell: You said on a number of occasions that the network is a key strength. What happens to that strength as NBN rolls out and is that a different story for smaller customers than larger ones?

BRENDON RILEY: Look I think the NBN rollout is very complimentary to this strategy. At the end of the day in all of the things we spoke about, Application Assured Networking, software defined networking, how you orchestrate clouds not only from cloud solutions from us but a number of other providers, that's going to be the battle ground going forward and that's where we're going to be focusing our energy. So I think the rollout blends in with this strategy very well.

Okay, we're going to wrap it up. Thank you everybody.

Q&A ENDS--------

Now we're going pass to RebekahO'Flaherty on retail and Gerd Schenkel on Digital. Thanks

REBEKAH O'FLAHERTY: Great, thank you Brendon.

So I'm here to talk about retail, which is so much more interesting than that.

Twelve months ago we asked customers how they felt around entering a Telstra store and what that experience was like and they said three things to us. They said "your store fitting and layout is second to Apple" so that's a tick but the three things that we really, really care about you are not doing such a good job on and those three things are and this will resonate to you I'm sure as a consumer, that when we walk into a Telstra store we feel connected and understood, that we get in front of someone that is empowered and capable of making a decision and number three, that the whole transaction was really efficient.

So for the past 12 months those three things are the things that my organisation has been working on. We have been recruiting some of the best retailers across the country, we've been empowering them and just inverting that whole centralised decision making model, pushing down right into store in front of customers and we've been radically improving the in-store service and introducing a three minute transaction, which Warwick eluded to earlier and it's a world first.

So in addition to kind of dealing with those three key customer care abouts we've also been grappling with the issues that retailers across the globe are dealing with which is what does bricks and mortar retailing mean now that the internet exists and I'm sure if you think about purchases that you made 10 years ago and how you made the two years ago you'd probably see a profound change in your path to purchase.

In my mind though and I spend a lot of time with Australian retailers, I think that we've been slow off the mark in Australia in terms of embracing the internet but I see it only as an opportunity and I think the question that retailers should be asking is what can we do with the internet in the bricks and mortar setting and how does that profoundly change the path to purchase for a consumer and there's so much stuff in there.

So instead of me waxing lyrical, the short video is just going to give you a sense of what we're working on, how we're transforming the store experience but I will say this does not represent the store of the future. I simply want to say stay tuned for that one, we've got big plans in terms of how we're going to change the inside of a store. But this is the stuff we've been working on in terms of really trying to deal with those three things that customers told us that we were not doing such a good job on. So let's roll to the video.

[video]

I think that video really brings to life the fact that channels which were once really siloed, those boarders and boundaries have now been really evaporated. I should also point out Marcus and Lucas have a bit of a legendary status inside my organisation. Those two guys working with IT in Brendon's organisation and a bunch of other really talented people were instrumental in bringing to life that three minute transaction.

Now to you, I'm sure you've said "well Rebekah, I've just been in a Telstra store and it didn't feel like a three minutes transaction". We're still working on things like queue busting, reducing queue times. But the three minutes transaction is once you've actually selected the post paid plan that you want to go on and the device that it will be a three minute process from there and if it's not phone me personally because it should be.

But retailing is ultimately about people and you can have great store fitting and layout and in fact we do, we rate second to Apple on that front, you can have the latest and greatest technology but I’m sure there are some shopping experiences that you have and it could be the great delicatessen down the road that is low on tech but just have fabulous people that create a wonderful environment. If you’ve also got that piece plus really efficient and effective services, systems and processes, then I think you have gone a long way to addressing customers.

So part of this journey and I would say the last 12 months has really been around foundation building, we’ve got 360 branded stores but the last 12 months has been working on that as well as putting in place just magnificent store leaders, so I am very, very pleased to introduce Wendy Duff, who was one of our first recruits under Project Frontline which is about hiring just great retail leaders.

I think many retailers fall foul to hiring a great sales rep from the floor, elevating them to sales or store manager and then suddenly some things go wrong. You must hire really fantastic leaders who know how to make teams work and create great energy in a store and on that note I’m really pleased to introduce Wendy Duff who’s just going to tell you a little bit about herself, her journey to coming to Telstra and the difference that she’s already made.

WENDY DUFF: Thank you so much Rebekah and thank you for the opportunity to talk about my Telstra journey. I am very proud to stand here and call myself a retailer. I don’t have a typical retail background, I have an Honours degree in Social Science, a Masters in Business and I’m currently completing a Masters in Leadership. So why retail? I have the best job in the world, on a daily basis people come to me with their needs, their problems and I solve them, for me it doesn’t get any better than that. Prior to Telstra I worked in fashion and I was a regional manager, I had between 10 and 40 stores, I had between 100 and 400 people under me. When it was time for a change someone said "have you thought about Telstra" and I went "no, I’m all about energy, I’m all about passion, I’m all about the customer, they’re not words you associate with a telco".

They said go, go and have a chat. So off I went and in my initial meet and greet with Telstra they talked about change, I thought that’s nice, everyone talks about change, everyone talks about the customer, is Telstra going to be any different? So then they sent me to an assessment centre, now the assessment centre was half a day of real time evaluation where a social scientist watched me deal with problems that come the retail floor every day. I had a customer who had a very poor experience with a telco and I had to turn them into an advocate. I had a team member who had a long standing service record with a telco and I had to turn them into an engaged employee who was passionate about the customer.

And then I had to present a business plan which I was given 50 pages of data to analyse and present that again in real time, being all the time analysed by a social scientist. And I thought after going through that that Telstra’s serious, they’re putting a lot of time and effort into changing the way they do retail. So by that time I was onboard, then because I was under offer from another retailer, Rebekah moved her whole calendar to meet me and I thought not only are they serious about changing the way they talk to their customers, they want to do it now and there is an urgency around this.

So I was successful, thank you Rebekah and now eight weeks later I’m very happy to say in those eight weeks I’ve been in store, we have turned our store around. We have gone from a very negative financial position to a very positive financial position which is fabulous. And as a retailer I’m passionate about numbers but that’s not what Rebekah asked me to do, Rebekah asked me to change the way people talk about Telstra. So I thought just to finish I’d share some verbatim from our customers. So this is actually taken from our NPS survey "I have always been put off by Telstra because I’ve heard terrible stories of customer service".

"I have been with Optus for years and now are forced to move because of coverage. My only regret is I didn’t do it sooner". "I have experienced better customer service every step of the way, I'm extremely happy, I will never look back". "Best coverage, best support, best service, keep up the great work". Thank you.

REBEKAH O’FLAHERTY: Thank you. So I guess in summary I'm feeling really good about the footprint that we have, the balance of kind of branded, unbranded, I think we've done some really good foundational work in terms of systems and processes, we haven't fully implemented them across the network yet. So I describe where I'm at the moment in terms of midway through really good foundation building and then I think the back end, well next year we'll see an evolution of our stores in terms of the true next generation store experience. And then better integration with digital and our bricks and mortar, which we've already made really good ground on we've still got a long way to go and lots more opportunity to do that, which is probably a really nice segue to introducing Gerd Schenkel my fantastic colleague who heads up Digital. Thanks Gerd.

GERD SCHENKEL: Thanks Rebekah, that was much more exciting than network application and services. Now thanks for the opportunity to share with you our plans in the digital channels area and in the context of Rebekah's multichannel experience I'd like to share with you what we're doing at the minute. Now the rise of the digital economy will fundamentally and is fundamentally every day already changing what customers expect from us and other providers like us. They expect to interact with us whilst they're on the go on a mobile device and big, big screen and on Facebook and other social networks. Now we see that as an opportunity to provide at the same time a better service experience as well as a more efficient sales and service model.

The traditional trade-off between cost and service in many respects doesn't exist in the same way in the digital space, because we use computers instead of people in some respects. Now how we're addressing this opportunity is currently in our two year plan we're about 15 months in that two year plan and the aim of the plan in summary is to build a rich, high performing and mostly growing portfolio of digital channels. This slide shows a snapshot of where we are today, at the bottom left you see our broad exposures, 9.5 million impressions on Google Search which remains the single largest driver of traffic into, into our channels, mobile as well as big screen web and 1.9 million unique visitors every week to Telstra.com.

Telstra.com is one of the largest commercial website as you would be aware of behind Google and some of the media networks but more importantly service transactions, the core of the plan is to shift service transactions from other channels, higher cost channels and lower performing channels into a digital channel, so we're currently delivering 34% of all service transactions for the digital channels and that's against a two year target of 35%, so we're running ahead of our two year 35% target and the three major transactions in a large portfolio of transactions are in the top centre and that's payments, bill delivery and pre-paid recharges and you can imagine how shifting transactions from traditional channels which might include partner commissions or costs such as Australia Post or printing of bills, shifting those into the electronic world saves us money and saves customers hassle and time in many cases.

Now in addition to those three large transactions we also deliver a large long tail of service transactions for Telstra.com, currently 220,000 per week. My Account, which is our online self-service portal for consumers but also there's difference versions for small businesses and enterprises, remains a flagship application, it's been growing at about 50% year on year and currently we're delivering 300,000 logins to the online My Account every week. In the bottom we have some of the more exciting emerging channels, social, I mentioned earlier, Facebook in particular which remains the only mast, mast social network worth thinking about.

We have a presence which remains small yet significant, 20,000 page views and 1000 posts, which is small in number yet highly visible. The social environment is quite different to the other service channels because we deliver service in the public eye, so for every post that we answer or for every service question we answer on Facebook, we have 20 or more people observing how we behave and that gives a unique amplification effect. Crowd Support I'll talk about that in a second, we're very excited about Crowd Support which is a completely different way of delivery service. All the other channels rely on Telstra being the expert, we know the answer, we try to deliver it to the customer at a time of their choosing.

Crowd Support is about customers helping customers, it's about communities helping each other making the most, the most of their relationship with Telstra and making the most of how they deal with us. They give each other advice about what plan to buy, what to ask in the store, what to ask in the telephone, what to ask on live chat and we love that because it's largely free, we have a moderation team but mostly customers help each other in their own time and they do so out of a unique human desire to help others and get engaged. We met some of those people, some of them spent more time on Crowd Support than we have employees spending time on the platform and they get some unique satisfaction out of it and it's free for us and that's why we love it too.

Now to give you a bit of insight into this two year plan it's a mixture of rebuilding what we've always had, mainly the website and My Account, there's more work to be done, we're sort of halfway through that roughly in terms of redesigning the navigation, redesigning the actual design, improving useability, increasing conversion rates of the online shops etc, it's a large effort. But in addition to rebuilding what we've always had we also launched a whole raft of additional things, some of which I've mentioned. The mobile website is also worth a mention, we launched the mobile site not too long ago, it now accounts for 15% of all web visits and is growing strongly, 300,000 visits in August.

The mobile site is entirely different obviously to the large screen site, optimised for the small phone factor and the like. Now Facebook, I mentioned service provision, we have a 24/7 moderation team answering customer queries but also we've got entry points from Facebook and other assets into Live Chat. Live Chat is another core component of this portfolio, it's an incredibly bridging technology which allows customers who are very comfortable browsing on the web, yet are not comfortable necessarily transacting on the web. Over 80% of our customers are very comfortable browsing before they go into store or ring up but only 5% to 10% actually purchase on the web. So there's a huge gap to be addressed and one way we're doing that is via Live Chat.

We've grown Live Chat from about 20 people to over 400 agents in the space of 12 months and we've seen terrific results in terms of efficiency but also customer satisfaction. Customer satisfaction on Live Chat is consistent above 80%, a net promoter score of 30% to 40% in our new measure and the reason it's more efficient at the same time is that agents are able to conduct multiple sessions concurrently without any loss of fidelity to the customer. And at the same time you can imagine that for some customers and some situations Live Chat is far less intrusive than a telephone call or a visit to a store.

We've got stories in small business for example where small business customers interrupt a Live Chat session with Telstra and serve one of their own customers in a store but we just wait for them to return and in the meantime serve another customers. So it's a win/win for Telstra as well as for customers. Now the mobile apps is another key component of this, of this new portfolio, we launched a full range of mobile apps and we'll see a demo in a second to bring that to life about three or four months ago we've got about 650,000 downloads and we deliver about 300,000 visits per month growing very strongly.

The mobile apps are not just another channel, the mobile apps are going to become a new hub for customers' relationships with Telstra and again provide jump off points into other components of the portfolio be it digital or non-digital, for example, store locator, Live Chat, Crowd Support, Facebook, you name it. I might ask Chris to just demo that for us. Chris heads our User Experience team at Telstra Digital and was involved in obviously designing the app and he'll bring that to life for us. Thanks Chris.

CHRIS WOOD Thanks everybody for the time today to take you through the 24/7 app as Gerd mentioned. So we've actually got our iPad here that has been loaded up and the 24/7 app was actually a good example of an application that we researched with customers, we designed and we developed ourselves within Telstra Digital. It's been in market now since July of this year and has been performing very successfully as Gerd mentioned we're well over now 700,000 downloads as of this morning, so that's been a fantastic result and importantly this was actually an application that we designed and developed collaborative with customers as well.

So both in terms of insight around what are the key transactions customers are looking to do with us via this media, right through to actually being participating in a Beta trial that we actually did with 200 of our customers getting direct feedback around what was working but also most importantly what wasn't working with the application with their expectations. For devices that are connected to the Telstra network you will see information relating to the device itself but for customers that are registered with My Account through Telstra Digital as well they'll actually get presented with a full access to all of the services that they have access too. So this is actually a holistic view of everything the customer has with us in their product holdings. This is quite a key point because it's the first time that digitally we're presenting this information to our customers.

You will see here that information around the specific devices, the usage and including the plans and data usage is presented to customers within the application. Importantly Gerd also mentioned that along with usage viewing bills, paying bills and actually going through that task completion for customers via this digital channel is one of their key focus areas. One of the things I might do is just jump into My Bills; now importantly for this particular account you'll see we're presenting customers with a historic view of their bill usage over time as well. So within this interface customers have access to their last eight accounts and at any point in time can click on and get access to a PDF copy of that bill for that particular timeframe as well.

You'll also notice in the top right hand corner as well we're providing customers with immediate access to register for email bill as well, so within the app we actually facilitate that transaction as well. From this particular screen customers can also make a direct payment against that account, they can view their details, they can check their details and if it's in line with their expectations make a payment fully end to end in their digital, in a digital sense. Between usage, bills and recharge they are the top three areas that customers told us that they want to be, they want to be doing digitally with us. So again you'll see here the ability to view not only my own personal prepaid services but if I've registered other family members prepaid services within my account I'll have access to those as well.

So if my son or my daughter's prepaid service is in here I've got the ability to be able to recharge that service on their behalf through this interface as well. Importantly for the prepaid recharge as well we support a number of different recharge mechanisms including access to any stored card details that the customer has set up with us through t.com on My Account. Picking up what Rebekah mentioned about integration between the retail and digital channels as well, obviously digital doesn't exist in isolation and so one of the most important things for customers is providing access to their nearest retail store as well. So will see that we've integrated the store finder that Rebekah mentioned here and from this location customers can actually click directly on individual stores, see their opening times, see their locations as well as the contact details for that particular store as well. I'll just pick up on Gerd's last point that he mentioned about integrating social support channels for customers as well.

This is a major next step for us as well, so natively within the application that we've designed you'll see we've bought through direct access to Twitter and Facebook support for our customers and Gerd also made mention, particularly around Crowd Support and Live Chat. So again people can actually access the conversations and the support that's being offered through Crowd Support from other customers within the application and equally Live Chat which is a great bridging technology. So customers in their own time, in their own context can have that discussion with a Telstra representative 24/7. So on that I'll hand back to Gerd.

GERD SCHENKEL: Thanks Chris. Who's got the app installed? Who's tried it beforehand, other than Telstra? Sure, so I would encourage you to try it out, it's quite a different experience and it sort of gives a bit of insight as to where we think the future of how we deal with our customers and how our customers deal with us might like, for a majority of customers recognising that we have a very broad set of customers, not everybody loves online, not everybody loves Live Chat but over time everybody will. So with that I think, we have time for Q&A is that right?

Rebekah and Gerd in Gordon's absence David has kindly joined us again. I'd just like to thank Chris and Wendy as well for their efforts today, it's very much appreciated. So we've got a bit of time for questions before lunch.

Q&A BEGINS--------

Dean Fergie, RBS Morgans. I understand, correct if I'm wrong but it might be sort of 80 to 100 Telstra stores have been licensed to Vita Group to, to operate. I was just wondering sort of the strategy behind for want of a better word outsourcing that, how they've been going and whether the idea is to I suppose further outsource or continue to keep them inhouse?

DAVID THODEY: I might take that one. Look it goes back nearly what three, three and a half years now going well, working well with Vita we don't have much else to say about it.

Dean Fergie: Do you expect to sort of be licensing more stores to other firms or you'd like to keep it all inhouse?

DAVID THODEY: We continually review the structure but not anything we're announcing today.

I'll just say a couple of words if I could. I mean it's a bit, in the best today this is I know sort of I won't say the peripheral but this is very key to three key parts of the strategy. One is how do you differentiate the service, really important and we spend a lot of time on this and it's really important, so you saw from Gerd and Rebekah you really need to be good at this, I mean in a telco to be good at retail and good online it's very easy for it just to be sort of subsumed within the generic part of the business, so we've got to have specialists, people who are really good at doing because this is where people interact and if you don't get this thing right you really do suffer.

Secondly remember I talked about the transformation with sales and marketing lead company, that wasn't that we didn't want to be a great engineering company because the big investments we make in 4G but if you are, if we don't become sales and marketing leader around customer service and really differentiating, we will not be successful in a more competitive market, this is very important to us as we go forward. And the other key thing is digital first. One of the things that Gerd did not talk about but, because I spend a bit of time with all these guys, is if you have to design for a digital world, you have to completely simplify everything you do.

You think about the purchasing experience online, you can't go through 30 screens, you've got to go through a few screens, so you've got to completely re-engineer everything and so often what we do is re-engineering the experience because if you design for online then you put it back into the store and then it flows all the way through into the customer call centre. And so this is actually a really dynamic thing, if you think about any retailer, I don't care who you're talking about, it's a fundamentally different way of how you interact with your customers and this is strategically very important and I mean it's great to see the progress we've made and still got a long way to go and they want more money to do it, but I don't know over I think we've put in we said a few hundred million dollars into the digital transformation and in the shops of refit out we continue to invest and try to change that experience so that you really do have people who come and have a difference experience and then invest in the great people we've got and it was just wonderful to hear the stories. Because if you don't have good, good people then you can't do a great experience, so this very important.

REBEKAH O'FLAHERTY: I might just add an example to the point you've just made on simplification. Traditionally Telstra's products were designed for face to face or human interaction and they tend to be complicated because we have humans making it simple for customers. We don't have that in the online space and if you look at our mobile plans for example, when we built out new mobile shop we said we'll do nine handsets, one set of plans and five plans. And they all have complicated names and plan constructs and we said that's what we're going to do and we're going to try to do it really, really well and we ended up calling it Small, Medium, Large and Extra Large, as opposed to the proper names.

And initially that was a bit of a cultural sort of turning point where product teams we'd say well hang on why are you not using our names but in the end it turned into quite a nice collaborative journey, where in the end 12 months later the physical catalogue in the business, the business catalogue actually uses small, medium, large, extra-large, because it turned out if it's simple online it's simple in print, it's simple on the telephone and it kind of is nice because the contribution goes beyond a nice working website and now Chris is very proud of that part of his work, it goes beyond the website, it goes into culture and how we deal with customers in general and we see those touch points everywhere we're trying to bring in customer desires into the company.

It's very pertinent in our world because we need to program computers as opposed to rely on the skill of a human being. So we see that every day and that's kind of the exciting part of that, the digital transformation really.

DAVID THODEY: That's great. And then the last point is it takes costs out of the business, because that's really important and I think a number of people refer to the transaction in the shop 30 minutes to three minutes. I mean what's one of the worst things in a shop is actually wait time to be able to get service. Thirty minutes to three minutes, that is, that is game changing and we could never have done that without that whole enablement and we've got so much more to do anyway.

Andrew Levy, Macquarie: Yeah, I think you mentioned Live Chat as, as one way of encouraging people to transact online versus retail but could you just talk to some of the things you're doing to proactively encourage people to, towards direct billing online interactions those types of things, or is it just something that you're allowing to migrate naturally with trends I suppose?

GERD SCHENKEL: Yeah, so there's a whole range, by and large we work on the assumption that there's latent demand for more digital interactions with Telstra and that's being sales as well as service. It's not true for every segment and every product and every interaction but by enlarge correct and therefore the two year plan is based on, if we make it easy and simple and we tell people about it they will come. And the example where that really happened is My Account, we have about over three million registered customers and we used to have 700,000 regular users, those were the digital natives, they will use it no matter what it is.

We now have a million regular users and that's simply because we've worked really, really hard in making it easier to use and we also told customers about it. But then for certain transactions and certain segments 60% may be indifferent, so bill presentment is an example. Receiving a paper bill in a little box outside your house is quite convenient actually for most people, even digital natives but it's very expensive and 60% might be quite indifferent when it comes electronically or whether it comes in your box. So a little encouragement sometimes helps and that's where we provided some encouragement in, in the bill presentment space and the payment space but by enlarge it's about latent demand. When we introduced that little encouragement obviously we were concerned about customer reaction it was very positive, very positive.

DAVID THODEY: Depends which one you're talking about. The $2 additional bill charge which I announced was not very popular, it was not a good strategy but when we announced a new product that had, was an electronic bill and it was part of the package and the customer had the right to choose. Outstanding result.

The choice makes a difference.

That was really good and Gerd, Gerd as you would expect with a good digital channel guy, iPhone 5, you could order online, anyone who ordered online got their iPhone 5 on the Friday right, well …

GERD SCHENKEL: Yeah, most people.

93%, whereas everyone else had to go and line up at the shop etc, so there's ways to differentiate he wanted more supply in that channel, we said "no, you can't", so you've got to manage the channel mix as well. But there are ways to continue to encourage rather than the offer you give them or the type of service they get and we continue to think about that as we go forward. Now I noticed, I watched the banks go through many different aberrations on this, I watch Qantas with frequent flyers, so you've got to be very careful in managing, if you tell customers "no way", if you encourage them, give them a better experience, call at 11 o'clock at night and you get, or do a Live Chat rather than waiting in a queue, there's lots of different ways to do it, so that's what we've gone out and done.

Mark McDonnell, BBY: I'm just wondering if you've got any product exclusives in your store, and to what extent …

REBEKAH O’FLAHERTY: Consumer channels or within online?

Mark McDonnell, BBY: Yeah, in consumer sorry in the retail environment, bricks and mortar.

REBEKAH O’FLAHERTY: Telstra often has exclusive Hero handset devices and exclusive kind of offers. In terms of differentiation across the channels, we try and harmonise offers but if there's something that can be offered that's germane to the online channel for example, or germane to the bricks and mortar experience that we can't replicate, then that would be differentiated but yeah, we certainly have exclusive handset offers for example in our bricks and mortar and in our online channels.

Mark McDonnell, BBY: Okay, and how much, how much does that drive additional business in your estimation?

REBEKAH O’FLAHERTY: It depends on the offer, it depends on how compelling it is, how well the marketing's worked, so it really depends, we always look forward to big launches, the great thing about the iPhone 5 launch it was our biggest trading day in history, it was a phenomenal success but it was great for the entire category, not just for that particular device. So like any retailer we love exciting launches because people come in and we get the chance to talk.

BEN SPINCER: Thanks Mark. My further questions will draw the sort of formal plenary part of the investor data close, I'll hand over to David in a second for any closing words from him. We'll take probably about a five minute break now and then Jason Laird who's at the back will host some media Q&A in here. For the investors and the analysts we now are going to be serving some lunch down on level one in our Experience Centre so you can go down the lift and there will be some signs to take you up the escalators into the Experience Lab. We are just going to try and show you a few different things so Will will go down there and talk some more about some of the things going on in the whole digital business and the cloud space for small business.

Hugh Bradlow is down there to talk about the connected home experience and we also are walking people through what we call the Horizon Lab, which is really more of a sort of thought experiment on where the industry might go in 2025 and 2030, some of the long term future for you to sort of have a look at and have a think about. So thank you, all of you for coming today and let me also thank all of the speakers and the people behind the scenes who've done a lot of preparation on pulling together all of the content today. I'll hand over to David, thank you.

DAVID THODEY: Thanks Ben. Well look I hope we've given you a little bit more insight into what are our key focus areas. I mean as I said at the beginning I still see enormous opportunity in this industry, yeah, there's challenges but there's incredible opportunity. We've got to work and be absolutely focussed on those things that will drive value, customer service, customer growth, simplification in growth areas are what we've talked about, so I think that Warwick gave you great insight into the whole mobile story, you'd see from Robert in terms of the, what I would call the depth of work in simplification, then what we're doing around NAS and Asia and the incredible work that we're doing there and the opportunity is that whole industry shifts and how we can participate in that.

There's no God given right that Telstra be successful but at least there's opportunity and if we execute correctly we can do very well. Then you can see how we're really transforming the sales and marketing really moving ahead in terms of how we go to market, service our customers and then doing that with fiscal discipline with very tight capital management and doing it about getting good returns to shareholders, is what we're about and I think Andy took you through that. We've said repeatedly that as the franking credits become available we think that dividends is the best way to return value to shareholders but that is dependent on us executing and I think Andy said it best, we've got to execute, there's no free kicks here, we've got to continue to grow the business and drive it profitably and that's what we're going to do.

There are some impacts from NBN, NBN's done, I've moved on, yeah, there's some fights ahead of us but I think we're more about positioning ourselves for those fights and how to be really a good competitor in the market and do well. So they were the messages and look we really appreciate your time and if those can come downstairs to see the demonstrations but thank you very much.

Thank you.