

LETTER TO SHAREHOLDERS HALF-YEAR 2015



CATHERINE LIVINGSTONE AO, CHAIRMAN
DAVID THODEY, CHIEF EXECUTIVE OFFICER

Dear Shareholder,

We are pleased to update you on Telstra's half-year results. These results demonstrate that our strategy of improving customer advocacy, driving value from our core business and building new growth businesses continues to create value for shareholders. We are delivering strong operating performance, having had three consecutive years of earnings growth and increased cash flows from recent divestments.

Performance highlights for the half include:

>	Total income* of \$13.0b up 1.6%
>	EBITDA of \$5.3b up 0.5%
>	Net profit after tax of \$2.1b, up 21.7%
>	Earnings per share of 16.9c, up 23.4%

* Excludes finance income
Total income and EBITDA on a continuing operations basis

Our customers remain our highest priority. We are committed to improving the way we interact with our customers every day, providing more personalised service as well as being more responsive to their needs by keeping them informed, delivering new products and services as well as offering better value.

We continue to provide our customers with access to Australia's leading mobile network. Our 4G coverage is now at 90 per cent of the Australian population and we aim to have 94 per cent covered by the middle of the year. We also launched our new 4GX service which is now offering customers in over 1,000 towns and suburbs some of the fastest mobile data

speeds in the world, with top speeds on compatible devices on 4GX up to twice as fast as 4G.

We are also building Australia's largest national public Wi-Fi access network with more than 1,000 Wi-Fi hotspots already enabled. We aim to offer Australians access to two million hotspots across the nation, and more than 13 million international hotspots around the world.

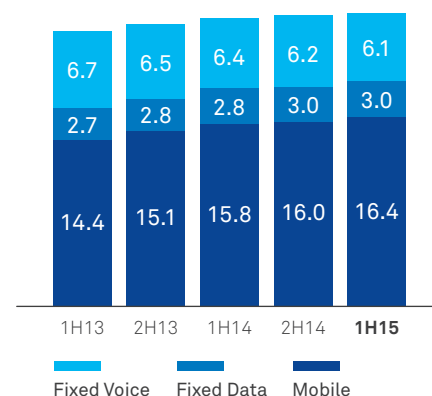
We also continued to add new customers.

We had our best ever iPhone launch and we have seen growth in the number of connected tablets and data sharing. Our focus on the customer has led to the addition of 366,000 new retail mobile customer services, 87,000 new retail fixed broadband customers and 127,000 new customers on a fixed bundle.

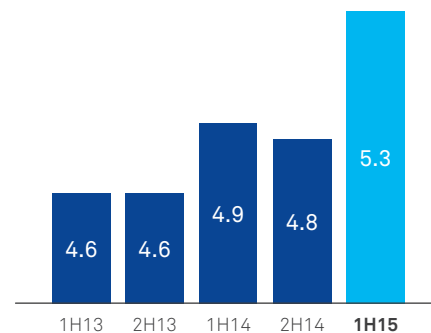
Investing in new businesses and growing telecommunications services in Asia is essential for our growth ambitions and significant progress has been made this half-year. We announced the acquisition of Pacnet which, subject to regulatory and Pacnet financier approval, is expected to complete in the middle of the year. Once completed, this acquisition will increase the scale and capability of our fixed infrastructure, our network density and our reach across the Asia Pacific region, as well as our customer base and our capability.

In August we acquired Ooyala, a leader in video streaming and analytics, increasing our ownership to 98.9 per cent. Through Ooyala we aim to establish a leading global company to deliver platforms and services on which the next generation of TV and video will be built.

Domestic Retail Customer Services (millions)



Mobile Revenue (\$b)



Key Product Revenue

	1H15 \$m	1H14 \$m	Change %
Fixed	3,505	3,564	(1.7)
Mobile	5,327	4,861	9.6
Data and IP	1,458	1,498	(2.7)
NAS	1,007	853	18.1

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We formally launched Telstra Health in October and increased our total investment in eHealth to more than \$100 million. This includes acquisitions and joint ventures to provide technology solutions across the health industry, and will help us deliver a more integrated health system.

Telstra continued its productivity drive, delivering improved revenues and capital expenditure efficiency. We have an extensive cost control program in place. While profitability has continued to improve we are still in the early stages of building out our new growth businesses and there is more work to do to achieve our long-term target margins. It is pleasing to see margins remain at a steady level across our core products.

National Broadband Network (NBN)

Telstra signed revised NBN Agreements in December, preserving value for shareholders as we maintained the overall value of the original agreements. As a result, our shareholders have been kept whole in terms of the transaction they approved in October 2011. As with the original agreements, the estimated value of the revised agreements is based on a range of dependencies and assumptions over the long term life of the agreements.

We are also pleased to have signed the planning and design contract with NBN Co.

Capital and Portfolio Management

We continued to create shareholder value through capital and portfolio management.

We provided the market with external validation of the value of our subsidiary, Autohome, by optimising our equity holding in the company during the half,

realising net proceeds of \$333 million while maintaining a controlling interest.

We also completed our \$1 billion share buyback, which was oversubscribed, evidencing strong market support for this as an efficient way of returning capital to shareholders.

Dividend

The company also announced an interim dividend of 15 cents per share, which will distribute \$1.8 billion to shareholders. Our shares will trade ex-dividend on 25 February 2015, with payment on 27 March 2015.

Dividend Reinvestment Plan

In response to shareholder feedback, we are pleased to announce the reactivation of the Dividend Reinvestment Plan (DRP), making it available from the Financial Year 2015 final dividend, payable in September 2015.

From that time the reactivation of the DRP will enable shareholders to reinvest either all or part of their dividend payments into additional fully paid Telstra shares in an easy and cost-effective way. No brokerage or other transaction costs will be payable by shareholders on shares acquired under the DRP.

Telstra expects shares allocated to participants under the DRP for the final dividend to be sourced through an on-market purchase and transfer of shares to participating shareholders.

Further information on the DRP, including a personalised participation form, will be sent to you with your interim dividend statement at the end of March.

Looking ahead

Our guidance for financial year 2015 remains unchanged. In 2015 we expect continued low single-digit income and EBITDA growth to offset the absence of CSL 2014 operating revenue and EBITDA.

As a result, and after excluding the \$561 million profit on sale of CSL in 2014, Telstra's income and EBITDA guidance for 2015 is broadly flat.

Telstra expects 2015 free cashflow of between \$4.6 billion and \$5.1 billion and capital expenditure to be around 14 per cent of sales.

This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, the cost of acquisitions and spectrum purchases.

We would like to thank the leadership team and all of our employees for their commitment, effort and initiative. We also thank you for your loyalty as a shareholder and welcome your comments and feedback. These can be provided to investor.relations@team.telstra.com, via phone on 1800 880 679, or in the mail to the Investor Relations Department, Telstra, Level 25, 242 Exhibition Street, Melbourne, VIC 3000.



Catherine Livingstone AO
Chairman



David Thodey
Chief Executive Officer

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2015 Indicative Financial Calendar⁽ⁱ⁾

With the proposed reactivation of Telstra's Dividend Reinvestment Plan (DRP) for the Financial Year 2015 final dividend, the ex-date and record date for the final dividend has been brought forward by one day and the last date for making an election to participate in the DRP (the DRP Election Date) has been included.

Ex-dividend share trading commences	Wednesday 25 February 2015
Record date for interim dividend	Friday 27 February 2015
Interim dividend paid	Friday 27 March 2015
Annual Results announcement	Thursday 13 August 2015
Ex-dividend share trading commences	Tuesday 25 August 2015 ⁽ⁱⁱ⁾
Record date for final dividend	Thursday 27 August 2015 ⁽ⁱⁱ⁾
DRP Election Date ⁽ⁱⁱⁱ⁾	Friday 28 August 2015
Final dividend paid	Friday 25 September 2015
Annual General Meeting	Tuesday 13 October 2015

(i) Dates are indicative only and may be subject to change. Any revision to the above dates will be notified to the ASX.

(ii) Revised.

(iii) New date.

MANAGE YOUR SHAREHOLDING

Shareholders can also easily manage their shareholding online at www.linkmarketservices.com.au/telstra.

To access your information, you will need your SRN/HIN and postcode. Follow the prompts to log in and select from the following menu options:

Holdings – transaction history, holding balance and value and the latest closing share price.

Payment and Tax – dividend payment history, payment instructions and TFN details. You can update your bank details [here](#).

Communication – become an e-Shareholder and update postal/email addresses and communication elections [here](#).

Shareholder Enquiries

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