

21 February 2008

Office of the Company Secretary

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Corporation Limited Shareholder Letter and Brochure

In accordance with the listing rules, attached is a copy of an announcement for release to the market.

Yours sincerely



Carmel Mulhern
Company Secretary

Office of the CEO

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MELBOURNE VIC 3000

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Telstra Corporation Limited
ABN 33 051 775 556

21 February 2008

Dear Shareholder

I am pleased to share with you our strong operational and financial results for the half-year ended 31 December 2007. We are driving real momentum across the business as we approach the mid point of our five-year end-to-end transformation. This momentum has delivered 13% growth in our profit after tax and your Board of Directors has announced a 14 cents per share fully franked interim dividend.

In addition, we raised our fiscal year 2008 guidance today. We expect to report an outcome of 3% to 4% in total revenue growth, up from previous guidance of 2% to 3%. We expect to report growth in earnings before interest and tax (EBIT) of 6% to 8%, up from the previous guidance of a 5% to 7% rise.

In comparing Telstra's performance against our Asian, European and US peers, we rank at or near the top on many key financial measures as the transformation revitalises every aspect of the business and drives both revenue and earnings growth. For example:

- Mobile services revenue, which includes voice, SMS, wireless broadband and other data revenue, grew 12.5% - which is significantly ahead of our comparable global peers. We added post-paid mobile customers at nearly three times the rate of our largest domestic competitor.
- Customers using our 3G services, primarily over our world-leading Next G™ network, continued to increase in the half-year. More than 38% of our total mobile customers now use the enhanced features of 3G, well ahead of both our US and European peer groups.
- In retail broadband (mainly BigPond) we continued to grow our market share and average revenue per user (ARPU), despite fierce price competition. Many of our global peers are facing a decline in either one or both of these measures. We grew retail broadband revenues by 65%. We outperformed our largest domestic competitor, adding customers at three times the rate of that competitor.
- Our fixed line (PSTN) business continues to defy the downward trends of our global peers. Not only did our revenue decline continue to slow but the number of retail (consumer and business) customers increased and our ARPU increased.
- Our directories, transactions and advertising business Sensis has delivered again world leading revenue growth and margins.

Our strong results extend to all our customer-facing retail business units. We believe this is proof that our multi-faceted, end-to-end transformation strategy is working. That strategy is more than building new networks and transforming our IT systems to better serve our customers. It also involves helping our customers make a shift in their personal and business lifestyles. Business customers in sectors as diverse as regional health services, public safety and fire-fighting, distance education, transport and logistics, mining and aquaculture are testifying that the Next G™ network is driving a range of improvements in their costs, time savings and energy consumption. Consumers at home or on the move are finding new, faster and more convenient digital services are changing the way they live, work, learn, shop and pay for goods and services in everyday life.

The \$1.1 billion investment in the Next G™ wireless broadband network and our market-based management are paying dividends by driving up our mobile data revenues. The network continues to lead the world in its coverage and unsurpassed commercially-available speeds which is important because it allows our customers, whether they are small, medium or large businesses, to access and send large files on the go in 'real time.' Last week we raised the bar even higher by announcing that later this year we will increase peak network download speeds from 14.4 megabits per second (Mbps) to 21Mbps.

I am proud of the efforts of our people over the past two years. Our transformation targets are aggressive but we have delivered our key milestones either on or ahead of time. On a day-to-day basis, our customer service continues to be of paramount importance, shown currently by the efforts of our field workforce in restoring services in flood and rain affected areas of Queensland and NSW.

Financial Results

Our sales revenue grew 5.3% to \$12.3 billion reflecting the strong growth across all products including mobiles, broadband and Sensis. The decline in PSTN revenue continued to slow. It fell 2.1% for the half, compared with 7.8% two years ago, and this performance is better than our global peers. In our PayTV business, FOXTEL, revenue rose 17% and total subscribers were up by 12.7%, continuing the strong performance.

Our profit after tax (excluding minority interests) grew 13% or \$222 million to \$1.9 billion compared to the prior corresponding period. Our earnings before interest and tax (EBIT) grew 6.2% to \$3.1 billion as the transformation benefits continue to flow through to the financials.

Given our strong revenue growth, our total expenses (including depreciation and amortisation) grew 5.6%. The expense growth was driven by a combination of higher redundancy costs, higher directly variable costs linked to the rise in mobile and broadband sales, IT transformation-associated expenses, higher bad debt due to higher volumes and stock write-downs.

Dividend

Telstra's Board has resolved to pay a fully franked interim ordinary dividend of 14 cents per share, payable on 4 April 2008.

CDMA Closure

The closure of our CDMA network, as announced by the Minister for Broadband, Communications and the Digital Economy, is now scheduled for 28 April 2008. We have introduced a dedicated 1800 888 888 hotline for customers who have not yet made the switch and we are making every effort to assist our customers to do so.

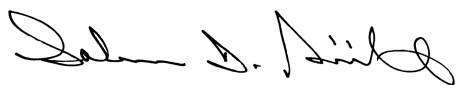
High-speed broadband

I was pleased to be joined by the Prime Minister earlier this month for the 'switch-on' of high-speed ADSL2+ broadband to more than 900 telephone exchanges – hundreds of those exchanges have been activated already. Many of these exchanges are located in regional and rural areas. This action forms part of our long-standing commitment to 'broadband the nation.' We remain committed to participating in the process to be established by the Federal Government, consistent with the shareholder-based principles that we have articulated previously, in the hope that Australia has a high-speed fibre-to-the-node (FTTN) broadband service in place at the earliest possible date.

In closing, the combination of a workforce with increasing skills, a powerful group of strategic partners with global experience and a vision to give our customers a 1-click, 1-touch, 1-command, any screen, real-time experience is helping us to deliver on the promises we made in November 2005. We still have a way to go. But we have put our stakes in the ground and we are demonstrating our ability to execute and to deliver on those promises.

I believe Telstra's end-to-end transformation into a media-communications company with strong regional presence and global reach is delivering real benefits to you our shareholders and we will continue to work very hard on your behalf. Please contact us at investor.relations@team.telstra.com if you wish to seek further information. I refer you to the attached half-year Shareholder Update for more details of the financial results.

Yours sincerely



Sol Trujillo
Chief Executive Officer



Telstra's performance leads global peers

The global telecommunications landscape is changing and Telstra's end-to-end transformation and evolution into a media communications company places it at the forefront of that change. Our 5-year transformation has re-invigorated both our revenue and earnings growth. We are the market leader in mobiles and broadband. We are also securing our core fixed line (PSTN) business by continuing to slow the revenue decline and line loss – with world leading results.

KEY ACHIEVEMENTS

- ✓ **38% of mobile subscriber base on 3G**
- ✓ **40% of 3G connections are customers new to Telstra**
- ✓ **3G revenues exceeded 2G revenues for the first time in December quarter**
- ✓ **non-SMS data revenue exceeded SMS revenue for the first time**
- ✓ **65% increase in retail broadband revenue**
- ✓ **more than 200% increase in WBB revenue**

During the half-year ended 31 December 2007 our results exceeded market expectations:

- In mobiles we continued to win the 3G game, as our customers embrace the speed, coverage and content advantages of Telstra's Next G™ wireless broadband network;
- In broadband we continued to take market share from our competitors and grow our average revenue per user (ARPU);
- In our fixed line business we continued to slow the revenue decline and ARPU increased;
- At Sensis we grew our print directories revenue in a challenging market; and
- In our PayTV business, FOXTEL, revenue and subscribers are up, continuing the strong performance.

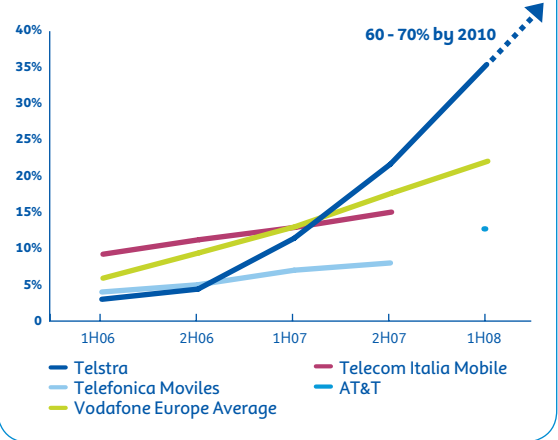
Our mobiles business continued its strong growth trajectory, with our 3G customers embracing the opportunity to move data in real time across our high speed Next G™ network. Our 3G customers are using the unsurpassed commercially-available speed and coverage of the Next G™ network to connect to the internet

and send large files while on the go. This has led to an increase in our mobile ARPU and we maintained the \$20 ARPU premium of post-paid 3G customers over their 2G counterparts.

Our Next G™ network is helping our customers manage busy lifestyles and deliver our world-class mobile revenue growth, especially data revenue.

With faster speeds, better coverage, more compelling services and content, the Next G™ network is a real competitive advantage that has driven Telstra's 3G mobile penetration from

3G customers as % of total mobile base



a few percent to 38% of our customer base in only 16 months. We expect this to reach 60% to 70% by 2010.

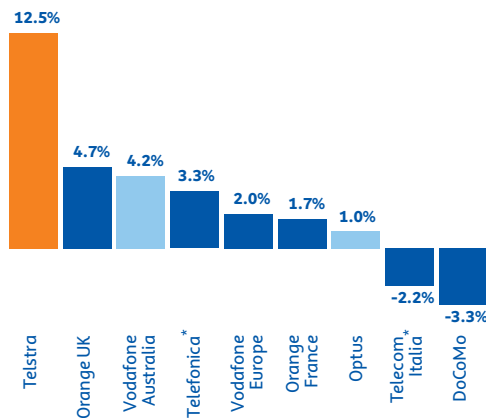
In our broadband business, we achieved the rare double of broadband market share gains and ARPU growth when many incumbents around the globe are facing declines in one or both of these measures. We added customers at three times the rate of our nearest competitor as customers embrace our high speed broadband offers and our expanding content choices. Broadband continues to be a cornerstone of our media communications strategy.

Sensis delivered world-class revenue growth and margins in the face of challenging industry conditions. The Yellow™ and White Pages® print directory revenue grew, along with Emerging Businesses and SouFun.

Our transformation remains on track as we move beyond the major network investment and invest in new IT systems to improve our customer experience.

As the results show, we are competing strongly in the "old" telco businesses and we are leading the way in the new media-comms business. Our vision remains clear, to provide customers with 1-click, 1-touch, 1-command simplicity, on any screen, in real time and with content integrated seamlessly across different devices, for voice, data and video.

Mobile Services Revenue Growth



Source: Company reports, Merrill Lynch
* Q3 for European operators yet to report

Strong revenue growth...

Financial snapshot

- Sales revenue +5.3% to \$12.3 billion
- Reported EBIT +6.2% to \$3.1 billion
- Profit after tax and minority interests +13.0% to \$1.9 billion
- 14 cents per share fully franked interim ordinary dividend

The results for the half-year ended 31 December 2007 highlight the continued momentum across the entire business, driving both revenue and earnings growth. Profit after tax and minority interests increased 13.0% to \$1.9 billion and reported earnings before interest and tax (EBIT) increased 6.2% to \$3.1 billion.

Sales revenue continued to grow, up 5.3% to \$12.3 billion. This strong result was underpinned by strong sales across all our retail business units and key products, including mobiles, broadband, Sensis, IP & Data access and fixed line.

Total expenses increased 5.6% to \$9.4 billion. This growth was driven by a combination of: higher transformation redundancy costs; volume related costs linked to the higher mobile and broadband sales growth; and, IT transformation related costs.

However, the increase in expenses were partially offset by the strong sales revenue growth and the net result was an increase in profits.

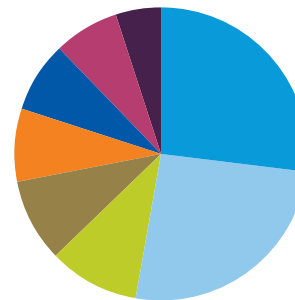
With the transformation benefits already flowing through to the strong earnings performance, our free cash flow increased 54% to \$1.3 billion and we have maintained the fully franked interim ordinary dividend at 14 cents per share.

FINANCIAL HIGHLIGHTS

Half-year ended 31 December 2007	2007 \$m	2006 \$m	change \$m	change %
Sales revenue	12,252	11,630	622	5.3
EBITDA	5,172	4,916	256	5.2
EBIT	3,120	2,938	182	6.2
Free cash flow	1,324	862	462	53.6
Ordinary dividends (cents per share)	14	14	-	-

Sales Revenue

Half-year ended 31 December 2007



↑ 5.3%
Sales revenue continued to grow, up 5.3% to \$12.3 billion.

	sales revenue	% of total sales revenue
● Fixed telephony (PSTN)	\$3,391m	28%
● Mobiles	\$3,186m	26%
● Internet (incl. broadband)	\$1,190m	10%
● Fixed telephony (non-PSTN)	\$1,145m	9%
● Sensis	\$954m	8%
● International	\$946m	8%
● IP & Data Access	\$857m	7%
● Other	\$583m	4%

Mobiles

Mobile services revenue grew by 12.5% to \$2.7 billion as we continued to gain revenue market share from our competitors. Total mobile subscribers were 9.3 million at the end of December, of which 3.3 million were 3G subscribers, now representing more than 35% of the total mobile base – in January we added a further 200,000 3G subscribers.

↑ 14.5%

Mobile revenue increased 14.5% driven by growth in customers and usage, in particular 3G customers using the speed, coverage and content advantage of the Next G™ network.

Mobile data revenue was a large contributor to the overall mobile revenue growth, up 46.1% to \$716 million with non-SMS data now generating more than half of the mobile data revenue. During the half a further 136,000 wireless broadband subscribers were added to take total subscribers to 464,000. Wireless broadband revenue increased more than 200% to \$230 million, a key driver of non-SMS revenue growth.

Fixed line (PSTN)

Fixed line revenue decline slowed further in the half to \$3.4 billion, a 2.1% slowdown comparing favourably with declines of 5.8% and 7.8% in the first halves of the 2007 and 2006 financial years respectively. Retail (consumer and business) lines grew by 48,000 in the half. However, wholesale line losses to unconditioned local loop (ULL) services led to a total line decline of 203,000 in the half.

Our market-based management initiatives have helped us defy the trends of our global peers and slowed the overall fixed line decline for the fourth consecutive half.

↑ 2.1%

Basic access ARPU increased by 2.1% as more customers select higher value HomeLine plans.

earnings momentum continues.

Broadband

Retail broadband customer numbers grew strongly to 2.6 million. Telstra's retail broadband market share increased by one percentage point in the half to 48%, making this the fifth consecutive half we have taken market share from competitors. ARPU increased 6.8%, driven by the growing proportion of customers on high value "Liberty" plans. This demonstrates that Telstra's investment in next generation networks is highly valued by our customers.

 **65%**

Retail broadband revenue increased 65% to \$844 million, market share increased one percentage point to 48% and ARPU increased.

Sensis

Yellow™ revenue increased 3.2% to \$543 million with print revenues growing 0.2% and online revenue up 21.5%, while White Pages® revenue grew over 10.3% to \$161 million. Emerging Businesses, including Whereis®, revenue was up 27% to \$80 million and continues to provide new revenue stream opportunities.

 **7.8%**

Sales revenue increased 7.8% to \$954 million, driven by Yellow™ and White Pages® directories, Emerging Businesses and SouFun.

Expenses

Selected items from the INCOME STATEMENT			
Half-year ended 31 December 2007	2007 \$m	2006 \$m	change %
Labour	2,092	1,996	4.8
Goods and services purchased	2,676	2,566	4.3
Other expenses	2,539	2,318	9.5
Total operating expenses	7,307	6,880	6.2
Depreciation and amortisation	2,052	1,978	3.7
Total expenses	9,359	8,858	5.6

Total labour expenses (including redundancy) increased 4.8% to \$2,092 million. Redundancy costs associated with transformation activities increased to \$166 million in the half with the planned redundancies for the financial year, mainly in the operations area, brought forward into the first half.

The total workforce declined a further 1,768 in the half, to take the total workforce reduction since the transformation begun to 7,875 (excluding any impact of acquisition and divestment activity).

Goods and services purchased increased 4.3% to \$2,676 million. The increase was driven largely by a 22% or \$135 million increase in other cost of goods sold associated with the higher mobile and broadband sales in the half. Offsetting this increase was lower subscriber acquisition and re-contracting costs (SARCs). Importantly, the growth of these variable costs in the half was below revenue growth.

Other expenses increased 9.6% to \$2,540 million. The main drivers were:

- IT related transformation costs pushed service contracts and other agreements (SCA) higher as the migration of customers to the new customer relationship management (CRM) and billing systems continues;

- IT hardware / software costs pushed general and administrative expenses higher;
- Increased bad and doubtful debts; and
- Stock write-downs for slow moving stock linked to the CDMA migration caused impairment and diminution costs to increase in the half.

Depreciation and amortisation increased 3.7% to \$2,052 million. The large transformation capital expenditure spend in the last fiscal year on the Next G™ and Next IP™ networks along with the IT systems contributed to the 6.7% increase in depreciation.

Balance Sheet

Selected items from the BALANCE SHEET			
Half-year ended 31 December	2007 \$m	2006 \$m	change \$m
Current assets	5,695	5,339	356
Property, plant & equipment	24,436	24,607	(171)
Total non-current assets	32,884	32,536	348
Total assets	38,579	37,875	704
Total liabilities	25,818	25,295	523
Net assets/equity	12,761	12,580	181

Total assets increased \$704 million due to the net impact of a:

- \$316 million increase in other intangible assets due to the development and acquisition of software assets as part of the IT transformation;
- \$248 million increase in other current assets driven largely by the increased trade debtors associated with the increase in sales revenue in the half, along with higher inventory holdings to support the sales of Next G™ mobile devices and support the CDMA migration.

The increase in total liabilities of \$523 million was due to the net impact of a \$1,653 million increase in total borrowings mainly due to new borrowings of \$1 billion and short-term borrowings of \$594 million used to help fund our transformation capital expenditure requirements.

This was offset by a \$1,130 million decrease in other liabilities mainly the result of lower accruals and payables following the higher capital activity undertaken at the end of the 2007 financial year.

Cash Flow

Selected items from the CASH FLOW STATEMENT			
Half-year ended 31 December	2007 \$m	2006 \$m	change \$m
Net cash provided by operating activities	4,157	3,431	726
Capital expenditure	(3,010)	(2,527)	(483)
Free cash flow	1,324	862	462

Free cash flow increased \$462 million to \$1,324 million mainly due to:

- An increase in our earnings; and a
- \$100 million distribution from our FOXTEL partnership;

We used our free cash flow to:

- Pay dividends to our shareholders totalling \$1,740 million;
- Pay finance costs of \$583 million to our debt holders.

Reducing our carbon footprint



In 2007, Telstra commissioned climate change experts, Climate Risk, to investigate how telecommunication networks and digital products can enable business, households and governments to reduce carbon emissions.

The Telstra commissioned-report titled Towards a High-Bandwidth, Low-Carbon Future: Telecommunications-based Opportunities to Reduce Greenhouse Gas Emissions identified seven opportunities. If achieved, these could reduce Australia's greenhouse gas emissions by almost 5% by 2015, an amount and pace that meets the Kyoto Protocol target. These opportunities could also generate up to \$6.6 billion in annual financial savings for Australian households and businesses. This amount is also in keeping with the findings of the Intergovernmental Panel on Climate Change (IPCC) and the Stern Review. The seven opportunities are:

1. Networked demand-side management to increase renewable energy use;
2. Integrated personalised public transport;
3. "In-person" high-definition videoconferencing to improve business productivity;
4. Presence-detecting services that turn off devices that are "on" but not being used;
5. Real-time freight allocation systems to fill empty freight vehicles;
6. Remote power management for appliances not in use or on "stand-by"; and
7. Teleworking.

"Telstrahas set an international precedent by finding ways that the telecommunications industry can contribute towards a national shift to a low-carbon economy. I urge other corporations and governments across Australia to follow Telstra's lead and become part of the solution." said WWF CEO Greg Bourne, who peer-reviewed the report.

To access the full report please visit our website at: www.telstra.com.au/abouttelstra/csr/climate_change.cfm

What is Telstra doing to reduce its greenhouse gas emissions?

We are using less energy than we did six years ago despite our massive network development and other growth.

For example, we have 6,500 fleet vehicles. These vehicles are fitted with GPS and wireless broadband laptops. This combined with our more efficient customer service scheduling has saved 40,000 hours of driving time a year and fuel consumption is down 5.6 per cent.

In 2007, we had 7,500 videoconferences lasting 20,000 hours, saving on travel and reducing carbon emissions. We are also Australia's largest private sector user of solar power from our 10,700 sites including telephone exchanges, radio terminals and payphones.

For further information on our Environment record please visit our website at: www.telstra.com.au/abouttelstra/csr/environment.cfm

Telstra hits green button

- The Herald Sun, 18 October 2007

Broadband could cut carbon

- The Age, 18 October 2007

Mini glossary

3G GSM Third Generation Global System for Mobile communications – is the evolution of the current GSM 2G and 2.5G technology to support voice and high speed data and multimedia services.

ADSL Asymmetric Digital Subscriber Line – is a broadband technology that provides access to the Internet at fast speeds.

IP Internet Protocol – is a standard set of rules for the carriage of digital information such as voice, video, data and images, across a global network.

Next G™ network Telstra's trade mark name for its 3GSM 850MHz mobile network.

PSTN Public Switched Telephone Network – standard home telephone service, delivered over underground copper wires.

ULL Unconditioned Local Loop – the copper wire that connects the Telstra exchange in your area to your house. Telstra is required to provide access to this wire to other operators.

Contact details

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Websites

Telstra's investor relations home page:

www.telstra.com.au/abouttelstra/investor

Telstra's interactive advocacy website:

www.nowwearetalking.com.au

How do I become an electronic shareholder?

Visit our Share Registry's website

www.linkmarketservices.com.au/telstra, and

choose the "Become an e-shareholder" option and

follow the prompts. Alternatively you can

call our Share Registry on 1300 88 66 77.

Key upcoming dates for 2008

Annual results announcement	13 Aug
Ex-dividend share trading commences	25 Aug
Record date for final dividend	29 Aug
Final dividend paid	26 Sep
Annual General Meeting	21 Nov

Note – Timing of events may be subject to change. Any changes will be notified to the Australian Stock Exchange (ASX).