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Telstra Half-Year Results Presentation, 19 February 2026 - Transcript

In accordance with the Listing Rules, attached for release to the market by Telstra Group Limited, is the transcript from Telstra Group Limited's Half-Year Results Presentation on 19 February 2026.

Release of announcement authorised by:

Craig Emery
Group Company Secretary

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Nathan Burley: Good morning and welcome to Telstra's results announcement for the half year ending 31st of December 2025. I am Nathan Burley, Head of Investor Relations. I am joining today from the lands of the Gadigal people. On behalf of Telstra, I acknowledge and pay my respects to the traditional custodians of country throughout Australia and recognise the continued connection Australia's First Nations people have for land, waters and cultures. We pay our respects to Elders past and present.

This morning we will have presentations from our CEO, Vicki Brady, and our CFO, Michael Ackland. We will then open to questions from analysts, investors and then the media. I will now hand over to Vicki.

Presentation from Vicki Brady

Vicki Brady: Thank you, Nathan. Good morning, everyone, and thank you for joining us. I'll make some comments reflecting on Telstra's overall performance and our outlook. Michael will then cover the details of our financials.

The first half of FY26 was a strong period for Telstra. We delivered ongoing growth in earnings, reflecting momentum across our business, strong cost control and disciplined capital management. We also made a positive start to our Connected Future 30 strategy, which will see us double down on connectivity, drive growth and play a critical role in enabling a prosperous digital future for Australia.

In first half 2026, reported financial performance compared to the prior period included EBITDAaL up 4.9% to \$4.2 billion, EBIT up 9.2% to \$2 billion, profit for the period, or NPAT, up 8.1% to \$1.2 billion, Earnings Per Share up 11% to 9.9 cents, and Return on Invested Capital up 0.8 percentage points to 8.8%. Our underlying growth more accurately reflects our financial performance compared to the prior period. Underlying financial performance showed Underlying EBITDAaL up 5.5% to \$4.2 billion, Cash EBIT up 14% to \$2.5 billion, Cash EPS up 20% to 14 cents and Underlying Return on Invested Capital up 0.9 percentage points to 8.9%.

On the back of cash earnings growth, the Board resolved to pay an interim dividend of 10.5 cents per share. The interim dividend is 90.5% franked, with a franked amount of 9.5 cents per share and an unfranked amount of 1 cent per share. The interim dividend uplift and the level of franking applied is consistent with our Capital Management Framework and our aim to deliver a sustainable and growing dividend. Our dividend is supported by strong cash earnings this half, and our Connected Future 30 ambition remains to deliver mid-single digit growth in cash earnings.

Today we are also announcing an increase in our current on-market share buy-back from up to \$1 billion to up to \$1.25 billion. This increase is supported by strong progress in completing \$637 million of the buy-back in the half, earnings growth and the strength of our balance sheet. The on-market share buy-back is expected to support earnings and dividend per share growth and, along with the increased interim dividend, reflects the Board and management's confidence in our financial strength and outlook.

Now that we've completed our first half, we are tightening our FY26 Underlying EBITDAaL guidance to between \$8.2 billion and \$8.4 billion. Our guidance on other

measures are unchanged.

Looking now at our results across the business, we grew underlying EBITDA across our Mobiles, Fixed Consumer and Small Business, InfraCo Fixed and Amplitel businesses. Importantly, our Mobile Business has continued to perform well with EBITDA growth of \$93 million. Mobile's growth was driven by higher ARPU and more customers continuing to choose our network and the value it provides. Mobile services revenue grew by 5.6%. Our Fixed C&SB EBITDA grew by \$37 million, reflecting ARPU growth and disciplined cost management. We introduced our internet-only plans late in the half, and customers now also have access to our Telstra Smart Modem 4 with next generation wi-fi 7 technology. With these new offerings in place, we're focused on stabilising customer numbers and driving growth.

Our Fixed Enterprise EBITDA declined by \$9 million as we continue to reset this business, including through portfolio management and reduced costs. We remain committed to this reset with further changes proposed last week to continue removing complexity. Our International EBITDA declined by \$2 million but grew excluding one-offs. Michael will go through this in detail. Our domestic infrastructure businesses across InfraCo Fixed and Amplitel continue to grow, reflecting strong customer demand.

Across the business, we achieved 14% Cash EBIT growth. This percentage growth rate is higher than the rate we expect at the full year, largely due to lower BAU CapEx in the first half. Our full year Cash EBIT guidance is equivalent to around 5 to 10% annual growth. We delivered positive Operating leverage of 3.1 percentage points, in line with our Connected Future 30 target. Given the low level of income growth in the period, we achieved Operating leverage largely through strong cost discipline and efficiency gains. We reduced Underlying operating expenses by \$179 million, or 2.4% more than offsetting pressure from rising costs. This required challenging but necessary decisions to reduce some roles and set us up to deliver on our Connected Future 30 ambitions.

We're also seeing efficiency gains flow from technology leadership as an important enabler of our strategy. This includes modernising our software practices, relentless simplification, strong adoption of AI, and an API-first architecture. For example, we've consolidated our software partners from 400 down to two, improved efficiency in our software development by more than 20% and sped up time to market and release cycles by 15 to 20%. Most importantly, we're seeing benefits to customers, which I'll come to shortly.

Turning to our strategy. Our ambition is to be the number one choice for connectivity in Australia. Achieving that in a changing environment means radically innovating in the core of our business. You can see the layers and enablers of this strategy on this slide, which we covered in our last Investor Day. There is a more detailed scorecard in the Appendix that shows our progress, so I won't go through that in detail, but I will make some comments on the importance of connectivity and call out some highlights from the half.

Connectivity is foundational to supporting national productivity, resilience and security. As reliance on telco networks grows and service expectations rise, continued investment in digital infrastructure is fundamental to better delivering services to

consumers and business. Investment needs to be supported and encouraged. The investment required across the sector will be large – in the multi billions of dollars. To do this well, we need to have a shared national vision for the digital future we want to create for Australia, and a national digital infrastructure plan our sector can align behind with government and regulators. This must include a plan to use spectrum to the greatest possible benefit to consumers and businesses. To do that, we need certainty of spectrum allocation on fair terms, at a fair market price.

We also need better regulation, designed for, but agnostic to the technology of today. We need forward-looking guardrails that both protect consumers and encourage innovation to deliver better outcomes for them and the nation. We welcome the Productivity Commission's proposal for a deep dive review of regulation in the telecommunications sector. We want to work with government, regulators and the sector on a shared vision for Australia's digital future so we can better align policy, regulation and decision-making with the goals we have as a country.

On investing in connectivity, we are driving significant momentum in the build of our Aura Network and managing this large, complex project with discipline. The network will be vast, connecting our capital cities with ultra-fast and reliable fibre, and the ability to connect regions too. This week, we reached the halfway mark with 7,000 km of fibre in the ground. Our Sydney to Melbourne Coastal via Canberra routes are now live, and more routes are expected to be completed in FY26, including Sydney to Melbourne central via Canberra and Sydney to Perth.

We are on track to achieve a 1-point uplift in our Network Experience Index, which brings together network availability and speed across our mobile and fixed networks to measure the real experience our customers receive. The uplift is a result of our ongoing program of network optimisation and early benefits from our additional investment over four years in 5G Advanced capability. It also reflects improvements in resilience. For example, we have invested to strengthen backup power across our network sites, which were able to withstand more than 95% of the 165,000 planned and unplanned power interruptions we experienced over FY25.

While there's always more to be done, these investments and others contributed to Telstra receiving the 2025 "Best in Test" Mobile Network award from Umlaut for the eighth year in a row, and with our highest score ever.

In June last year, we became one of the first operators in the world to launch Satellite Messaging. While it's not a replacement for terrestrial networks, we're seeing it add another layer of resilience when terrestrial networks are disrupted. For example, when fire damage and power disrupted our network during the recent bushfires in Victoria, particularly around Longwood and Harcourt, we saw a threefold increase in people connecting to Satellite Messaging, even though many people had evacuated this area.

On supporting customers, we have migrated more than 99.9% of our 7.7 million consumer customers to our new digital stack. We continue to work with around 4,000 of our customers who are the most complex to migrate. We are managing that thoughtfully. Our team know these customers as individuals as we work through this with each of them. We're committed to getting it done.

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We're seeing significant improvements in customer experience from digitisation and AI; 86% of consumer service interactions like billing, order tracking or prepaid recharge are now completed through our digital self-service instead of customers having to call us. In November, we launched an AI powered Assistant, which customers can access on telstra.com to get help with simple things like checking their plan, activating a SIM, or how to reset a password. This is our first customer facing generative AI assistant and it has meant an almost threefold increase in customers being able to resolve their inquiry using AI. We plan to scale this AI powered assistant across our MyTelstra app over this quarter.

It is just one example that we have; many more AI use cases across the business, helping us serve customers better, strengthen network resilience, protect customers from scams and solve issues before they become problems. Overall, our investment in digitisation and AI, combined with our ongoing network and capability investment, is helping to drive improvements in customer experience. Over the [last] 12 months, we've seen Strategic NPS increase by five points and Episode NPS increase by two points.

At the same time, we have been laying the foundations of our Connected Future 30 strategy. There are three things I'll call out here. The first is innovating in core connectivity capability and how we capture value. In Mobile, our investment in 5G Advanced is moving us towards a smarter, more adaptable and programmable network. In Fixed, we launched our Adaptive Network Centre in June last year, a self-service platform that empowers our Enterprise customers, partners and Telstra teams to design, order, track, manage and monitor connectivity services all in one place. These capabilities are both fundamental to enabling our Network as a Product layer and we continue to drive momentum.

The second is our work under our joint venture with Accenture to transform our business with AI. We have made good progress since launch, including retiring legacy platforms, strengthening Responsible AI governance, streamlining data architecture and opening access to global innovation via our Silicon Valley hub. We recently proposed changes that would see the JV tap into Accenture's existing resources and expertise to deliver on our Data & AI roadmap more quickly. That means some roles would not be required. While decisions like this are never easy, over time we expect it will deliver benefits to our customers and our business faster.

Third is our investment in upskilling our people. We continue to put AI tools into the hands of our people to help them learn and adapt. Over the half, more than 75% of our team with access to those tools, use them weekly or more often. We also continue to offer training through our Data & AI Academy. In the first six months of FY26, almost 9,000 of our people completed a course.

Looking ahead, we are focused on continuing to deliver value for our customers, communities and shareholders as we build momentum behind our Connected Future 30 strategy. This includes through our core business cash flows, active portfolio and investment management, and disciplined capital management. Our ambition is to be the number one choice in connectivity in Australia and to continue delivering on our purpose to build a connected future so that everyone can thrive. I'd like to thank the Telstra team for everything they have delivered in the half and the care they've shown

for our customers, particularly responding to the Victorian fires and Queensland floods over the summer.

I'll now hand to Michael to take you through the results in detail.

Presentation from Michael Ackland

Michael Ackland: Thanks, Vicki. As Vicki said, we've had another strong half with continued growth across all earnings and cash metrics, including our new guidance measures. This is in line with our goal to deliver resilient, predictable and consistent growth under our Connected Future 30 strategy. While total income across the Group increased just 0.2% in the half, we've reduced operating expenses by 2.1% with our continued focus on efficiency. EBITDA after lease depreciation, or EBITDAaL, was up 4.9% on a reported basis and 5.5% on an underlying basis, with the difference due to a \$23 million impairment of the London Hosting Centre.

We've delivered a Profit to Telstra shareholders of \$1.1 billion, up 9% and Earnings Per Share of 9.9 cents, up 11%. These results reflect growth in key products, especially Mobile, ongoing strong cost management and reduced shares on issue from [share] buy-backs. Cash earnings were higher than reported earnings as depreciation and amortisation is higher than business as usual or BAU CapEx. We expect this trend to continue and continued growth in D&A. In addition, a Cash EPS of 14 cents per share was up 20%, a higher growth rate than reported EPS as BAU CapEx was lower this half.

As Vicki said, with stronger Cash earnings, the Board increased the interim dividend to 10.5 cents per share, up 10.5% on a cash basis. This represents 75% of Cash EPS. With our tight franking balance and ongoing gap between cash and accounting earnings, partial franking in this period best supports a growing and sustainable dividend. We've also lifted our current [on-market share] buy-back from up to \$1 billion to up to \$1.25 billion. \$637 million was bought back in the first half, or 1.1% of shares, at an average price of \$4.90, bringing us to a total of 2.6% of shares retired in the calendar year 2025.

Now, given this is the first time, we are reporting on Cash EBIT and Cash earnings, let me provide a little more detail. As a reminder, Cash EBIT is a view of earnings after key cost buckets, including BAU CapEx, Leases and spectrum amortisation. Cash earnings is a further view after interest, tax and non-controlling interests. Cash EBIT growth of 14% to \$2.5 billion follows growth in our core operations, coupled with strong cost management and lower BAU CapEx. BAU CapEx of \$1.5 billion was down 5%, largely due to timing. We expect a higher spend on digital infrastructure, including in our International business in the second half. Despite a lower average borrowing rate, finance costs increased modestly. Tax was higher, in line with higher earnings, with an effective tax rate of 28.4%. With that, Cash earnings grew 17% to \$1.6 billion.

Turning to slide 14 on product profitability, we delivered EBITDA growth across Mobile, Fixed C&SB, InfraCo Fixed, Amplitel and Other. Other EBITDA comprises costs not allocated to products. It improved with favourable foreign exchange movements, adjustments due to bond rate changes and the absence of equity losses

following the divestment of our Foxtel stake last year. Health was flat with continued growth in revenue, offset by higher costs supporting new contracts and ongoing transformation. Other EBITDA would generally be around a \$70 million loss per half, although this varies based on the nature of the items included.

Turning to our key products, starting with Mobile, which continues to demonstrate strong performance. Mobile service revenue grew 5.6% with growth across all product groups, including Postpaid, Prepaid and Wholesale handheld, mobile broadband and IoT. We delivered sustained average revenue per user, or ARPU growth, across all categories, brands and segments with disciplined commercial execution. Postpaid handheld ARPU grew 4.8%. Prepaid handheld ARPU grew 14.7%. Although significantly lower on a unique user basis, growth is due to the flow through of October 2024 price changes. Wholesale ARPU grew 7%.

We achieved this ARPU growth while also growing Postpaid, Prepaid, and Wholesale customers. Our handheld mobile user base grew by 135,000 in the half. Mobile EBITDA grew 4% to \$2.7 billion, with service revenue growth partly offset by higher costs, including higher than usual customer remediation and compensation, sales costs, largely related to satellite, increased redundancy and a higher allocation of shared costs as Mobile becomes a bigger part of our business. We expect sequential mobile service revenue growth to be muted given the timing of past price changes and lower IoT revenue following the divestment of MTData.

Turning to Fixed Consumer and Small Business, where we continue to grow earnings by focusing on a portfolio of products and technologies and strong cost management. In the half, we grew NBN unit margin through price rises and plan mix, which offset SIO losses, and we continue to grow our 5G fixed wireless product. We continued to invest in our offering in the half. We launched our Internet Only plans and introduced the Telstra Smart Modem 4. However, SIO losses remain a challenge and a focus for our channel and marketing teams.

In Fixed Enterprise, we've continued efforts to reset the business and focus on connectivity and strategic growth areas. Starting with Data & Connectivity, or DAC, where income fell 9%. During the half, progress on product refresh and upselling to higher bandwidths was not enough to offset the impact of service rationalisation and in-period customer credits. We delivered cost and CapEx reductions. However, DAC EBITDA declined to \$25 million as cost reduction was insufficient to offset the revenue decline.

Turning to Network Applications & Services, or NAS. Revenue declined 4% following deliberate decisions to focus on areas aligned to our strategy, and declines in calling products. With strong cost management, EBITDA increased to \$62 million in the half. Our focus on portfolio management is ongoing. The sale of Alliance Automation and MTData are completed, and the sale of 75% of Versent Group, announced last August, is expected to close this half. These businesses contributed \$235 million in revenue in the first half of FY26.

Turning now to International on slide 18. While reported EBITDA fell 0.5%, we achieved modest growth excluding significant one-offs. Starting with Wholesale and Enterprise, while reported EBITDA of \$232 million grew 20%; this included \$45

million of one-off benefits, including deferred revenue recognition, other balance sheet releases, and an equity accounted associate gain. Excluding these, and one-offs in the prior period, as well as FX impacts, EBITDA grew around 1%. This growth was delivered through strong cost management following a strategic refocus of the business on DAC. This more than offset DAC margin pressure from [a] higher off-net mix, ongoing declines in legacy Voice, a business we expect to complete the sale of this month.

Looking forward, Wholesale and Enterprise EBITDA is expected to decrease significantly in the second half sequentially, with the one-off items not expected to repeat, declines in NAS and Voice, and partially offset by ongoing cost discipline.

Over the past few years, we've focused on maximising utilisation in our subsea cable assets. We have been disciplined in our investments in new capacity. However, this has limited opportunities for new sales and growth. We now see promising investment opportunities in the second half of FY26 within our BAU CapEx guidance.

Digicel Pacific reported EBITDA declined 22% to \$139 million as the prior year benefited from the release of the remaining earn-out provision. Excluding this and in constant currency, EBITDA grew 1.7%, with ongoing cost reduction offsetting a challenging operating environment.

Turning to infrastructure on slide 19. InfraCo Fixed income was broadly flat at \$1.4 billion, with growth from NBN CPI indexation and ground stations. This was offset by lower commercial and recoverable works, reported legacy asset sales, and internal revenue based on efficiencies and lower power charges.

InfraCo Fixed EBITDAaL grew 3.4% to \$905 million, including a higher contribution from NBN, copper recovery, commercial works and cost efficiency, partially offset by the reduced internal income.

Amplitel continued to benefit from strong demand from towers and cost efficiencies. EBITDAaL grew 6.6% to \$162 million, despite the MOCN impacts.

Regarding strategic investments, including the Aura Network - which is our new name for our Inter City Fibre - we continue to expect spend of \$1.6 billion above BAU CapEx across the project. Now, while we expect the vast majority of this spend to occur by the end of FY27, we now expect a small amount of spend and some routes to complete in FY28. We continue to be disciplined in the build of this 30-year asset, including prioritising routes in line with customer demand and returns. We expect a mid-teens IRR with strong revenue growth especially from FY28, in line with demand as routes come online.

Strong costs management is a key highlight of this result. Our proactive cost management and the benefits from technology adoption is helping us be more efficient, respond to structural challenges in some products, as well as the impact of inflation, and allow for re-investment. Lower sales costs were a function of lower Fixed C&SB, International and NAS costs. Fixed costs were \$76 million lower. Together with lower BAU CapEx, Cash EBIT costs reduced, delivering strong operating leverage of over 3 percentage points.

We've maintained our strong capital position with liquidity supported by strong operating cash flows. Net debt remains stable at 1.9 times, despite our buy-backs, as higher debt was offset by EBITDA growth. We've also reduced our average cost of debt to 4.8% and extended our maturity profile. Our balance sheet is strong, and we remain committed to an A-band credit rating. This has enabled us to lift our current [on-market share] buy-back. We've also improved our Return on Invested Capital.

Turning to FY26 guidance on slide 22. Today, we are tightening our Underlying EBITDAaL guidance to between \$8.2 and \$8.4 billion, with the midpoint unchanged. Our guidance on all other measures is re-confirmed. In terms of EBITDAaL, there are a number of one-offs that have benefited the first half, including in International and Other EBITDA. The second half will also reflect the loss of earnings from businesses we have divested. Offsetting these items in the second half, we expect ongoing productivity including carry-in from prior years [and February announcements], as well as InfraCo asset sales and net product growth. As previously noted, we also expect higher BAU CapEx in the second half.

These results demonstrate our value creation under our Connected Future 30 strategy. Growth in core business cash flow, 17% growth in Cash earnings, supported by strong operating leverage, portfolio and investment management where we continue to execute in line with our strategy to enhance returns, and disciplined capital management including the lift in dividend and [share] buy-back.

Finally, I would also like to thank the Telstra team for all of their ongoing efforts in delivering value, especially for our customers, the communities in which we operate, and our shareholders. And I'll now hand to Nathan for Q&A. Thank you.

Analysts Q&A

Nathan Burley: Thank you, Michael. We'll now open for questions from analysts and media. On the call today, in addition to Vicki and Michael, we have other members of the Telstra Group Executive, including Brad Whitcomb, Group Executive; Consumer, Steven Worrall, CEO, InfraCo; Oliver Camplin-Warner, Group Executive, Enterprise; Amanda Hutton, Group Executive, Business; and Kim Krogh Andersen, Group Executive, Product and Technology.

With that, I'll open to the first question, which comes from Eric Choi from Barrenjoey. Go ahead, Eric.

Eric Choi: Thanks, Nathan, and congrats everyone on the result and lifting the dividend. I've got three questions, but can I please start my first question specifically on the dividend, and I just wanted to check the Board logic for potential FY26 and FY27 outcomes. So, if you look at FY26, your first half cash payout was 75%, but your policy has been sort of 70 to 90% in the past. And just logic-ing out the second half, you can work out cash EPS will fall a little bit in the second half versus first half. So, I guess we just wanted to check you're happy to up that cash payout above that 75% to maintain 10.5 cents into the second half.

And then just beyond FY26, you're clearly focused on cash earnings now. So, if we think you guys can grow Cash earnings by 5% or more, there's no reason why that EPS can't grow 5% or 1 cent again beyond FY26. That's the first one. Did you want the rest, or shall I give you a chance to respond?

Vicki Brady: Eric, we might do it a little differently given there's quite a bit in that first one. Why don't we take it first off. I'll make a couple of comments and then I know Michael will want to jump in as well.

So, first off, this is obviously the first half where we've spoken a lot about in terms of dividend, that under our Capital Management Framework, our focus is sustainable and growing dividend. Our preference is fully franked, but where that's not possible we would consider unfranked. And so, look, as the Board considers the dividend, the Capital Management Framework is obviously the critical thing that they reference.

As we spoke to this morning, the first half of this financial year we've seen particularly strong Cash earnings, and that supports the first half dividend. But yes, that sustainable and growing dividend is absolutely a key focus. We don't have any more a cash payout ratio that we're targeting, it's very much we focus on the Capital Management Framework and look at it through that lens. But Michael may want to comment on some of the historic numbers, I'm not sure.

But look, as we look forward, that's why we keep coming back, Eric, you know, our ambition under Connected Future 30 is really that mid-single digit cash earnings, that's really critical, and that's an important reference point. As you know, we work through and the Board makes its final decision on the dividend. But Michael, do you want to jump in with any further comments?

Michael Ackland: Yes. I mean, I think Vicki's absolutely right, we don't have a policy on payout ratio. But if you look over the last few years, I think in FY25, on the same basis, the Cash EPS payout ratio was 85%, it was 90% in FY24, and it was 84% in FY23. But as we're focused on that sustainable dividend and just re-commit to our objective to deliver mid-single digit growth in cash earnings, Eric.

Eric Choi: Awesome. I'll try and be quick just in terms of balance sheet and room for capital management, and I'm going to focus on Moody's here, since they're one notch higher than S&P. It looks like they lifted your max gearing headroom to 2.4 times now. So, can I confirm on their measure, you'd be tracking at 2.1 to 2.2, and that's before you conducted portfolio optimisation. Basically, the question is, do you have plenty of headroom to increase both dividend and buy-backs from a credit agency view?

Vicki Brady: That's quite a detailed one. My overarching comment is, our balance sheet is strong, it's a core part of our Capital Management Framework, you know that we're absolutely committed to those settings that keep us in that A-band credit rating. But Michael, do you want to get into any of the specifics there?

Michael Ackland: Yes, so we reported 1.9 times, I think that's well within our conservatively framed outlook of 1.75 to 2.25. Moody's have a slightly higher top end to that range. They do use some slightly different methodologies, as you point out. We track both of them, but I think your conclusions that the balance is strong and that we do have strong capacity

within that A-band rating based on both Moody's and S&P is correct.

Eric Choi: Can I fit in a last one, sorry. Just a question on whether investors should think of Telstra as an AI loser or winner. And I think you're implying you're an AI winner because to get to your long term ROIC of 10%, you basically need to grow EBITDA a billion dollars or more from here. And, like, logically, you can see your mobile service revenue is \$8 to \$9 billion, your fixed cost base is \$7 billion. If those two grow in line with each other, they offset each other, so you need something else to fill that \$1 billion plus gap, and that's going to have to be through InfraCo and cost efficiencies. And I'm also guessing that's going to have to be driven by AI. So, you're essentially saying AI helps you hit your long term guidance?

Vicki Brady: OK. Well, why don't I start off on that, Eric, there's quite a lot in that one. The first thing I'd say is, obviously inside Telstra there's a number of businesses – obviously, Mobile, key driver of value and growth right now, and we're super happy with that business. That's come through years and years of consistent investment and differentiation in what we deliver to customers, and that will obviously remain a focus.

If you look at our portfolio, I'll come to InfraCo in a second, but there are other elements of our portfolio we're still working through. Telstra Enterprise, we spoke a little a bit about the International component of our business today as well. So, there's still work to do in our portfolio in terms of getting those businesses in the right shape and supporting our ambitions.

On InfraCo, I mean, there is no doubt the demand cycle we're in at the moment, the sort of investment that is going into AI infrastructure, we couldn't be more pleased that we embarked on Aura [Network], or Intercity Fibre as it was previously known quite a few years ago, and that build-out is at the halfway mark. All of the demand signals would indicate growing demand there. So, the infrastructure side of our business is obviously important long run.

We have also said in our ambitions, positive operating leverage. And so, yes, we've got to keep getting more efficient. And you see that – I think Michael and I both commented today, we are seeing benefits from, again, years of investment in digitisation, in pushing ourselves to be sort of at the front of how we apply AI inside our business. So, they are important, the dynamics in the world is changing fast. For us to be competitive, for us to be keep delivering on rising expectations rightly of consumers and businesses, we've got to be able to apply AI. And so, I am really optimistic on what AI can deliver for us, both in terms of the demand signals in InfraCo, but also in how we use that inside our business, yes, to drive efficiency but also drive better customer outcomes.

So, they'd be the big things I'd comment on in there. I don't know, Michael – I might go, because we've got Steven Worrall, obviously with his first set of results with Telstra leading InfraCo, so I thought it might be a good chance, because that winners and losers in AI, particularly from our infrastructure business, I thought, Steven, if you're happy to make a few comments would be great.

Steven Worrall: I'm very happy to do that, thank you, Vicki. And good morning, everyone, it's great to be here. As Vicki said, my first results announcement with Telstra, and if you'll indulge

me for a moment, I thought I might provide a little context that goes to the heart of the question, Eric, that you've posed. But I'll also give some direction in terms of where we're headed.

I think I'll just start with saying how excited I am to be here at Telstra at this time. It's an incredibly exciting time for our business but it's also an exciting time in relation to digital infrastructure. We don't have to look too far, pretty much every other day there's an announcement of a new investment that's being made in data centres here in Australia. And Australia has emerged as one of the leading destinations for data centre investment around the world, as we've all seen.

Now, of course, that's just one part of the digital infrastructure landscape. And as recently as last month at PTC, which is a conference in Hawaii where we engaged with hyper-scalers, of course other players in the AI ecosystem, some of our existing clients, and many others who are eyeing the opportunities that this build-out of digital infrastructure is providing. We saw a very significant uptick in terms of our pipeline coming out of those discussions.

As Vicki mentioned, that's why we think Aura [Network] is such an important investment. It will provide the AI inferencing architecture that we think is so essential for our nation as we look to an increasingly digital future.

And while I am excited about all of that and excited to be here, it's also a really important time for us as a nation. And I think Vicki also pointed to this earlier in her comments, indeed she made these comments at the Press Club last year in terms of the moment that we find ourselves confronted by. And that is in relation to how do we think about productivity going forward, how do we think about how we best participate in an increasingly digital world, and we think investments in Aura [Network] and the assets that we have give us the permission and, I think, the logical role for us to play to help Australia best position itself.

Last quick thought, it's a long answer to your question. Of course, our international asset base is incredibly important as well, and Michael touched on this in his remarks. Telstra owns and operates more than 25% of the world's subsea capacity. When you think about a digital future, you think about connecting Australia to the global digital supply chain. It's that subsea network combined with the domestic and terrestrial assets that we have, that we think sets us apart, and we think puts us in an incredibly important position with all of the work ahead of us to ensure that we can capitalise on those commercial opportunities as, of course, we serve the country.

Eric Choi: Good stuff. Thanks, Steve. Thanks, Vicki. Thanks, Michael.

Nathan Burley: We'll go to our next question, which is from Entcho Raykovski from Evans & Partners. Entcho.

Entcho Raykovski: Thanks, Nathan. Good morning, everyone. My first question is around mobile costs in the period. They were a bit higher than the market expected, and Michael, you've provided us with some good colour around what's driven that. But my question is, to what extent were the high costs driven by high satellite costs as opposed to some non-recurring items like remediation? I'm just trying to get a sense of the extent to which

the cost increase is in occurring. And I've got a couple of others, but I might hold off after this answer.

Vicki Brady: Yes, thanks Entcho, for that. I know Michael spoke to four major things that were in that cost increase. We don't break it down; we don't get into cutting and dicing it into the pieces. But as you said, the first one mentioned was customer remediation and compensation. We are at the end of a program of work on historical sales practices, so that comes to an end at the end of this financial year. We have, in part of business-as-usual, those costs exist, that they are higher in this half and we would expect higher for this full year. But we don't break it down into the subcomponents. I don't know, Michael, if there's any other comments you wanted to add?

Michael Ackland: No, I mean, I think, Entcho, the satellite costs, we should consider those to be an ongoing change. And I think you rightly point out the others we don't expect to be ongoing in this nature. The other one we referenced there is the way that shared costs are allocated, and frankly, that's just a little bit, that Mobile is increasingly a bigger part of our businesses, and you can see in our numbers. So, that trend will continue as well, but frankly, it's against our overall costs going down. So, I think we should remain reasonably confident about ongoing operating leverage in that business, as we've committed to across our entire business as we move forward and look at this as there has been some more specific impacts this period.

Entcho Raykovski: That's helpful. Thank you. And my second question is around the potential expected increase in spectrum renewal costs that was announced by ACMA in December. Does that impact your ROIC targets to FY30 in any way? I mean, I noticed that on slide 35 you've got a footnote referencing the new payment structure. I guess, so does it have any impact on ROIC and do you foresee a need to perhaps divert investment from elsewhere into spectrum purchases, or how does that impact your decision around pricing and the need to pass this cost onto consumers?

Vicki Brady: Yes, thanks, Entcho, and obviously it's an ongoing process at the moment, that process of spectrum renewals, I think on the positive. I mean, on the positive front, starting there, ACMA has decided it is a renewal process, I mean, again, reinforcing this spectrum that will come up for renewal through 2028 to 2032 is about 80% of the spectrum that the mobile networks in the country rely on, so that's a positive.

And the process in terms of determining what is fair market price; that is the debate that's underway through that process. ACMA obviously put out some more information just pre-Christmas. We have a different view on what fair market price is. For us, it's about, at the moment it would be we believe about \$1.3 billion more than what we would see fair market price. So, look, that'll be part of our submission back. Obviously, that process is still ongoing. We'll put our views, our thoughts, our analysis work we've done into that.

Obviously, any additional cost that comes into the business, we've got to be incredibly thoughtful about. As extra cost pressure comes, there's constantly a balance of how much we invest into the network and the products and services we're delivering for customers. That might be things like satellite-to-mobile technology, it's investment in our mobile network we keep making in our broader network.

So that will be something we'll have to think about. Obviously, increasing costs we've then got to think about what does that look like in terms of what it means for pricing, for customers. Because ultimately, for us to keep investing and being at the forefront to deliver high-quality connectivity services, we absolutely need to make a return on those investments so we can keep that investment going.

So look, it's part of the process. Our ambition on ROIC remains the same. That ambition under Connected Future 30 to get Underlying ROIC to 10%, you did pick up that note – we wondered how quickly that footnote would get picked up. And as you can see, we've just been very transparent using the current ACMA pricing that they've put out as the interim pricing that's reflected in that footnote.

Nathan Burley: Thank you, Entcho. Our next question is from Bob Chen from JP Morgan.

Bob Chen: Yes, good morning, guys. A few questions from me. Maybe firstly, just on the really strong ARPU result across the Mobiles business, and especially across the pre-paid and wholesale. How sustainable do you think this is, and this is just the beginning of moving those customers onto higher prices?

Vicki Brady: Thanks, Bob. Did you have more than one question, can I just check?

Bob Chen: Yes, sure. Yes, I've got some others, so do you want me to give them to you now?

Vicki Brady: Yes, why don't we grab them all and then I'll make sure we manage to get to them all.

Bob Chen: Yes, sure. Maybe just on the comments earlier around the Aura Network. Obviously, we're seeing a lot of demand from new data centres being put into the region, like you guys mentioned. When you think about that sort of mid-teens IRR you're talking to, I mean, given the increased level of demand for data centres and connectivity, could the return profile of Aura be better than what you were initially expecting?

Vicki Brady: OK. And is there a third one?

Bob Chen: Yes. And then just on the ACMA spectrum renewal process. I think you spoke to some of the trade-offs you're sort of thinking about in terms of mobile network investment. But how does that impact maybe your capital management settings if you don't see the gap between ACMA's pricing close with your views?

Vicki Brady: Great, thank you. OK, so quite a few to cover off there. Why don't we – just on Aura [Network], my comment there would be we continue to have the same outlook in terms of Aura [Network] in terms of that financial profile, so that mid-teens IRR is absolutely what we continue to target. Of course, as you heard Steven talk about earlier, we do see good demand signals, but obviously we've only just passed the halfway mark of build, so our focus is absolutely completing the build and as the routes come online, making sure we're converting those demand signals into commitments and switching on revenue on the network. So right now that financial profile stays as is and I think we've put a slide in the Appendix just as a reminder of what that looks like.

Just on the ACMA, look, as I said, that process is ongoing. If it does land with the pricing that's currently proposed, I think this is where you see the benefit of very

disciplined capital management, a strong balance sheet. Obviously, as I said, we'll need to consider various trade-offs that I think given the hard work over many, many years, obviously the business is in that underlying earnings growth, we're seeing cash earnings and spectrum is ultimately – it's a critical element to delivering high quality mobile services.

So I think as we stand today, we sit with the capacity I think to be able to navigate that period, and we just wanted to be really clear in that footnote and give you a view of how that might look like if the current pricing was to proceed as is in the interim proposal.

On ARPU, I think it might be worth getting a few comments on this one. I might get Michael just to make an overall comment because he can cover off the broader perspective including Wholesale, and then I might ask Brad to comment because you particularly mentioned Prepaid and we've got good strong performance out of the consumer side of the business. So Michael, why don't I go to you on ARPU more broadly.

Michael Ackland: Yes, sure. And sorry, just a quick one on your point around capital management and spectrum, I think it's a really good question. The way that I would think about it is we start with what's our Return on Invested Capital, are we getting an appropriate return on invested capital? And that's where all those trade-offs that Vicki talked about. And then the second one is capital management, which is our strong balance sheet. So I think just reiterating what Vicki said, but I wanted to talk to it.

Vicki Brady: Yes, no, thank you.

Michael Ackland: Look, I think on Mobiles overall, and I think hearing from Brad is going to be much more insightful than anything I could offer, obviously, but we're really happy with the way that our multi-brand strategy is playing out. We have a broad range of brands and offers and channels to market that are meeting more of the market and we continue to grow that base. You can see that when you look at the revenue growth, the way that is spread, and also the ARPU growth that we're seeing when you take all of our handheld customers in total.

So we're really happy with the way that multi-brand strategy is playing out. Prepaid has been a very specific highlight that you called out and so maybe with that, we can get Brad to talk a little bit about how that's working and what's happening.

Brad Whitcomb: Yes, thanks, Michael. Just to broaden it out a little bit, yes, we're really happy with the performance for the first half when we look at mass market mobile. And as Michael pointed out, we do have a series of brands that we work with; Boost, Belong, main brand and also our products on Prepaid and Post, and we work to tile those up so that we've got offers that are attractive to our customer segments. And really pleased that we're able to see growth in terms of subscribers across all of those various aspects of the portfolio, and as you pointed out, also ARPU growth as well. The mechanics of that ARPU growth, for Prepaid it was around price rise back in October of 2024 and for Postpaid, including Belong, July 2025 price rises there.

But what we look to in terms of sustainability, I would look first at how happy are our

customers and really pleased that we're sitting, as Vicki mentioned, we're at an all-time high for our customer NPS at plus 47, that's up significantly PCP, so that's a great trend for us.

I'd also look at our overall value proposition and what we're offering our customers, it's first and foremost it is built upon having the broadest, deepest, most reliable network in the country and arguably in the world. World class privacy, speed, protection and security for our customers. And then the intangibles around our brand, we see our brand moving from strength to strength. We're now the ninth strongest brand in the nation, which is consistent with one of our Connected Future 30 aspirations to stay in that top 10.

We've got brilliant frontline workers that are serving customers, whether that's through our retail stores or in our contact centres and you'll feel that when you engage with them, that they like the work that they do. In fact, we've got across the consumer division, which is mostly frontline workers, we've got an employee engagement score of plus 85. And when your employees are engaged, they just provide that much better service to the customer.

So hard to predict the future. It is a very, very competitive market and we have to earn the right to serve our customers every day, but when I think about the sustainability, the value proposition that we have, I like where we're standing right now.

Nathan Burley: Thank you, Brad.

Bob Chen: Great. Thanks, guys.

Nathan Burley: We'll take our next question, which is from Lucy Huang from UBS. Go ahead, Lucy.

Lucy Huang: Thanks, Nathan and thanks, Vicki and Michael. I've got two questions. I'll just ask them in a row first. So just I mean good results on Mobile ARPUs, I just wanted to see if you could pick some trends in churn in postpaid post the price rise that was implemented in July and particularly on the Enterprise side in mobiles as well, was that still a drag in the ARPU numbers this half, or do we think that that drag's actually moderated moving forward?

And then secondly just on Intercity Fibre, again, I think you mentioned on the call that we're expecting strong growth coming through in FY28.

What's the conversation like with customers on whether or not they want to pre-commit to capacity, just to give I guess investors a bit more comfort around the demand profile longer time?

And then just thirdly on Fixed C&SB, early days since the unbundling of the modem from the plan, but maybe if you could provide us with some colour as to whether that's been driving a better outcome so far in stemming buyer decline? Thank you.

Vicki Brady: Excellent. Well, thanks, Lucy, for those. I'm actually going to get Brad to come back up and talk a little bit about Postpaid churn and also cover off C&SB Fixed, the internet-only plans. And then I'll ask Oliver who's leading Telstra Enterprise, I know

you had a question there on the Mobile front. There's been some really great work out of Oliver and the team in Enterprise, so I'll get him to talk a little bit about where that's at and the trends we're seeing. And then Steven, it might be worth you popping back up, and just the discussions.

As we've said previously I think, Lucy, with big builds like this, we find there's lots of good demand signals. Often, until you're at RFS of certain routes, it's sometimes not a practice to pre-commit. We obviously had Microsoft where we had a big strategic partnership there. They are an important foundation customer of Intercity Fibre or Aura [Network] now, but I might get – Steven can give a bit more colour to how the dynamics are. So why don't we go to Brad if you're comfortable to cover off those couple.

Brad Whitcomb: Yes. So if I start with the Mobile churn. As you can imagine, before we make any price changes, we do quite a bit of work around elasticity, conjoint analysis, the customers that we're serving and where they might go should they choose to move off the current plan that they're on. And as a reminder, we have no lock in contracts, we don't have handset subsidies and so customers can move very, very quickly if they want. That's all the modelling that we do and we look at that in terms of a yield, how many customers are going to stay where they were, how many people will down plan, will we have any customers churning and I would say this price change that we made in July, we landed right about where we expected in terms of yield. So we are pleased with that.

Of course, that all then comes to the trading on the floor and how we perform in terms of our peak trading windows, whether that's flagship handset launches or Black Friday, Christmas and currently our end of summer sale, and I think the team is executing quite well. So we're never fully satisfied with churn. We want to keep customers within the portfolio, but we're right about on track with what we planned for.

In terms of Fixed C&SB, one thing I would like to underscore is the team has doubled the profitability for that business over the last three years. It's been a massive performance and we're on track right now to deliver about a half a billion dollars in profit when we exclude the legacy copper costs that's in that business. So very pleased about that.

As you mentioned, we've rolled out a number of new capabilities within that product suite, including the NBN high speed tiers. We've got straight-through digital processing to make it real easy for our customers to order digitally. We've got a beautiful new [Telstra] Smart Modem 4, which if you don't have it, you should get it. The wi-fi performance in the house is exceptional.

And then we've got now our Internet Only. It is early days. We launched Internet Only right on Black Friday and I will point out, as we've been migrating off of Siebel and now on to Console, we've only got about, what, a little less than 4,000 customers left on Console. It meant we could move very quickly and we could meet that critical trading window of Black Friday. Customer response has been good. That said, we remain in a very, very competitive market. We are focused on SIOs but we're not focused on SIOs at any cost. So that's how I would describe it. Now [the] team [is] very much focused though on the SIO loss.

Vicki Brady: Thanks, Brad, for that. That's excellent. And why don't we – Ollie, are you comfortable to speak a little bit to TE and TE Mobile ARPU trends?

Oliver Camplin-Warner:

Yes. Thanks, Vicki. Thanks, Lucy, for the question. So yes, let me zoom out and start a little bit on this Enterprise reset and how we're travelling there, and then I'll zoom in on Mobiles.

On Enterprise reset, as Vicki reminds me, there's always more work to do, but I'm really pleased with the progress that we've made so far. Without doubt, by the end of reset we will be a stronger, more customer focused business, no question. We identified a number of critical initiatives at the start of reset and those are progressing well. I'm pleased with where they are at and pleasingly, most importantly for me, customer reaction has been positive as well, where we've seen an increase in NPS.

Some of the key points to reset, first off, just that radical simplification of our product portfolio. It was absolutely critical that we were really focused on who we wanted to be moving forward, not trying to be everything to everyone. We've taken a long hard look at our cost base and faced some really tough decisions here. But we've made those calls and we do have a very different cost base across the business now.

Commercial guardrails we've continued to tighten, which have had a good impact. We have an engaged workforce, like Brad spoke about earlier as well, who are now making a real difference. And then on the portfolio management as well, we've taken a long hard look at the various businesses that we've had. As Michael touched on, we completed the divestments of MTData, Sapio and Alliance [Automation] in the half. The [strategic] partnership with [InfoSys], the Versent partnership, that's continuing on track and we'll close out on the second half. So long story short, there's a lot in there.

A couple of weeks ago we also announced the radical transformation of our service delivery business, where we'll look to improve the customer experience on the delivery front. So there's a lot there. I'm pleased with where things are at but there's always more to do.

Just on Mobiles, so Mobiles without doubt has been the beneficiary of many of those actions that we've taken through reset. Commercial guardrails, really celebrating the network, that Brad spoke about earlier, all those beautiful attributes and pleasingly we saw growth in the half, which I'm really thrilled with. It was great to launch Satellite [Messaging] to our customers and especially those organisations who have a remote field workforce where having that connectivity in the hour of need is absolutely critical. So a good response there. You will note in the footnote just around the MTData divestment and how that will impact Mobile in the second half but pleased with the Mobile performance, but there's always more work to do.

Vicki Brady: Yes, thanks, Ollie, for that. And just to add one comment to what Ollie said on TE Mobile performance. Lucy, if you go to the very last, I think it's the very last page in the presentation material in the appendix there, you can see Telstra Enterprise Mobile performance and you can see growth there. And so real credit to Ollie and the team.

He spoke about commercial guardrails. The team have been very disciplined and we have been – I think Michael mentioned ARPU growth across all products and all segments. So that's been a good outcome of that real focus and discipline.

Michael Ackland: Including business.

Vicki Brady: Including business. That's right. That's right. Every segment across Mobile, which has been great to see. So why don't we come to Steven. A little bit of colour, Steven, around those commitments from customers, are they prepared to pre-commit. Yes.

Steven Worrall: Yes. Happy to. Thank you, Vicki. And Lucy, thanks for the question. There's sort of two thoughts that might be helpful here. As Vicki mentioned, first and foremost, we need to build the network. So we're 7,000 kilometres in to a 14,000 kilometre total build, and we have a couple of the routes ready for service and actually in use today, but most yet to get to that threshold. And so that obviously is the priority, as we continue to have all sorts of conversations with players, both domestic and international.

The second thought I'd love to share with you is the thought that we are building what I'll describe as AI inferencing architecture for our nation, and of course connecting that architecture to what is increasingly being built out around our region and around the world. And in that context what Aura [Network] presents to Australia is obviously critical digital infrastructure for the nation, but it's infrastructure that will support us for a generation.

And we're talking about a demand profile that we don't actually see just yet with all of the investments that we're hearing regularly in relation to data centres; many of those are in construction process and have yet to come online. And the sort of demand profile that those data centres will drive as one part of the digital supply chain is yet to arrive. And as you might expect, as a result, the commercial conversations with those operators in terms of pre-commits and their precise requirements in terms of connectivity, both domestically and through the region, are conversations that we engage in regularly. We're obviously moving many of them down the pipe very well and we expect to have more to say on the topic in the future. Thanks very much.

Nathan Burley: Thank you. We'll take our next question from Liam Robertson from Jarden. Go ahead, Liam.

Liam Robertson: Thanks, Nathan. Morning, team. Three questions from me as well. Just firstly on Mobile, in particular postpaid subs growth. Looks like Belong was the standout there, adding 21 thousand and a half, core base declined modestly. Michael, I think you touched on your multi-brand portfolio already. Clearly that remains well positioned. But I'm just interested in how you're seeing the market, and should we be thinking of Belong as the key acquisition channel going forward, or do you actually think you can also grow your core brand?

And then just to follow on from that, I mean given that dynamic, have you got any concerns around your ability to grow postpaid ARPU moving forward?

And then just my next question on the dividend, I might frame it slightly differently,

just given you were clear on not having a targeted payout ratio. I don't think it was a coincidence that the 9.5 cents fully franked and then the 1 cent unfranked on a grossed up basis was similar to the 10 cents fully franked in expectations. I guess, moving forward, should we now be thinking about growth of that dividend on a gross basis, and then your split between the franked component and unfranked component will just be dictated by your available franking credits? I guess the inference there is that the unfranked component might actually need to accelerate just given your franking balance and the mismatch between tax paid and then cash earnings.

And then my last question, hopefully just a really quick one, on Enterprise, appreciate all the comments and colour, Ollie, there around the recent divestments, the cost base reset, some of the pockets growth, looks like mobile was strong. I guess my question is when can we consider that portfolio to be fully rebased? Thank you.

Vicki Brady:

Wow. Thanks, Liam. Lots in there. Some great questions. I might get Brad back in just a second, because I think how the market's playing out, Belong, my overall comment, as Michael spoke to earlier our multi-brand approach is critical to how we address the market. There are very different needs in the market in terms of what different segments of customers are looking for and so it remains a really important piece. And of course as you'd expect, we're always pushing. We want to make sure we're meeting those needs as best we can and the Telstra-branded proposition is critically important. It is our premium offer to market.

I might get Michael to jump in after Brad and just talk a little bit more about dividend. As you call out, this is the first time in a long time it's not a fully franked dividend, so I'm sure there are many questions about how to think about it. Again, I just come to Cash earnings is an important piece, as we consider as the board goes through that process, as they're thinking about the dividend in light of our Capital Management Framework.

TE, it's a really great question on reset. Ollie and myself and the leadership team, we've been working through that at the moment. I mean, incredible progress. It was May 2024 when we announced the reset of our Enterprise Business. As you just heard from Ollie, some really pleasing progress, but there is still more to be done. And so that's part of our thinking as we come back for our full year results we'll be able to share where we're at.

But right now the focus really is on making sure those pieces that are in work still now, and Ollie spoke to some of those, some of the changes we're driving to try and remove further complexity out of that business to really deliver on those rightly high expectations of our Enterprise customers remains absolutely our focus, along with finalising some of those elements on the portfolio management side. But why don't I – Brad, are you comfortable to jump in on the market, and then we'll come back to Michael on dividend.

Brad Whitcomb: Yes, so thanks for the call out on Belong. We're super proud of the performance of that business and it's great to see them growing, both in terms of subscribers and also profitability. I think the team there is doing a fantastic job. I will point out we did have a fairly significant price rise within Belong back in July, the same time that we did the main brand price increases as well. So this isn't necessarily a pricing thing.

We do see more growth at the lower end of the market, so from my perspective it's not surprising that we would see Belong competing very well there and seeing that grow. But our primary focus is around our core main brand, and the other brands sit around that to support that main brand.

And there's a number of attributes that you can only get with the Telstra main brand and one that I would point out, we've talked a little bit about today, is the Satellite Messaging service. And for customers that are aware that we have Satellite Messaging, we see an NPS, which is a full 16 points higher than customers that aren't aware of it. So we're offering real value there, and our aspiration is to continue to grow that business both in terms of the profitability but also the number of customers that we can serve.

Michael Ackland: Thanks, Brad, and thanks, Liam, for the question on dividends. I think I would – a little bit like Vicki sort of spoke to, we have an ambition under Connected Future 30 to grow our Cash earnings mid-single digit. It is those Cash earnings that support the sustainable and growing dividend and the level of franking within that is going to be determined by the growth in our Australian tax payments, which I apologise is an obvious statement, but it is going to be driven by the growth in our Australian tax payments and that's going to be fairly closely linked to our growth in accounting earnings and EPS.

So we are, as we said, we think that our franking balance is tight, it has been tight for some years. The partial franking in this period we believe was the best way to deliver on our commitment to a sustainable and growing dividend, and we look forward to continuing to achieve our ambition of mid-single digit Cash earnings growth that supports a sustainable and growing dividend in the future.

Nathan Burley: We'll go to Roger Samuel from Jefferies. Go ahead, Roger.

Roger Samuel: Hi, morning all. I might just stick to three questions as well, hopefully quick ones. Firstly just on your guidance, if we look at your performance in the first half, the Underlying EBITDAaL grew about 5%, and if we assume that you can repeat that 5% performance in the second half, that implies that you can easily get to the top end of the \$8.3 to \$8.4 billion. Are there any issues that we should be aware of in the second half? I mean, I note your divestments of some businesses, but yes, there could be some cost out as well that you may do in the second half.

The second question is just on C&SB. Obviously very good result on the profit side. But Michael, you mentioned that you'd like to stabilise the NBN subs over time. And yeah, if we look at this result, I think your NBN subs still declined by about 75,000. I'm just wondering what you can do to arrest this decline, given that you've introduced the internet-only plans, you have moved your customers to a new technology stack, but if you look at what's been happening in the last two weeks, your competitors, especially the challenger brands that have been doing some consolidation as well, so I'm just wondering what you can do to arrest that decline in NBN subs?

And lastly just a quick one on Mobile ARPU. You mentioned about network slicing in the past, and how that could add to Mobile ARPU, especially in postpaid. How are you going about introducing that network slicing to differentiate certain plans and the

impact on ARPU, please?

Vicki Brady: Thank you, thanks Roger for that, and we're getting the hurry-up from Nathan, we're speaking too much, so let us see if we can fire through these three quite quickly.

I'm going to come back to Michael on guidance, I think he can give a very concise answer on that. On C&SB Fixed, I'd just say first off, look, the team have done a great job in that business, and Brad spoke to earlier just how much EBITDA profitability in that business has changed in a small number of years. But absolutely our focus is now on stabilising customer numbers.

The Internet Only proposition only went into market in November. So our focus and Brad's focus with the team is absolutely in our channels in our marketing, because although we might all know about it, I'm pretty confident that a lot of customers in the market don't know about that proposition yet. So we will focus absolutely continuing to deliver a really high quality experience for our customers that meets their needs. So that will be the focus there.

In terms of mobile ARPU and slicing, yes, we've got a slicing product in market in our Enterprise business. It is very early days, and Connected Future 30, a big part of that is Network as a Product. So how we build out, how we make sure we have those network attributes, but we're reinventing the commercial models that go with those attributes. So as we create value for customers, we also share in some of that value creation.

So very early days on that, but we remain optimistic. We've got the foundational investments going in, in network systems capabilities to put us in a position over time to be able to make sure that level of sophistication in our network that can meet the level of sophistication of our customers' needs going forward, that we get that to work well together. So that's definitely our focus as we look at the business going forward.

Michael, are you happy to cover off guidance? That's our second half.

Michael Ackland: Yep. No, absolutely. And thanks, Roger. So, yeah, there is a few things sequentially that are impacting us. So one is we had around \$45 million of one-offs in International that we don't expect to repeat. So we will see a significant sequential decline in International, not only that \$45 million, but also the divestment of the Wholesale Voice business in International. So that will be a sequential decline.

We mentioned Other EBITDA. In Other EBITDA, there was, I think, around \$20 million of bond and FX gains that we are not necessarily forecasting to repeat in the second half, which will provide a bit of a headwind.

The second one is probably on redundancy. Redundancy is traditionally – or sorry, traditionally – has over a number of years been a tailwind on cost into the second half, because we've done more redundancy in the first half than the second. We announced that we were consulting on some changes last week. If they were to go ahead, we would expect to see redundancy not be that tailwind into the second half. Of course, offsetting that, we have productivity flowing through as we talked to.

I think the other one, as we look into the second half is just based on the historical

timings of some of the price rises across, particularly in the consumer portfolio, whether that's fixed or mobile, we would expect to see some of that revenue growth sequentially to be a bit more muted. And then, of course, as I said, on top of the other divestments that we expect either to have completed or we expect to complete in the NAS portfolio.

Nathan Burley: Excellent. Our next question is from Nick Basile from CLSA. Nick.

Nick Basile: Hi, Vicki and team. Just two questions. The first one is on AI. I think your opening remarks, you talked about rationalisation of software providers and deployment of AI across the coding team. So I'm just interested to understand or get a little bit more colour on how that is benefiting you and how it helps you, I guess, deliver on the 2030 cost ambitions. And also just to what extent at all you've managed some of that vendor concentration risk now from a cost inflation perspective. So that's the first question. Sorry, there's a few add-ons.

And then the second one is just on incremental returns on mobile investment. I guess with respect to the commentary around your investment in augmented services using satellite networks, just wanting to understand what the incremental margins on this capability is relative to selling services leveraging your terrestrial mobile network. Thanks.

Vicki Brady: Yeah, no, thank you. Thanks, Nick, for that, and a couple of great questions. Well, I'll take the second one first off and then make a couple of comments. But I might get Kim Krogh Andersen, who leads Product and Technology and is really, has been the driving force between a lot of the pieces you mentioned on the software side.

So just on Mobile, obviously Satellite-to-Mobile, I would think about that, we are leveraging the capabilities of another, of a third party. So I think about it like a reseller of a service. So obviously the incremental margin on that sort of business is very different to where we own and operate the infrastructure ourselves. And obviously very different CapEx dynamic. We're not the one investing all of the money in launching LeoSat, so we are a reseller of that service.

But it is, I think as Brad spoke to, really important. It is a key element of our proposition, how we bring these services to our customers. And again, as Telstra, we provide a premium experience under our Telstra brand in the market. So being one of the first few operators globally to be able to bring that to Australian customers, because we could see the service could really serve a purpose here, whether it's when terrestrial networks are disrupted, or when people in our very large country are outside mobile coverage. So that's how we sort of broadly think about that.

As you said on AI, I made some comments this morning because I think it is really important to understand there has been investment and work underway for years as we digitise our business, as we're applying AI, and particularly in software development is so critical in our speed to market and being able to deliver at the level our customers expect. But Kim, I might just get you to make a couple of comments if you can on those benefits, how it's been driven, and then how you've thought about vendor consolidation risk.

Kim Krogh

Andersen: Yeah, thank you so much and thanks for the question. First of all, we have been modernising our tech stack for a very long time, and tech leadership is a core part of our Connected Future [30] strategy. Michael mentioned it, and I want to reinforce it. We have actually managed to decrease our cost in tech over the last few years, and that's despite inflation. But as you mentioned as well, there is a lot of partners that really want to hike the price to justify and get return on their AI investment. So we have managed to combat that and ensure that we take the value of these digitisation, simplification, AI, etc, instead of that become revenue in some of these partners' pockets. So that's important for us, because we want that value to go to our customers and to Telstra and to our shareholders.

I think Vicki mentioned that we have actually seen a 20% production improvement in our software deployment. Not only that, we are also shipping our software and releases faster; 15% to 20%. That comes from a more efficient software flow. So we have seen 12% improvement in API flow. We have seen 29% improvement in our defect rates. So it's great to see when quality, time to market, but also our efficiency come together.

It is AI-enabled, all of it. We have now most of our software engineers, they are using GitHub Copilot to really ensure they produce more code faster. We also use AI for testing. We use AI for quality assurance, for architecture assurance, but also for change management and other things. We use AI for migration, and all these things is a part of us really driving this.

But we have consolidated partners. That's both applications, so we have done a lot of exits of applications we don't use. We have consolidated our partners. Vicki mentioned we have consolidated our [software partners] from more than 400 down to two. And these two, Cognizant and Infosys, they really incentivise to help us to simplify and help us to adopt AI as fast as possible.

So all these things is a part of us really creating the right foundation for us to drive this company forward. And it's hard work and we're not done, we keep pushing hard. But we believe we have a foundation now where our segments, they can compete, where our channels, they have a good experience and our customers have a good experience. These have been very critical for software, but it's even more critical for AI. We believe that if you don't get that foundation right, we will actually see the run cost of AI outperform the benefit of AI.

So we are very focused on that foundation to get that in place. We have 380 use cases today. So we are at scale. We are deploying agentic now. So the whole reason for us doing the two joint ventures with Quantum and with Accenture was to ensure we have that foundation in place. Because we want to ensure, as Vicki mentioned many times, we are not an AI company, but to be a leader, a leading telco, we really need to be a leader in AI and in software. And this is the foundation. And these partners, they keep pushing us forward and really ensure that's in place. So we are pushing hard here, but there is a lot to do.

Nathan Burley: Thanks, Kim. We'll go to Brian Han from Morningstar. Brian. Brian, your line is open. We will go to the next question, which is from Andrew Gillies from Macquarie. Andrew.

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Andrew Gillies: Thanks, guys. I'll keep it to one, just in the interests of time. Not to put too much of a finer point on it, but just on the AI and data strategy, just a little clarification. You mentioned kind of faster delivery on this. Should we be thinking about that as kind of a structural pull forward of the cadence of cost out? I mean, Infosys was flagged before. Some of your outsourced partners are flagging really strong efficiency benefits, both internally for themselves, but also for the businesses that they work with.

And more broadly, more recently, we've seen software vendors shifting from seat-based models to more of a value share-based model. Can you just clarify that that's all captured in your comments around costs on this call? And can you make a little comment on the cadence, and I presume you're going to reiterate the medium term EPS CAGR, but that would be great. Thanks.

Vicki Brady: Yeah, no, thanks, Andrew, for that. Again, just to reinforce, as we work with our partners, whether it's Accenture under our Data & AI joint venture, whether it's Infosys as a key software partner, and also, obviously, we're planning to also use them more extensively to help us in terms of really simplifying the complexity in our Enterprise service delivery for our customers.

Look, I think Kim sort of covered it briefly then. As we enter those arrangements, they are built on very much aligned incentives of delivering real efficiency, in terms of our partners have to be able to really be leaning into using AI to drive the efficiency and the experience benefits under those arrangements that we've entered into.

So, as we look forward, yes, those partnerships are another element of how we make sure we're driving efficiency in our business. Kim spoke to our goal is like we did with the Data & AI joint venture with Accenture, we're accelerating a five-year roadmap we had into a much shorter timeframe, but without driving cost up. And so, we are very conscious of making sure that as we move forward, that alignment with our partners, where we're both driving to get the efficiencies from the application of AI into our process systems and interactions is absolutely built in. And Michael, in terms of our forward sort of ambitions?

Michael Ackland: No, I think it's captured in our forward ambitions. It's covered in that commitment to operating leverage, which I think is really important, growing revenue faster than we grow costs, and that opens up those jaws.

The one point I would make, and I think it's really core to our technology strategy and how we're going about it, is we are very – and Kim made the point – there is a risk here that you end up in software licensing, in cloud costs and in paying the AI providers, that you offset your benefits. And that is very much our focus.

We've made tremendous progress in the efficiency of our cloud costs. We're getting significant efficiencies around the way that we're focused on how we buy software. And that is embedded in our strategy to ensure that we're using an open architecture, modern software approach, and we're setting up the way that we're executing AI right now so that we can swap out vendors, that we can move between LLMs, and that we are really focused on the cost of both cloud and AI. And I think it's been a really important point around those technology costs. So it's a great question, Andrew.

Vicki Brady: Yeah, wonderful question. Thank you.

Andrew Gillies: Thanks guys.

Nathan Burley: We'll take two more questions from analysts after which we will move to media. So we've got media on the call, and if you do wish to ask a question, please register by pressing star one. Our second last question comes from Fraser McLeish from Credit Suisse. Oh, I got that wrong; from MST. Fraser.

Fraser McLeish: Oops, don't worry, Nathan, I won't take that personally. Just two quick ones from me. Just, Vicki, obviously there's a fair bit of discussion on AI in relation to costs. I'm just wondering, can AI be a competitive advantage for you in the marketplace in terms of being able to invest more and faster than competitors in customer tools and experiences? Or do you expect all players to broadly have the same capabilities?

And then a second quick one, maybe for Brad, just on fixed broadband. I mean, are you expecting much spin down from these new internet to these new internet-only plans? And what are you doing to minimise potential for that? Thanks.

Vicki Brady: Thanks, Fraser, for that. Just on AI and where we're at, I think the thing that's front of mind for us is it's moving so fast. And so we are absolutely focused on, we can't be complacent, we've got to be pushing really hard. Because we do see ultimately for us to be a leading provider of connectivity, we're not an AI company, but we absolutely need to be a leader in how we're applying AI.

And that's because, yes, it affects all the obvious parts of our business. How do we make those customer interactions more efficient and better for customers? How do we enable our teams to be able to use AI and work smarter and have greater satisfaction? But it's also right in the heart of our business, the network itself. And if I look at where networks are headed, and we do have Mobile World Congress coming up shortly, so we'll get another injection of where everyone a year on sees things headed, we absolutely believe networks are headed to being much more autonomous.

And the complexity of doing that, you absolutely need to have AI deeply embedded and being at the forefront. So absolutely being at the forefront of delivering world-leading connectivity is absolutely at the core of our differentiation. So moving fast, I think it's not just having it, I think it's moving at the pace and scale needed to make sure we maintain our differentiation. We do provide a premium experience in the market for our customers under the Telstra brand. And so we're very much focused on making sure we're moving fast enough, we are delivering those benefits to customers, we're helping our teams grow their skills and be able to use these tools effectively in the way they work. And ultimately, yeah, we see it as an important piece.

I mean, long run with any sort of technology, obviously, over time, I would expect it becomes more widely dispersed. But absolutely, we see it as important, the pace we move at here, and really enabling our business with it is an important focus for us to deliver for our customers.

On fixed broadband, I don't know whether Michael, you want to grab it, or we want Brad just to quickly jump up and grab the spin down. Brad?

Michael Ackland: I'm happy for Brad to.

Vicki Brady: Yeah, Brad, please.

Brad Whitcomb: Thanks. Just, I can't resist on the AI as well. Vicki mentioned that Telstra Virtual Agent, which we've deployed, and that is, I think it's the start of a competitive advantage there. We've more than tripled the containment since we've launched that AI agent to customers. So they're able to get their needs met without having to go to a human agent.

And another one I'll mention, which is really cool, is you can now, using AI, you can change our entire digital experience into over 35 different languages. We've had about 70,000 customers already do that. And that just makes it much easier for them to engage with us. So that's an example, I think, of where it helps us addressing the customer.

In terms of the broadband only, there's a couple of areas that we're focused on there. One is opening up to customers that genuinely, they have their own modem at home, and they're just looking for the broadband connection and not looking for that full experience. We think also, though, this gives us a softer entry point to have a conversation with a customer. When they come in, they see a price point that they're comfortable with, and we talk about the value proposition and what equipment they do have in the home, and to then talk about the advantages of things like our smart modem 4.0. So we're not anticipating significant spin down. We think those are two different segments of customer, but we will keep an eye on that.

Nathan Burley: Excellent. And we will take our last analyst question from Nicole Penny from Rimor.

Nicole Penny: Thank you for taking my question, and for the detail on the Aura opportunities you've seen. Just secondly, the CapEx on the ViaSat project remains ongoing. Could you provide more colour on the expected completion timeline and the likely earnings impact during this period as the project moves towards full operation, please?

Vicki Brady: OK, and Nicole, is that the only one? Have you got any others?

Nicole Penny: That's it, thank you.

Vicki Brady: Fantastic. Thanks, Nicole, for that. Look, I'll make a comment, and then Michael may want to jump in. Just to be clear, and hopefully the appendix again helps reinforce it in the material we've issued today, we think about Aura [Network] and ViaSat inside that \$1.6 billion of CapEx spend, and those overall returns are linked to that.

The profile's a little bit different. ViaSat is the smaller component inside that overall program of work, where we have been supporting with the build-out of ground stations and other infrastructure. So it's captured inside that broader financial profile that you can see. So it's Intercity Fibre, or Aura [Network], as it's now called, and ViaSat combined. I don't know, Michael, if there's any other colour?

Michael Ackland: No, I don't think so. The Viasat has been delivered on an ongoing basis, and we've seen the revenue start to appear through both InfraCo, but also into our Telstra

Enterprise Business, and that will continue for the life of that project. They're long term assets in terms of the ground stations, and well on track.

Nicole Penny: Thank you.

Nathan Burley: That concludes our question time from analysts and investors. We'll now show a short video, which I suspect you do not want to miss, because as Brad would say, it is pretty cool. So we'll show that, and after that, we will have time of questions from media.

[Video playing]

Media Q&A

Steve Carey: So thank you, and welcome back. Thank you, Nathan, for that handover. We hope everyone enjoyed the new ad. We will now commence our media Q&A. We are slightly early, so apologies to some media who may be joining at 11. We will obviously drop you into the queue.

In this session, we have Vicki Brady, our CEO, and our CFO, Michael Ackland, who will be available to address your questions that you have asked. If you haven't registered for questions, please do so by joining the conference call. Enter the passcode 5550458, and to register, press star, then one. To cancel your questions, or should you need to, press star, then two. If you require operator assistance, we'd ask you to please press star, then zero.

But we will move to questions. Our first question today comes from David Swan from Nine Metro Publishing. So, Swany, over to you for your first question, please.

David Swan: I wanted to ask about spectrum strategy. I've got three questions all related to that, so I'll just fire those away. You've told ACMA the fair price is \$1.4 billion, and they've come back at \$2.7 billion. Is that number – I guess what's the number that Telstra would accept without passing costs onto consumers? Is there a sort of landing zone there, or is it a binary number?

I wanted to ask, as well, you've said the trade-off with spectrum is between network investment and consumer pricing, but is there a third option which might be absorbing the cost through lower returns to shareholders? Is that something that Telstra has or would consider?

And third, I wanted to ask about ACMA's renewal process. It means you avoid a competitive option, which could theoretically cost more. Is the \$1.3 billion gap you've complained about still cheaper than the alternative, a competitive option? Is that something you're keen to – is a competitive option, I guess, something you'd be keen to avoid? Thanks.

Vicki Brady: Thanks, David, for that, and some great questions on spectrum. So first thing I'd say is, as you called out, we absolutely agree we've got to pay a fair price for spectrum. It's a core part of delivering high-quality mobile services, and we see spectrum is one of those assets as a country, we absolutely need to be maximising its benefits to consumers and businesses.

We do think, as a country, it would be helpful as part of a digital infrastructure plan to have a clear plan for spectrum long run. This process right now is renewal of spectrum. Obviously, there'll be spectrum needed for 6G, for future satellite services, for lots of other things as we look forward. So, we do think having a really clear plan for how we maximise the use of spectrum to get the maximum benefit for consumers and businesses is super important.

Look, obviously, the process is still ongoing on the pricing of the renewal of the spectrum. That's part of the ACMA process right now. We have a different view to ACMA, and that will be part of our submission back in as part of that process. As you call out, there's about a \$1.3 billion difference in what we think the value, fair market value of the spectrum that we will go through renewal on, versus what the ACMA currently see as the fair market value for that.

Look, in running a telecommunications business like Telstra, you're constantly balancing up various things and various trade-offs. Importantly, Telstra, like all telcos, is a big infrastructure business. We've got to invest a lot of CapEx into our business. And if you look globally, telcos have been challenged on getting reasonable returns. Because we need to be profitable to make sure that we can keep investing. And that means investing in our network, in things like the 5G Advanced capabilities, or bringing services like satellite-to-mobile texting, the Satellite Messaging service we launched last year.

And we're seeing customers – NPS is up. So we've got to keep investing because expectations also keep rising. We know we've got to keep investing to be able to attract and retain the best talent and invest in their skills. And yes, we also need to deliver returns to shareholders. We've got an Underlying Return on Invested Capital at 8.9%. So through a lot of work, we've steadily seen that increase. It is above our cost of capital, but it's probably, it's not at the level that our investors would ultimately hope for. So we do have an ambition to grow that to 10%, and I don't think that is unreasonable in any way.

Remembering our shareholders, we have more than a million shareholders, we've got the largest retail shareholder base in the country. And we know through things like superannuation, we estimate about 16 million Australians benefit from the financial outcome. So yes, there is absolutely a balance we need to achieve as we make choices and decisions. Higher spectrum costs just puts again, extra costs we need to consider, and we would have to think about the various trade-offs as part of that. But the process is still ongoing at the moment.

Steve Carey: Thank you, David, for those questions. Next up, we have Jared Lynch from The Australian. Jared, please go ahead.

Jared Lynch: A few questions for you. Telstra's first half profit was driven by strong cost control, and it's a strategy that you plan to intensify with the proposed 750 job cuts in the current half. Just wondering, how will you ensure that prioritising short term cost savings and efficiencies will not fundamentally undermine the in-house expertise and people-driven innovation necessary to deliver the long-term growth and service quality promised by your Connected Future 30 strategy?

And then just on the Connected Future 30 strategy, I'm interested to hear how will your investment in AI and data functions, including the JV with Accenture, be deployed to solve one of the nation's most pressing challenges, whether it's climate resilience, healthcare, accessible and accessing regional areas, or digital inclusion? And I guess, what is the legacy that you want Telstra's new capabilities to create for the country?

Vicki Brady: Yeah, thanks, Jared. A couple of good territories there. So let me go firstly to first half. Yes, we've delivered a strong first half performance. And yes, as part of our strategy, given we have very small revenue growth to deliver positive operating leverage, we absolutely need to be driving cost and efficiency.

But as we think about our business and we think about the capability we need to be able to deliver a long run in this business, absolutely our internal teams are critical to that. And we keep investing in our teams internally, whether that is in things like their ability to be able to use and apply AI capabilities. Because we fundamentally believe for all of our team they will be better positioned in the future, the better able they are to apply AI and use it in their jobs. So we're absolutely, internal capability remains critical.

It wasn't that long ago, for example, we bought back our retail stores. And we've heard Brad speak about this morning, just the benefit that has driven in having such a highly engaged team of people out there, servicing our customers face-to-face in our stores.

We also will partner with key partners. And the couple of things you mentioned from last week, they are two examples of where we are partnering. First, in terms of our Enterprise business, we've still got a load of complexity we need to get through in that business. So we did announce and propose some changes where we are partnering with Infosys, to really be able to access their capability to help us simplify the complexity in that business in the way we serve and deliver for our Enterprise customers.

We also propose changes in the Telstra Accenture Data & AI joint venture. Again, that is about accessing Accenture's global capabilities to help us really accelerate our roadmap on Data & AI to be able to deliver benefits to our customers, and into our business more quickly. So absolutely, it will be a combination. Our internal teams are critical, and we keep investing in them.

But we also, to remain competitive and at the forefront, we've also got to leverage partnerships. And I can assure you, any decision that impacts a role inside Telstra, they are never taken lightly. And we support and work with our teams very, very closely as we work through anyone who has a role impacted as part of any of those choices and decisions.

Just in terms of Connected Future 30 and that ambition as we look forward, I think fundamentally, we see connectivity, it is a foundational piece for the country. You look to the future of inclusion, of productivity, of prosperity. Technology is going to play a key role, and having a really solid foundation of leading-edge connectivity that is there to deliver to all of those future needs is absolutely fundamental.

You spoke about things like healthcare. I think about education. I see the way we work

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and connect regional communities. It's absolutely core to who we are as Telstra and the focus and delivery of our Connected Future 30 strategy. So absolutely, that core foundation of leading connectivity, we think helps enable the country in terms of those future ambitions of inclusion and of prosperity.

Jared Lynch: Thank you.

Steve Carey: Thank you, Vicki. Thank you, Jared. We do have a couple of people on the call that haven't registered for questions, so I'll just quickly reiterate that. Once you join the call, please enter the passcode 5550458, then press star, then one to register for your question.

We will move to our next question in the queue, and we will go to Grahame Lynch from CommsDay, please. Go ahead, Grahame.

Grahame Lynch: Thanks for taking the call. I wanted to ask about spectrum renewals. I've been following the debate around this quite closely now for a few months, and it seems to be missing the reality that over the next 15 years or so, which is the period we're talking about, 5G and then 6G is going to require a lot of new spectrum in addition to the renewing spectrum. But also, Australia's population is probably going to grow by quite a few million over that same period, which means that telcos such as Telstra are going to have to install a lot of new capacity in cities to deal with all that extra population.

Are these two realities perhaps a bit missing from the discussion around spectrum, and are they informing Telstra's posture on renewal prices? And perhaps could Telstra be better articulating that these are the issues it will be facing in coming years?

Vicki Brady: Yeah, thanks, Grahame, and I know I've been reading some of your articles that you've been writing and your opinion pieces. You're incredibly well-informed and understand our sector and how important spectrum is.

Grahame Lynch: Thank you.

Vicki Brady: Yeah, no, I really appreciate it, because it's a really important question where you've gone. Absolutely, renewal is important, as you well understand better than anyone. It is 80% of the spectrum that our current mobile networks run on today that will go through this renewal 2028 through 2032. So, the certainty of renewal is absolutely a positive. Obviously, we are debating with the ACMA what each of us think the fair market price of that spectrum is. Because we absolutely, we accept, we understand we need to pay a fair market price on fair terms. So that's important.

But I think where you've gone is critical. And that's why we have been advocating that as a country, we do need a really clear vision for the digital future that has a very clear digital infrastructure plan that includes spectrum. Because where you've gone, as you look forward over 15 years, it's not just the renewal of spectrum, it is all of those new services, all of those new capabilities, like 6G, like some of the satellite capability that is currently forecast to be able to be delivered over that time horizon. I think as a country, we absolutely need to be thinking about how do we maximise the use of our spectrum so we get the best possible outcomes for consumers and businesses?

And I think that's an important piece that needs to be brought into the thinking. And again that's not easy, and we are very happy to be part of that as Telstra. And I think as a sector, alongside government and regulators, as we think about how do we absolutely set up the country to maximise the use of spectrum to get the maximum benefits for consumers and businesses. So I think it is an important element right now. A lot of focus on renewal because that process is obviously well underway, but I think your broader point is incredibly important.

Steve Carey: Thank you, Vicki. Thank you, Grahame, for that question. Next up, we have Jenny Wiggins from the AFR and online. Please go ahead, Jenny.

Jenny Wiggins: Vicki, three questions for me as well. Just with regards to AI, can you give us any more examples of how exactly you're accelerating Telstra's investment in AI, other than what you're doing with Accenture? I mean, for example, is Telstra spending more money on AI investments in the financial year?

Secondly, just more generally, do you have any views on how the federal government can improve productivity and economic growth in Australia? And thirdly, with regard to the ongoing problems with the 4G VoLTE networks, that's an issue for all network operators and device manufacturers, do you think Telstra will ever be able to guarantee that in the future, all mobile phone devices that are sold in Australia will be able to connect to triple zero without any problems? So, I mean, do you think your testing and talks with device manufacturers will ensure that after the current spate of problems we've had? Thanks.

Vicki Brady: Thanks, Jenny. Lots in those three questions. So let me take them one by one. In terms of AI, when I talk about accelerating our Data & AI roadmap, that's absolutely about accelerating the use cases and the benefits and scaling those across the business. In terms of where we're seeing some of that acceleration, we're absolutely, through our Data & AI joint venture with Accenture, that's really helped us accelerate some of the fundamental pieces like really streamlining the number of data platforms that we rely on. So we're absolutely seeing acceleration there.

We're not talking about accelerating spend. So one of the things we're really clear on is, as we make choices on partnering or going into joint ventures, how do we align our ambitions and incentives so that it is about being at the leading edge of being able to apply these capabilities into our business, but do it in a way where we do manage our costs? Because we're very conscious of that. It's an easy area to spend a lot of money and that to grow fast. So we're very conscious of those, and thoughtful in how we set up those partnerships and how we architect the technology inside our business to make sure we have choice, so that we can both get the benefits, accelerate those benefits, but also not see our costs grow beyond where we are comfortable with that being.

Just on the productivity agenda for the country, I think it's such an important discussion. One of the things we've been strong on is, we do think as you look forward for our country, whether it's productivity and prosperity of the nation, there's no doubt technology is going to play a big part in that. We think something that isn't always at the top of the list is that technology, whether it's AI or data centres, it does need to be connected.

So having a really clear digital infrastructure plan for the country, so that as a sector we can align behind that with government, with regulators, so right policy decisions are made, the right investment decisions are made, the regulatory environment is set up to, yes, protect customers, but also encourage innovation. So we think that's a really big piece as we look forward, and we're really optimistic about what technology and the important role that connectivity can play in helping to enable that for the country.

On the third one, where you are talking about Triple Zero, and yes, obviously there's been a lot of focus on Triple Zero. The first thing I'd say, it is a very complex ecosystem to ensure Triple Zero works from the devices themselves, through to the networks and the different software and protocols that are running over networks, through to getting the calls through to emergency services who operate across around the country, state by state, territory by territory.

Look, our focus, this is a complex ecosystem and I think everyone in that ecosystem is working to try and make sure it works absolutely as well as it can. And I would say, obviously, any call that doesn't get through is too many, but the large majority of that ecosystem does work well. There are some complexities in devices, you're spot on. And obviously, devices come into the country, device manufacturers have to accredit those, we do testing on our network. But it is a dynamic area where devices are changing, software is getting updated, networks are changing. And so we work really hard to make sure we meet our obligations to be monitoring devices and obviously, as part of some of those obligations, it does mean blocking devices if we find they cannot make Triple Zero calls. And so, I think it requires work right across that ecosystem to make sure Australians continue to trust and they should trust our Triple Zero system to be able to get help in an emergency.

Steve Carey: Thank you, Vicki and thank you, Jenny. Our next question comes from Rhayna Bosch from SBS. Please go ahead. We might be having some issues there, so we might go to David Taylor from ABC. Please go ahead, David.

David Taylor: Well, thanks for your presentation. It's quite extraordinary what Telstra is doing. The ABC has spoken to both employees, current employees of Telstra, but also previous employees of Telstra, and those who have been contracted by companies to be also employed by Telstra. And there's a real sense of fear around how your AI investment, AI rollout is affecting jobs. So can you give me an idea of – so it's a two-pronged question, I suppose. Over the past 12 months, what proportion of jobs that have been lost within Telstra are related to your AI rollout, and how many, what proportion of jobs are going to be lost at Telstra after 2030, based on AI?

Vicki Brady: OK and thanks, David, for that. So first off, I mean, the pace of change in AI is quite extraordinary. And when I'm engaging with our teams internally, yes, one of the questions is, what does it mean for my job going forward? I think the thing we're focused on is absolutely none of us can predict that future. It is changing so fast. I look back over the last couple of years just how fast it's changed. None of us, I think, predicted that.

So the thing we're focused on with our teams, in an environment where it is uncertain how AI will be used, I think the most important thing is skilling our teams. So we invest heavily in the tools available to our team members. We invest heavily in also the

training and skills of our teams through our Data & AI Academy. Because irrespective of what the future is and how it plays out, we firmly believe that our people who have better capability in being able to use and apply AI will be better positioned for future jobs.

So we're very much focused on that, and I do understand it is a question top of mind for our teams. And as I engage across the country and travel internationally, it feels like a very common theme. The world is moving fast, so our focus is on how do we skill, enable our teams, give them access to the tools. And we are seeing our team members who have access to our AI tools, which is the large, large majority, are using those tools on a weekly – 75% of them are using them at least weekly, and often a lot more often as it becomes part of the way they work and operate.

So as we look at impacts on our business and yes, any decision to impact a role is a difficult one, we have had to face into those decisions. They are necessary decisions to put us in a position to be competitive, to be able to deliver at the level we need to for our customers.

Those benefits, today there's not a role I could say has directly been taken by AI. But of course our investment in digitising our business, our investment in applying AI is generating a more efficient business for us. That's why, as I said, our focus is absolutely on working with our teams, that investment in the tools and that investment in their skills.

Steve Carey: Thank you, Vicki. Our next caller is Brandon How from Capital Brief. Please go ahead, Brandon.

Brandon How: Yeah, thanks very much for taking time today. Just wanted to touch on an earlier comment that was made during the analysts' call. I think it was flagged that because of Telstra's disciplined capital management, it would be able to navigate the upcoming structural renewal fees if they were to go through as they're currently proposed. I was just curious if that means that there's unlikely to be significant disruptions to existing investment plans at least out to 2032?

And I just wanted to touch on a separate point as well. It was revealed, Telstra revealed earlier in the year to the triple zero service outage inquiry that suffered about more than 5,200 mobile tower outages last year. I was just wondering what commitments are you making to ensure that this is brought down?

Vicki Brady: Yeah, thank you. Thanks, Brandon, for those couple of questions. Look, this morning on the call with analysts, the question was around our capacity to be able to, if those spectrum renewal costs come in as is currently proposed, how would we be able to navigate that? One of the things about Telstra we're very focused on is ensuring the business is in the right position to be able to continue to sustain investing in the business. We've worked over many years now to steadily improve our overall returns in the business. They're still not super high.

They are above our cost of capital, however. Obviously, if that cost does land higher than what we think the fair market value is, and that process is still ongoing, then that will be a consideration we need to consider as we think about various trade-offs; where

we're investing our money, how we're positioning and pricing in market. So there are a whole lot of factors we would need to consider.

The point this morning is, are we set up to be able to navigate that as a company? I look at where we're at financially, our ability to keep investing in the CapEx needed to support the business, our balance sheet capacity as a business. It was a broader comment about being able to navigate through that.

Just in terms of Triple Zero, obviously there's been a huge amount of Triple Zero focus, particularly through the latter part of last year. Telstra takes its obligations incredibly seriously. We do have two sets of obligations. We run the emergency answer point for the country. When someone calls Triple Zero under a contract with the Federal Government, it is a Telstra person that answers that call, and passes it then on to the relevant emergency services. And we have our obligations as a telecommunications company, including as a mobile operator.

We invest huge amounts of our CapEx into the resilience of our network. These are large, complex networks, and they will have issues over time. Particularly, I spoke this morning about the investment in power backup systems. The single biggest thing that impacts the resilience of our network is power outages. So we do invest in power backup. However, there are situations where power is out for extended time. It could be that equipment fails. They're not infallible. So we absolutely invest heavily in resilience of our networks.

We also invest in things like new technology, bringing Satellite Messaging to customers, just as another form. If there is an issue on the terrestrial network, there's another layer. We also encourage our customers, who are heavily reliant on being connected, to think about multiple technologies rather than relying on just one. So there are many things we do. These are large, complex networks and they're not infallible, and we invest huge amounts in their resilience.

Steve Carey: Thank you, Vicki, for that. Our final caller for the day is Andrew Colley from IT News. Andrew, please go ahead.

Andrew Colley: Thanks for taking my question. Can we have an update on Telstra's lease of OneWeb's LeoSat constellations, and the issues you're having with complaints about the performance of small cell base stations? Has Eutelsat provided an update on when it might be able to fill coverage gaps in its constellation over Australia to eliminate the voice service dropouts when using those LeoSats for backhaul on those installations?

Vicki Brady: Yeah, thank you, Andrew. And so, yes, as you well understand, you understand this technology well, we have rolled out using OneWeb's LEO satellite constellation backhaul over their satellites to some of our remote sites. And their rollout of their satellite constellation hasn't gone as planned on their side. So it does mean today there are some issues, particularly impacting voice.

However, in terms of data performance, we have seen significant improvements by being able to access that LEO satellite service. We are working through that, working closely with communities and our customers to figure out – we have rolled it out to a relatively small number of sites to date. That rollout is not going further right now as

we work out what is the right balance to find here. It does provide real benefits, much more capacity, much better performance in terms of data over those sites. However, as you call out, there have been some issues around voice dropouts, given where that constellation is at. So that's something we continue to work through with OneWeb. And our teams, as I said, closely engage with customers and communities that rely on those small cell services.

Andrew Colley: If I could have one more question. Would I be able to ask, you've sought some delays to the Universal Outdoor Mobile Obligation to push it back a year. Has the federal government given Telstra any indication that it's open to doing that, or to holding back the legislation for further consultation?

Vicki Brady: So just in terms of the Universal Outdoor Mobile Obligation legislation. So first thing I'd say is we're absolutely at the forefront of rolling out those services in the country. We've already got Satellite Messaging that we launched in June last year in market. So commercially, we absolutely see the benefits of these services.

Under that legislation, it looks at then future services, voice, data. Some of that is dependent on brand new constellations, brand new capability that is not commercially available today. So as we've thought about that and we've given input, that's just an important element. Some of this technology is very early, some of it not in market yet. So obviously, that's going to be an important factor.

But we're absolutely at the forefront of bringing those services to Australians, because we see them as important services, an extra layer of resilience in the event a terrestrial network has an issue and also that ability in a country as large as Australia, when people are outside of mobile network coverage, that ability to stay in touch.

Steve Carey: Thank you, Andrew, and thank you, Vicki. We do have one final question. Jared Lynch just had a follow up question. So Jared, just over to you for your follow up, please.

Jared Lynch: Thanks, Steve. Vicki, today other business leaders warned that without productivity gains, that this is as good as it gets after real wages fell for the first time in more than two years. I'm just interested about capacity constraints at Telstra, and whether you're changing investment as a result of inflation or capacity constraints, and are any being delayed?

Vicki Brady: OK. I must admit, Jared, I did see some headlines this morning. I haven't read the transcripts and understood the full context of some of those comments. But in terms of where we're at, we're having to navigate, obviously, there are inflationary pressures on some of our costs. That's why I've been at the forefront of how we really drive efficiency and better outcomes for our customers is at the forefront. We're navigating that. We are very focused on what we call positive operating leverage. So we're in an environment where we're not seeing top line growth at any large level. So we've got to continue being efficient, to be competitive, to be able to deliver at the level we need to for our customers.

So right now, we are navigating that. You will have seen in terms of our overall result, we did reduce overall costs. So we're able to offset that inflationary pressure that, yes, we feel like consumers and businesses across the country feel. We've been able to

offset through some of the hard work, the discipline and the gains that we've found, particularly through technology investment.

Jared Lynch: Thanks, Vicki.

Steve Carey: Thank you, Vicki. Thank you, Jared, and thank you to all the media and analysts that have joined our call and Q&As today. Thank you for your time and investment in today's call. We will now wrap up the half year results update. Thank you very much and have a lovely day.

[End of recorded material at 02:11:03]

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