

25 October 2005

Office of the Company Secretary

The Manager

Company Announcements Office
Australian Stock Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

Telephone 03 9634 6400
Facsimile 03 9632 3215

ELECTRONIC LODGEMENT

Dear Sir or Madam

Chairman, Chief Executive Officer and Remuneration Chair presentations

In accordance with Listing Rule 3.13.3, I enclose the presentations of the Chairman, CEO and Remuneration Chair, which will be delivered today at the Telstra Corporation Limited 2005 Annual General Meeting. I also enclose speaking notes for the responses to pre-submitted shareholder questions.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Douglas Gration".

Douglas Gration
Company Secretary

TELSTRA ANNUAL GENERAL MEETING 2005

MR DONALD McGAUCHIE, CHAIRMAN ADDRESS TO SHAREHOLDERS

Introduction

Good morning ladies and gentlemen.

I'm Donald McGauchie, the Chairman of your company. I welcome you to the 2005 Annual General Meeting.

I also welcome shareholders viewing today's proceedings on our Investor Relations website.

A quorum is present and I declare this meeting open.

Let me start by introducing the Board members, senior executives and the company's auditor.

As with last year our aim is to achieve a less formal approach, so we have only four people on stage with the rest of the directors in the front row.

Directors have been available to meet with you before the meeting and, those who can, will do so afterwards.

Joining me on the stage are:

John Stanhope, our Chief Financial Officer
Sol Trujillo, our Chief Executive Officer
Douglas Gration, our Company Secretary.

In the front row, we have my fellow directors:

John Fletcher,
Belinda Hutchinson,
Catherine Livingstone,
Charles Macek, and
John Stocker

Telstra's Senior Leadership Team is also in the front row.

Welcome also to Michael Watson from the Australian National Audit Office our external auditors.

I also thank our Telstra Friends staff volunteers who greeted many of you when you arrived today.

I'll now outline the procedure for today's meeting.

Following my formal address, Sol will report on his observations of the company's operations, since joining the company in July, and in the lead up to the delivery of his formal review of the company in a few weeks, make some comments.

After Sol, we will consider the remaining items on the agenda, specifically, discussion of the company's financial statements and reports, consideration of the remuneration report, the proposed increase in the directors' fee pool and the election and re-election of directors.

After positive feedback from shareholders last year, we have again invited shareholders to submit questions to be raised today.

The response to the invitation, I'm delighted to say, has once again been strong, with many shareholders submitting questions. I'll be addressing the more frequently asked ones and the key themes raised later. And, of course, I will also take your questions from the floor.

So that the meeting can conclude at a reasonable time, I won't be adjourning for lunch. However, you're very welcome to enjoy the light lunch served in the foyer from around 12.30.

We invite your comments on improvements for future Annual General Meetings. You will have received a questionnaire when you registered. I invite you to complete it and place it in the questionnaire boxes when you leave.

Overview of the board

This has been a watershed year for Telstra and will, I believe, be recognised as such in the years ahead.

In the year just passed your board made decisions to begin reshaping Telstra for the years ahead - decisions culminating in the arrival of your new Chief Executive Officer, Sol Trujillo and new members of his executive team.

The Board had well and truly recognised that your Company had to move decisively and strategically to combat a number of issues critical to our future:

- the accelerating decline in PSTN, or fixed line, revenue;
- increasing and damaging regulatory interventions; and
- rapidly building competitive pressures.

In 2004 we sought a strategic response from management that was more sophisticated than the squeezing of investment and existing assets that was being offered.

The existing management strategy was driving network investment to the absolute bare minimum and a reliance on increasing access prices to compensate for lost revenues. And indeed solutions were being sought outside our core business. The Board knew that cutting costs and driving assets to the limits of their capacity was not the way to run the business for the future.

The Board made the decision to seek international standard management expertise that was capable of handling the very critical issues that we faced – and indeed was capable of delivering and implementing a strategy that would not only protect the business but grow it for the future.

An international search began at the very end of 2004 and through the first half of 2005 and by June we had our new CEO.

So let me formally welcome Sol on behalf of all shareholders.

Sol is an international telecommunications industry leader. Telstra needed his broad range of experience, including strong credentials in change management, a career spanning 30 years across several telecommunications companies operating in more than 20 countries around the world.

In the few months since his arrival, Sol is proving to be invaluable to Telstra's shareholders, customers and employees and we are delighted to have him on board.

And as you will see today – he knows the business and tells it as it is. That's why he is the right man for the job.

Indeed from the day he joined the company, Sol has made it very clear that everything we do at Telstra will be centred on customers - how we respond to them, serve them, engage them and support them.

Under Sol's leadership, Telstra has now embarked on a strategy to connect with its customers like never before.

We will move towards full privatisation of the company with renewed vigour and enthusiasm – and a clear strategic path forward.

I also want to put on the record our sincere thanks to three people who have moved on from the company since last year's AGM.

Deputy Chairman John Ralph and Tony Clark retired as Telstra directors in August. Their experience and judgement were great assets to the Board and to Telstra's performance – they will be hard to replace.

We are conducting a formal search to fill three vacancies and expect to be in a position to announce new directors shortly.

I also sincerely thank our previous Chief Executive Ziggy Switkowski for his valuable contribution in often complex and difficult circumstances.

I would now like to turn my comments to the Company and its future.

This has been a watershed year for Telstra.

This annual meeting is our forum to discuss the future of your company and talk, first hand, about the representations we have been making on your behalf in our discussions with the Government and the market.

Let there be no doubt, your board and management are totally committed to delivering the best possible performance and outcome for all our shareholders and we will see this through.

We are committed to ensuring all our shareholders' interests are protected and enhanced. We are committed to ensuring that Telstra performs to its potential and that you, our shareholders, and the nation, benefit from that performance.

That is our duty to shareholders – no more and no less. And we, your Board, will never cease in our efforts to deliver.

We know, as you know, Telstra's performance is critical to all of us. Telstra is one of the largest single contributors to Australia's wealth, delivering some 2.0% of Australia's total GDP in 2004-05. Your company spends over \$10 billion a year running its operations and invests more than \$3.5 billion dollars in new capital expenditure each year.

We understand how important we are to Australia.

So let me say once again:

- we are committed to the bush and will meet our obligations;
- we are committed to and believe that all Australians should have access to the best services at the best prices that can be delivered;
- we believe Australia must have a world class telecommunications industry;
- we know that only Telstra will provide the scale of investment necessary to ensure that Australia has the telecommunications backbone that it needs; and
- we believe that all our shareholders must benefit from their investment in the company.

As a key contributor to the Australian economy and in the interests of shareholders the business must perform. There are three key drivers for the success of your company:

- we must manage your company to the highest possible standards;
- we must provide services and products that customers want, delivering a customer experience that earns loyalty; and
- the regulatory environment in which we operate must allow us to compete fairly and encourage us to invest for the future of the company and the country.

Under Sol's direction we will run the company as effectively and efficiently as we can so that we can provide the services and products customers want.

The blueprint for this will be laid out in Sol's review next month and I know he will make some remarks in his address today.

With regard to the regulatory environment – we believe there must be a regulatory regime that promotes and champions real competition – amongst all telco providers – including Telstra.

All Australians need a regulatory environment that promotes investment in new and innovative technologies and services.

That regulatory environment must not prevent those who invest from earning a reasonable return. It must not force investors to give away access to their investments at marginal cost or less to those who choose not to invest.

Ultimately Telstra will and must operate in the regulatory environment set by Government. But we have, and will continue to seek to have, an appropriate voice in the debate about the design of that regulatory environment as it impacts on the value and performance of your company. We will continue to push the Government to give investors in telecommunications the same legislative protections that investors in other infrastructure assets enjoy.

As we sit here today there are discussions in Canberra about the shape of our Company's regulatory environment. People are making crucial decisions that will have a very real impact on the value of your investment in this Company.

We have been very involved in these discussions and have spared no effort to ensure the best interest of shareholders, customers and the industry are represented.

But I have to say we have concerns.

Let there be no mistake – Telstra is committed to the Government's sale of its remaining stake in your company, but not at any price. We entered the sale debate because we wanted to ensure that the interests of all shareholders, existing and potential were protected.

While the sale is in everyone's interest – it has to be done in a way that best protects shareholders' and customers' interests now and into the future.

We agree with the Government that Telstra's problems today are systemic – and we believe they are largely a result of the regulatory distortions triggered by the conflict of interest that is inherent in Government being owner and regulator during the sell down of its stake.

There is little doubt that Telstra would be regulated like other industries if it were not for the politics of privatisation.

The extraordinary thing is that as the market has become inarguably more competitive regulations have increased dramatically – you would normally find the opposite. Indeed in

1997 there were around 20 separate laws and regulations that focused specifically on telecommunications; today there are nearly 350.

No one should believe, however, that poor regulation will miraculously disappear when the sale of the Government's remaining interest occurs – that will depend on the regulatory decisions made in the coming days, weeks and months and whether or not the ACCC decides to treat Telstra and the telco industry as it does most others, recognising and promoting true competition.

We want Telstra to be a growth story. But hard work by us alone will not be enough. We will also need a regulatory environment that fosters competition for all.

International experience has shown that the right regulatory settings create greater investment, lower prices and better products and services.

And while some people off-shore, most notably in the US, are now starting to get it right, they made mistakes at first. Sol has seen those lessons being learnt first hand. We must learn from others' mistakes – we must not repeat them here – the world is watching to see if we get it right.

We must never forget that Telstra is a world scale business – and we as customers and shareholders should expect world-class performance.

But make no mistake – existing regulatory policy settings have already had a severe impact on the value of your company.

Telstra already faces more than 10,000 pages of telecommunications regulation, requiring us to spend money on compliance when it could be spent on network improvements and new products and services.

Informed observers of Telstra believe that the existing approach to regulation has undermined and will continue to undermine Telstra's ability to invest in new infrastructure and infrastructure upgrades.

Telstra watchers know that the existing network is in need of major capital injections and that there has been under investment in core infrastructure and capabilities.

Indeed the global and local markets expect pending regulations on access to our copper lines and operational separation - based on abstract economic theories as they seem to be - will undermine the long-standing social principle of access pricing parity between the bush and the city - a principle that I support and I believe is supported by the vast majority of Australians.

I hear and read people, notably self-serving competitors from Singapore, saying Telstra is a monopoly that must be wrestled to the ground and controlled – that we have some stranglehold on the sector. I say those people are out of date and misleading – and are becoming more extravagantly so by the day.

The state of competition in Australia's telco sector is strong.

No one need have any doubt - the Australian telecoms market is highly competitive – and inarguably the traditional fixed line monopoly has been broken by mobiles and alternative fixed networks.

From your own experience and from our available data, you can tell fixed line usage is declining at an accelerating rate as consumers move to mobiles. Mobile competitors, many of them huge global corporations, have commanding market share in some metro areas and in many market segments – including the youth segment, which is the pathway to future growth.

And let's not forget that the Australian broadband market is highly competitive. In fact the broadband market, the platform of the future, is dominated by non-Telstra providers, where today 6 out of 10 broadband subscribers use services other than Telstra.

Developments in mobile broadband, or wireless, will make the market even more competitive.

And yet regulators are still forcing Telstra to provide access services to competitors at rates that are below cost – and they are still requiring Telstra to incur new costs and further subsidise our competitors. Time and time again, international and local experts say this is not a sustainable model.

And as we have said, to repair and improve our networks we will have to continue to spend in the billions of dollars.

And that is before we start talking about next generation infrastructure.

I have already said it today but let me say it again - to put it simply – regulations restrict Telstra's ability to compete in rapidly changing and competitive environments populated by well-funded global competitors.

Only Telstra must consult with regulators when it wants to provide consumers with lower prices and better services, and only Telstra runs the risk that a regulator will tell it how long a special offer can stay in the market with specific offerings.

Regulations are a barrier to Telstra's initiatives to increase revenues as it competes for a larger share of consumers' spending in a market growing through integrated services.

As you are well aware we have talked to the regulators and Government about ways to improve the situation for shareholders and customers. And we won't stop.

In closing:

- Your Board is as disappointed as you are that your investment in Telstra has not met your expectations. We are sparing no effort to deliver the performance we all want to see.
- In Sol and his team you have international experience and a proven performance record to drive world-class operational and financial performance from your company Sol will lay this out in his review in November.

- But even the best operational performance will not deliver the returns you are entitled to expect on your investment in the current regulatory environment which deprives us of the ability to compete in the market with new and innovative products and services and provides little or no incentive to grow the company through investment in those products and services.
- The messages that the Board and you - and the Government - as shareholders have received since Sol's arrival have not been easy to give or to receive.

But they are the truth and we must face up to them if we are to address the enormous challenges facing this company.

- The assurance that I give you is that every director and every executive will be 100% focussed on running this company in the interests of our customers and 100% of our shareholders.

We will see this through.

TELSTRA ANNUAL GENERAL MEETING 2005

MR SOL TRUJILLO, CEO ADDRESS TO SHAREHOLDERS

Introduction

Thank you Chairman,

Ladies and gentlemen, I'm delighted to have this opportunity to talk with you, our shareholders, today.

In the four months since I joined Telstra, I've talked to many people – customers, staff, dealers, suppliers, shareholders and a few politicians as well.

To many, I've said why I'm here - it's because Telstra is one of few remaining full service telecommunication companies in the world that has the opportunity if allowed to bring unique services and capabilities to all Australians.

My experience in telecoms over the past thirty years has given me insights into how to deliver the kinds of products and services that are important to our customers – and which are the only way to sustainable growth for our shareholders.

I'm here because I see opportunity –

- for this company;
- for our customers;
- for our shareholders; and, indeed,
- for all of Australia.

I look at Telstra as probably one of the few companies in the world that still has all the right assets as a company to be able to serve customers in what I call the way of the future.

And the way of the future is about integrating services – that is, making all services work together simply, easily, in ways that you want.

It is about creating new experiences that help people in their lives, whether it be at home, at work, in business, at leisure, on the go, or somewhere in between.

There is only one company that is able to deliver unique services and capabilities to all Australians, whether you are in the city or the bush, whether you are a big business or a small one, whether you are rich or not so rich, and whether you are on the go or always in one place.

That company is Telstra.

Telstra stands for many things –

- an iconic brand. Our name recognition is about as high as you will see anywhere in the world;
- local presence. We are an Australian company, majority-owned by Australians. We are not from Singapore or anywhere else. We have people working and living in the community throughout Australia who our customers know – which gives us, I believe, a tremendous advantage;
- a large customer base;
- significant infrastructure in place; and
- people – a lot of great people who need to be enabled to do their jobs in order to best serve our customers.

Since July, I have had the opportunity to meet many of our people on the front line and talk to them about what they're doing – and what we're not doing - to give our customers the best experience possible.

I've talked to staff in forums and in call centres in Adelaide, Brisbane, Canberra and other places throughout the country.

Visited and interacted with:

- our technical staff in our Global Operations Centre in Melbourne;
- our product managers in our Sydney Customer Innovation Centre; and
- staff in our Telstra Shops and seen how they deal with customers wanting multiple services.

I've seen Telstra Country Wide staff providing solutions for regional customers in Blackall in Western Queensland and I have had plenty of positive feedback about our presence – a presence that only Telstra claim.

Met some of the best of our people: the high achievers of our sales force - people recognised for creativity in finding the innovation that our business customers need.

And met some of Telstra's 'Service Heroes' - people who receive acknowledgement from customers and fellow staff for going further than expected - surprising and delighting them.

Like our dedicated field technicians who worked tirelessly to restore services after the floods in Lismore in northern New South Wales a few months ago.

We've got some great people.

It was Telstra people who were on holidays at the ski fields of Mount Buller recently. They worked

through the night in near freezing conditions to keep the phones working after gale force winds blacked out the township.

It was Telstra people who, on a long weekend earlier this year, put their own holiday plans aside to get the residents of Sale, in regional Victoria, back on the air after their exchange was burnt to the ground.

I'm aware that there's something special about Telstra people, particularly when they're working for Australians in times of challenge, natural disaster and tragedy in addition to servicing the every day needs of all Australians.

They're delivering great service to our customers - and that's really what we're on about here - moving this company from where we are today to being a better company.

So that's why I am here. I am excited about the opportunities and I believe that we have a very unique opportunity here if we can align this business around a consistent strategy centred on our customers and enabling them to do their jobs without bureaucracy or regulatory intervention. Now, in talking to you, our shareholders, I am not saying everything is perfect. I am not saying every customer is happy with their experience. But I do want, today, to emphasise the efforts of our staff.

I do not, however, underestimate the challenges.

One of my first actions as CEO was to give notice to the markets that we would have – for the first time – a negative growth rate in terms of earnings.

That wasn't an easy thing to do. In my career, I've never had to tell the markets that before. But that's the truth. We're not doing as well as we need to be doing. And we can't and won't hide the truth from you, our shareholders.

We have pressures that have been building on the business, regulatory decisions that destroy shareholder value, competitive pressures that are increasing, technology changes that must be dealt with and other issues facing the business.

As a result of pressure from the last few years, revenues are declining in the core business while costs are increasing.

Times are getting tougher for us. So we have to get better. We've got to find ways to grow the business.

The world of the telecommunications business is changing fast – and no more so than in relation to our fixed line business where revenues are falling due to increasing migration to mobile services and use of email.

In the first half of the 2004-05 year, our fixed line revenues declined 1.9 per cent, and in the second half five per cent. And this decline is accelerating.

Increasing usage of these new telecommunications services at the expense of the traditional fixed line is happening all over the world. It has happened years ago in some markets and it has now hit here in Australia. The fixed line business is a high margin business and impacts significantly on our cash flow.

The standout performers in our business in 2004-05 were mobiles, broadband and Sensis, our advertising and directories business.

In mobiles, we successfully grew our business and broadly held our market share. However the advent of capped mobile calling plans is putting pressure on our revenue streams and margins. In August we said it would be difficult to repeat last year's growth and in September we said growth in mobiles will be about half that of last year. Again, this pressure on mobiles is occurring throughout the industry, not just at Telstra.

In broadband, Telstra BigPond earlier this month announced the connection of its one-millionth broadband service - the growth has been impressive. We are the leading player in the market - but I believe we have to be even more aggressive to extend our lead as we go through this early stage of what I call the land grab. We need to compete with a long term view and broadband is vital to the future of the company.

Sensis is a well-run business that appears well-placed for future growth. But, once again, the competition in the online advertising market is pretty hot.

The reality is that our game is changing. There are no free kicks any more for any of us in the marketplace.

But it's no use my standing here and wringing my hands about all this. We need to change with the game.

We need to focus on one thing in particular – that is, the customer and their needs.

Customer service

My business philosophy isn't complicated. Simply, the customer is the boss. They have needs that they want met and it is our job to meet them better than anyone else.

When customers want to do business with Telstra, they want to be taken care of quickly and efficiently. They don't want a call to take their whole lunch break. They don't want us to make two home visits for different installations.

It is our job to create the systems, the processes, to train our people, to develop and provide the service that you, as customers and shareholders, want.

In order to do this we are going to change the focus of this business away from silos into a cohesive and integrated company.

We will let the customer define the experience they want and then we will organise our processes around that definition. So that we have the services available - and the capability within the company - to start delivering an experience for our customers throughout Australia like they have never had before.

A new Telstra

Our strategic review is our vehicle for change - our blueprint for the future – a future in which this company and its customers will be connected like never before.

I expect to present the review in November.

The review is looking deep into our business - the infrastructure, the processes, our systems architecture, our marketing, our sales, our product development, our go to market strategy, dealer relationships, partnerships, costs, virtually everything.

Our intention in doing this is to optimise Telstra's capabilities going forward ... financially, competitively, experientially and culturally.

We are going to be about creating a new Telstra which delivers an enhanced and differentiated customer experience.

It will be reflected in our investments. You will see it in consistency of decisions. You will see it in the outcomes of the actions that we choose to take.

We will create new revenue sources to grow the business.

We will be leaner and more efficient.

Some things will be cranked up – others will be stopped. We will prioritise to give our customers the best experience and you, our shareholders, a value enhancing experience as well.

We will remodel this business.

How will we do all this?

Although I am not going to get into any detail until we have completed our work, I have talked before about five main areas.

First, through **market-based segmentation**.

That's another way of saying knowing the customer better than our competitors do. By asking customers what their needs are and delivering them.

Market-based management involves researching the customer's needs from a customer standpoint - not research that justifies what you want to do, but real independent research that enables the definition and description of individual customer's needs and customer segments

- which then enables value propositions to be developed and offered to customers whatever segment they might fit in; and
- which then enables products and services to be developed and offered to customers focussed on their common segment needs.

We have started the process.

Second, I am a believer in the **one factory model**. We have one factory, one network, IT systems in the business that we will look to optimise as best as we can. We will look at the network in an integrated and co-ordinated fashion because we can't afford to have multiple systems.

In the marketplace today consumers want things to work together. Customers want one integrated and seamless solution encompassing multiple products and services we offer. But we can't integrate their needs if we don't integrate ourselves as a business.

Third, we will remodel the business around innovative services and capabilities.

Innovation is embedded in every value enhancing business around the world. We will use innovation not for its own sake, but innovation that differentiates us from our competitors.

Fourth, by making our **cost structure leaner**.

Our cost structure is too high.

We must take costs out of our business so we can compete better and offer better value to our customers.

And finally, **through action**. The time it takes for decision making will improve significantly. Obviously, this is a big company – but I want us to move fast and compete hard.

The industry is going through challenging times as evidenced by earnings warnings not only by us but by competitors. Technology is causing a lot of change and it will continue to do so.

Obviously the regulatory climate is extremely important for us. Upcoming regulatory decisions, as the Chairman has said today, will be crucial for the future of this company – operational separation and unbundling the local loop will be two decisions that each of you should be interested in because, if they go forward as proposed by the ACCC, they can be materially damaging to the company in which you own shares.

Conclusion

I conclude my remarks today with a simple promise: we will tell the truth and focus our future agenda on results.

A lot will happen in the next couple of months and I'll keep you informed. I want all of us involved with Telstra – staff, customers and shareholders - to be aligned in understanding where we are going.

As a person new to this company, I hope everyone here today shares the view that Telstra is their company, an Australian company.

We are here to serve you in the stimulating times ahead for this industry and this company.

As we think about the business going forward, I want to encourage the idea of Telstra always being better - being better, clearly, than our competitors - but most importantly being better in the eyes of our customers.

Thank you.

ENDS

TELSTRA ANNUAL GENERAL MEETING 2005

MR CHARLES MACEK, CHAIRMAN – REMUNERATION COMMITTEE REMUNERATION REPORT

Introduction

Ladies and gentlemen,

My name is Charles Macek and I am Chairman of the Board's Remuneration Committee. I am presenting the Remuneration Report prepared in accordance with the Corporations Act for the Telstra Group for the financial year ended 30 June 2005.

This is a new requirement of the Act. Each year, we will prepare a remuneration report describing the remuneration of each of the directors and our most senior executives and will ask you, as our shareholders, to consider and adopt the report.

Under the legislation, the vote on this item is advisory only and does not bind Telstra or the directors. However, we will take the outcome of the vote very seriously and it is certainly something that will be given due consideration when reviewing our remuneration practices and policies for the forthcoming year.

An important part of our stewardship of your investment involves what we pay our top people – our non-executive directors, our senior executives and the CEO.

On your behalf, the Board and the Remuneration Committee closely monitor executive and director remuneration to ensure total transparency and accountability.

At the same time, we are conscious of the need to attract the best people to the job. I think it goes without saying that the market for such people is a competitive one and we need to pay appropriate amounts to get them – and to keep them.

To this end, the Remuneration Committee monitors and advises on:

- Remuneration of the Board;
- Performance and remuneration of the CEO;
- Performance and remuneration of the Group Managing Directors;
- Remuneration strategies, practices and disclosures generally; and
- Employee share and option plans.

In carrying out its functions the Committee seeks external expert advice independent of management.

This year there is a separate and very detailed Remuneration Report in your Annual Review and Annual Report.

I recognise that such detailed disclosure can be difficult to digest - so I will outline the main features of the Remuneration Report as they relate to:

- senior executives;
- the former CEO, Dr Switkowski;
- the new CEO, Sol Trujillo; and
- Telstra's non-executive directors

Senior Executives

The Remuneration Committee regularly reviews the strategy, structure and policy for senior executive remuneration. In doing this we have regard to expert independent advice, community standards and expectations and the business judgment of the Board.

The committee's policy is that executive remuneration should:

- reflect the size and scope of the role and be market competitive in order to attract and retain talent;
- be linked to the financial and operational performance of the company;
- be aligned with the achievement of the company's long-term business objectives; and
- be differentiated based on individual performance.

In short, we foster a performance driven culture with clear individual accountabilities, where remuneration packages are designed to incent and reward superior performance.

Senior executive and CEO remuneration is linked to both short and long-term performance through:

- the Short Term Incentive (STI) plan, which is focused on achieving operational targets; and
- the Long Term Incentive (LTI) plan, which is focused on achieving long term growth in shareholder wealth.

As foreshadowed last year, the Board has made changes to the remuneration arrangements that significantly strengthen the link between remuneration and company performance. As a result, a greater proportion of the total package of senior executives and the CEO is at risk. This is evidenced by table 13 of the Remuneration report which shows that last year the STIs paid ranged from a low of 30 per cent to a high of 70 per cent of maximum potential, reflecting performance against pre-determined targets.

Each executive has specific quantitative and qualitative targets at both a corporate and individual level, and each executive's package and performance is subject to a formal annual review.

There are no easy targets and in all but one of the past five years, long-term performance hurdles have not been met. And on current performance, most LTIs granted between 2002 and 2004 will not be paid.

I should also add that the values shown for the executives' LTIs in the remuneration table represents an accounting value. The executives may or may not actually receive these amounts. Executives only derive value if performance hurdles are met. Apart from the September 2001 plan, our executives have not derived any value from the LTIs to date.

Former CEO

I will now address payments to the former CEO Dr Switkowski.

Dr Switkowski received fixed remuneration, short term incentives and long term incentives in accordance with the terms of his contract, under the same principles as I have just outlined for the senior executives generally. These were payments he had earned under his contract for carrying out his employment, and he was entitled to them irrespective of ceasing employment on 1 July 2005.

In addition, because his employment was terminated, he received a termination payment of \$2,092,000, representing 12 months' fixed remuneration. This was an entitlement under his employment contract and had already been disclosed to the market.

Finally, as you would expect, Dr Switkowski also received payments for his accrued leave when he departed.

New CEO

The Chief Executive Officer's salary package has been the subject of some interest and media portage.

Yes, Sol's package is substantial – but so is the task ahead of him. This is a large and complex company operating in an intensely competitive industry with rapidly evolving technology.

Sol's package comprises:

- a sign-on payment of \$1 million;
- fixed remuneration of \$3 million a year;
- an incentive of up to \$3 million under the Short Term Incentive plan, subject to achieving performance metrics set by the board, with pre-payment of 50 per cent of his potential maximum Short Term Incentive for 2005-2006;
- up to \$4 million for achieving maximum performance milestones under the Long Term Incentive plan, as determined by the Board. Achievement of these targets will require significant performance by the company.

These performance hurdles will be determined in light of the outcome of the strategic review in November. But let me squash - once and for all - the speculation that it is in Sol's interest for the share price to be lower at this time.

This is wrong.

Any parts of his current package related to share price performance will be set, as the company has always done, against a benchmark of the five-day weighted average share price after our annual results. This is \$4.78. There is therefore absolutely no incentive – none whatsoever – for Sol to see the share price fall.

Seventy per cent of Sol's earnings are at risk and dependent on his and the company's performance. His package is structured on delivering shareholder returns.

The vast bulk of his package will only be delivered when he delivers.

Non-executive Directors

The total fee pool for non-executive directors is approved by a resolution of shareholders at the Annual General Meeting. Today we are asking you to approve an increase in the fee pool. The Board determines how these fees are allocated among the directors within the fee pool.

All non-executive directors – that is all directors other than the CEO – receive a “total package” of fees. They are required to take a minimum of 20 per cent of fees in the form of Telstra shares. This aligns their interests with the interests of our shareholders. The shares are purchased on-market, allocated at market price and held in trust for five years – unable to be dealt with – unless the director ceases to be a director.

The Chairman currently receives a package of \$308,000 per year. Other directors receive \$88,000. Directors who are members of committees receive additional committee fees. Non-executive directors appointed before 1 July 2002 – which is presently all directors – are also currently entitled to retirement benefits calculated in accordance with the Corporations Act and Board approved guidelines – but we are proposing to discontinue this, which leads me to my next point.

The current fee pool is \$1.32 million. As you will have seen in your notices of meeting, and as reported in the media, we are asking you today to approve an increase in the fee pool for non-executive directors to \$2 million.

We fully understand that a proposal to increase directors' fees is never going to be popular, particularly at a time when the share price has fallen.

It's not a small increase. But nor is it extravagant. We believe it is warranted for three reasons.

One, we've decided directors' retirement benefits should cease accruing, and propose to increase directors' fees in recognition of this.

Two, we're looking to appoint more directors, and more people will need to be paid out of the total fee pool.

Three, what we pay our directors remains below what other major companies pay.

I'll elaborate on each reason.

Retirement benefits for directors were once commonplace, but most companies are now phasing them out. There is a shift away from retirement benefits, which fall outside the shareholder approved fee pool, to ensuring that all elements of directors' remuneration are drawn from the fee pool. Telstra wishes to adopt best practices.

Last year we paid \$1.11 million out of the fee pool to our directors. But on top of that, under the existing arrangements, they became entitled to another \$551,000 in accrued retirement benefits, which are not counted in the fee pool. In other words, outside the fee pool, directors received further rewards equating to nearly 50% of the fee pool.

From today, if this resolution is passed, all directors' retirement benefits will cease to accrue and the fee pool will be increased in recognition of this. All directors' benefits will be counted in the pool and the fee pool will truly represent the maximum aggregate remuneration available to directors. Thus the system will be more transparent. What we're effectively doing is moving benefits from outside to inside the fee pool, and this accounts for a large part of the proposed fee pool increase.

Retirement benefits accrued to date will be converted into an equivalent liability in Telstra shares calculated by dividing the accrued retirement benefits as at today's date by the volume weighted average price of Telstra shares in the five trading days following the announcement of our strategic review and paid out to our directors when they retire. We believe this further aligns our directors' interests with those of our shareholders, meaning that directors will receive a greater benefit if the company's shares perform well and a lesser benefit if they do not.

The proposed fee increase will also help provide capacity to appoint additional directors. As has been reported in the media, we are looking for three new directors at the moment to replace Messrs Ralph, Clark and Chisholm, all of whom have departed in the past year.

Notably, Mr Chisholm elected not to receive fees for serving on the board. This was quite unusual and we cannot expect any replacement director would do the same. So despite intending to engage the same number of directors as before, we will actually need to fund an additional directorship out of the fee pool.

The third and related reason for the increase is to allow remuneration which is more consistent with market benchmarks.

The reality is that it is a competitive marketplace and to attract and retain top boardroom talent the remuneration on offer needs to be comparable with what's available from other major companies.

In recent years, there's been a significant shift in directors' fees in the Australian market due to the increased time and responsibility required of non-executive directors.

There is no doubt that the demands on your directors have never been greater. Their time commitments have increased significantly. Matters are more complex. There are more Board meetings and those meetings go longer.

There's more regulation, both domestic and overseas, which impacts on Telstra as it is listed in the US. There's increased focus on compliance and risk management. There are more governance requirements.

This proposal will bring what we pay our directors closer to comparable companies in Australia – though it's still substantially behind many of them and short of the median, which is approximately \$2.5 million for Australian companies with a market capitalisation in excess of \$5 billion.

Compare our proposed fee pool of \$2 million to:

- National Australia Bank - \$3.5 million
- Commonwealth Bank - \$3 million
- BHP Billiton - \$3 million
- Qantas - \$2.5 million

If the increase in the fee pool is approved today, the Chairman's package will increase from \$308,000 to \$450,000 and a Telstra director's base fee will increase from \$88,000 to \$130,000, with the bulk of the increase being in recognition of the cessation of retirement benefits.

Board committee fees will also be increased by slightly smaller percentages.

Finally, it is important that I make clear we have no intention to pay all of the fee pool immediately (indeed, we do not pay all of our current fee pool at the moment). We expect that with the eventual appointment of three new directors - including an additional paid directorship - and the increase in directors' fees to recognise the cessation of retirement benefits and their increased responsibilities, approximately \$1.8 million of the fee pool would be used.

Again, this compares favourably with a total benefit of approximately \$1.66 million provided as fees and retirement benefits last year.

With most of this increase reflecting the move of benefits from outside to inside the fee pool, we believe that the proposed increase is reasonable and appropriate.

Conclusion

I trust you will take from my remarks that in relation to executive remuneration, the Telstra Board – on shareholders' behalf - will continue to ensure full transparency and accountability.

The link between remuneration and the company's performance has never been stronger. What we pay our top people depends very much on company performance. Only when they deliver is their full package delivered.

Be assured that we will be taking into consideration the outcome of this vote when reviewing our remuneration policy. As a Board, we take your views on these matters very seriously.

We understand that governance in this area is not only doing what is required of us by law, but also what is expected of us by the community and by our shareholders – doing things right and doing the right thing.

Thank you.

Annual General Meeting 2005

Tuesday 25 October

Chairman Addressing Questions

Ladies and Gentlemen we now move to item two of the Agenda, which is the discussion of the Financial Accounts and General Questions.

Many shareholders over the years expressed an interest in putting forward questions for us to address on their behalf, especially those who cannot attend in person. Recognising this, last year's notice of meeting gave shareholders the opportunity to submit questions in advance of the meeting and we responded to many of those questions at the meeting.

We believe that approach worked very well and was important in giving as many shareholders as possible a voice at this meeting, so we have provided the same opportunity again this year.

We received nearly a thousand questions from across Australia and overseas. While I cannot answer each and every one of them today, I am going to address the key themes.

As you would expect, with Sol having been appointed just a few months ago, there were a number of questions about our new CEO, so I will start with those.

THE CEO AND EXECUTIVES

Why did Telstra hire a foreign CEO rather than a local?

The job of leading Telstra is probably the toughest job in corporate Australia. It takes an extraordinary individual to do it. Suitable candidates are few and far between.

We conducted a global search, our aim being to identify the very best candidate we could. Relevant experience and a proven track record were the criteria.

Sol was the unanimous first choice of the Board for the simple reason that after a rigorous worldwide search we were convinced he was the best person for the job.

Why does the new CEO receive a significant remuneration package?

As Mr Macek discussed, the CEO's package is substantial, but so too is the task ahead of him. And the reality is that this is the type of package required to attract a CEO of Mr Trujillo's calibre. Telstra is a global-scale company in a global industry – we need to pay accordingly to attract international talent.

Having said that, we have certainly kept Australian conditions in mind and Sol's remuneration is consistent with that provided to CEOs at other major corporations.

The vast majority of Sol's package is at risk, with 70% comprising incentive components that will be contingent on significant performance hurdles.

Shareholders can be assured that if the CEO receives the full package potentially available, they will be absolutely delighted by the performance of the company.

Why doesn't the CEO own shares in the company?

It is absolutely appropriate that a very large part of the CEO's remuneration is received in equity, and the CEO is committed to this. However, he did not own any shares in the company before taking office and it would be inappropriate for him to be buying shares in the company at the same time that he is undertaking a major strategic review of the company.

The Australian Shareholders Association asked the following question:

Do we have a policy in place which prevents our Senior Executives from hedging their performance rights via price protection schemes?

The answer is yes. A number of years ago the company adopted a policy which prohibits executives from entering into transactions which effectively operate to limit the economic risk of their security holdings in shares allocated under executive share plans during the period the shares are held on their behalf by the trustee of the share plan.

GOVERNANCE ISSUES

We received a number of questions around various aspects of corporate governance, in particular comments made about the company's future prospects, our briefing to the Federal government on 11 August, and public comments made by senior executives.

Let me preface these comments by saying that Telstra takes continuous disclosure very seriously. The quality of our corporate governance practices has been recognised through top rankings in a number of recent surveys. We are proud of our track record and very confident that we have complied fully with our disclosure obligations.

First,

Why are the CEO and his management team talking down the share price?

Let me state unequivocally that management does not talk the share price up or down - Management's job is to ensure that the market is fully, truthfully and equally informed. Or, as I said earlier, "telling it as it is."

Management does not set Telstra's share price – the market does.

As to the government briefing,

Telstra is legally required by the Telstra Corporation Act to keep the Minister informed about the operations of Telstra. While the 11 August briefing document did include some forward looking information that was provided to the Government in accordance with the Telstra

Corporation Act, there was nothing in the document which was inconsistent with the information provided to the market earlier in the day on 11 August with our full year results.

Telstra regularly briefs the Minister on Telstra's operations in accordance with these statutory requirements. These briefings are not required to be, and are generally not, released to the market.

This requirement to provide the Government with information that is not available to other shareholders has been noted in the T1 and T2 prospectuses and in every annual report that Telstra has issued since listing on the ASX in 1997, and on the current legislation it will remain in place until the Commonwealth's shareholding falls below 15%.

As to Mr Burgess,

Mr Burgess' remark about share recommendations to his 88 year-old mother was made during a dinner engagement at the National Press Club to discuss the regulatory environment applying to Telstra. It was a way of illustrating his concern about the increasingly negative impact that the regulatory environment is having on your company's business, and therefore on your investments.

This is a point that Telstra executives had made a number of times before that dinner and have made again many times since.

Now people may or may not like the turn of phrase, but his underlying point – namely, that Telstra is the subject of a value-destroying regulatory regime – is one that shareholders deserve to know and should be told.

Why have these concerns about regulation and the company's outlook not been raised before now?

We are in a time of profound and rapid structural change for the company, and the industry, with the accelerating decline of the PSTN business, the migration of customers to lower-yield products, the intensifying effects of competition, and the emerging impact of capped mobile plans. These are trends our competitors have recently started commenting on too. What's more, the rules of the game are being written by the regulators as we speak.

We hired Sol because the board saw a need for fundamental change in the company's direction and moved to make it. We believed it was necessary to get an executive of Sol's calibre to assess the company's position and determine what we needed to do to meet the challenges facing the company and deliver on its potential. He has been doing this since he arrived on 1 July. Informing the market about the position of the company and the implications of the regulatory environment is part and parcel of this process.

THE BOARD

I will now move to questions concerning the board.

Mr Macek has already discussed at length the issues surrounding the proposed increase in the non-executive directors' fee pool, so I will address a few of the other questions we received.

Is it appropriate for directors to serve on more than one board?

We consider there are great benefits in having directors who serve on the board of other leading companies. Business leaders should always be focussed not just on their own industry but on learning best practices from other industries. Serving on more than one board allows our directors to do this, and the resulting influx of fresh ideas is healthy for any board and serves the best interests of shareholders.

Clearly directors are cognisant of ensuring they have the capacity to fulfil their role.

Why do you need to add more directors to the board?

Every board needs to have directors who together provide a range of complementary skills and appropriate experience. We have had a number of non-executive directors retire in recent times leaving a current board of 6 non-executive directors. The Board believes that the optimum number of directors is around ten, including the CEO.

The Board has retained an executive search firm to assist in the selection of three new directors to ensure that the Telstra board continues to be well equipped to help the company navigate the range of challenges that we face.

SHARE PRICE/TELSTRA PERFORMANCE

Understandably, shareholders had many questions about the share price and the company's performance.

Rather than answer each individually, I will give you some overarching observations about these issues.

First of all, let me say again that the market sets the value of Telstra shares, not the company. Telstra's share price is affected by a variety of factors, both related to the company's performance and conditions in the equity market as a whole.

I do not want to make predictions about our share price but what I will say is at the time of T2 telecommunications companies around the world were in favour and equity valuations were higher than they are now. This was not a phenomenon unique to Telstra or the Australian stock market. The so called 'dot com' boom was a worldwide market phenomenon. Since then the market's assessment of the value of telecommunications companies around the world has retreated.

On September 5 we provided the market with an updated guidance, saying we expected Earnings Before Interest and Tax to be in the range of 7-10% lower in fiscal 2006 than in the previous year. The financial markets reacted accordingly.

We expect to provide further guidance when we announce the outcomes of the strategy review in November.

COMMONWEALTH HOLDING/OWNERSHIP OF TELSTRA

With the passing of the T3 sale legislation and the associated media coverage on government ownership and privatisation of the company, it came as no surprise that there was a high level of shareholder interest in this issue, with questions such as:

Should there be a concessional offer for shareholders who invested in T1 or T2?

That is a matter for the Government.

What will happen to staffing levels once Telstra is fully privatised?

The ownership structure has little impact on how we would run the company on a day-to-day basis. Rather than ownership structures, a far more important determinant of staffing levels and our ability to grow will be whether Telstra is operating in a regulatory environment that enables us to compete in the marketplace and incents us to invest in new products and services.

Does the board think the company can grow while it remains majority Government-owned?

The sale of the Commonwealth's holding will give the company greater flexibility in its capital structure and enable the company to access equity markets to raise additional capital, rather than be restricted to debt.

What will happen to funding of projects in country regions once Telstra is fully privatised?

As I said in my presentation, we are committed to the bush and will meet our obligations.

Again, the real question is whether the regulatory environment will be one that allows a win-win outcome, a system that both fosters a world class telecommunications industry to serve Australia's communities – no matter where they are located – and enables Telstra and its shareholders to sustain a reasonable economic return from doing so.

Such a system is possible, but we don't have it now.

SHAREHOLDER ADMINISTRATION ISSUES

We received a range of questions about various issues arising for your shareholdings, especially changes you wanted to make to your holdings, including consolidations, change of address, opting out of receiving the Annual Report and the like.

Some shareholders offered to receive just one set of correspondence and one annual report to cover their multiple shareholdings.

Telstra is legally obliged to send separate shareholder communication materials for each registered holding. However, if you have more than one registered holding, there are share registry staff outside the meeting who would be very happy to explain to you how those

holdings can be amalgamated. They can also advise you about getting some or all of your shareholder documentation electronically if you prefer.

Another common question was -

Why can't Telstra shareholders receive some sort of reward for being shareholders eg a discount off Telstra products and services?

Telstra has examined shareholder discount and reward programs a number of times. However every time we reach the same conclusion: the best reward we can deliver to shareholders is sound financial performance and this is best achieved through programs that reward customer loyalty. The experience of other companies is that shareholder discount programs can be very expensive to administer and constrain the ability of the company to offer other programs to loyal customers.

[THE CHAIRMAN HANDS TO THE CEO]

I would now like to ask Sol Trujillo to address some of the operational questions we received from our shareholders.

TELSTRA CUSTOMER SERVICE

We received a number of questions about customer service.

We won't be answering questions in relation to individual service issues as part of this presentation, but there are customer services staff in our display area today to assist you with any operational issues you may be experiencing.

We will however address some of the broader questions asked.

When will broadband be available in my area?

You will have seen media reports that Telstra proposed a National Broadband Plan to the Government that would have resulted in Telstra investing \$3.1 billion to roll out next generation 6 MB/second broadband to 87% of Australian homes and businesses, with the government funding a further rollout to take this lightning fast speed to 98% of the population. The government chose to reject this proposal.

All Australians can currently get high-speed access to the internet using one of three technologies - cable, ADSL or satellite. ADSL has technical constraints which mean it will not be a universal broadband service in a country like Australia, hence the need for a satellite service.

Telstra has a series of initiatives to improve the current reach of ADSL from approximately 75 per cent of services at the beginning of 2004 to up to 90 per cent by the end of 2006. Solutions will vary from service rearrangement for a single customer through to the establishment of new exchange buildings serving whole communities.

Why is mobile telephone reception still not perfect throughout Australia?

Telstra currently operates three mobile networks – GSM, CDMA and 3G. There is overlap of these networks, particularly in metropolitan and major regional centres, with CDMA coverage more extensive in rural locations.

CDMA coverage is now available to more than 98.3% of the population and covers over one-fifth of Australia's land mass. Between 1 July 2004 and 30 June 2005, we delivered 240 new CDMA macro radio sites.

Our GSM network covers more than 96% of the Australian population and we delivered 321 new GSM macro radio sites last year.

Is Telstra contemplating introducing timing on local calls?

Telstra has no plans to introduce timed local calls and we will continue to comply with our statutory obligation to provide untimed local calls.

STAFF

Are there going to be large staff cuts, as speculated about in the newspapers?

We have advised the market that we are undertaking a company-wide strategic review and that the outcomes will be announced in November. Obviously, the company's strategy into the future will shape every aspect of our operations, including our staffing.

This review has yet to be completed so the many and varied predictions you may have read about our future staffing levels remain pure speculation.

Why has the company taken some staff to Lindeman Island for a reward?

Every company of significance that I know of around the world devotes time and resources to rewarding and recognising its outstanding employees.

The staff on this program deserved their reward because they made significant contributions to our business at a time when the competitive and regulatory pressures on Telstra have never been greater. They surpassed sales targets, developed winning and positive relationships for Telstra with our customers and delivered outstanding results for the company which help us grow our business.

We are proud to reward and recognise our employees who achieve excellence in their role and exceed expectations, and it is something we will continue to do. It is an investment in our best people who are the future of the organisation, and it helps Telstra build a high performance culture at all levels of the organisation.

Do you have call centres in India phoning Australia?

We do not have call centres located in India. When you call us or we call you, every Telstra customer service person you talk to is located in Australia.

Having said that, Telstra is proud of the diversity of its workforce - many of our customer

service staff come from all around the globe and have accents to match but they're all serving you from within Australia.

[CEO HANDS BACK TO CHAIRMAN]

I would now like to ask John Stanhope to address some of the financial questions we received from our shareholders.

John Stanhope.

CAPITAL MANAGEMENT/DIVIDENDS

Shareholders also had a range of questions about capital management and dividends.

Have dividends being paid out of reserves/borrowings instead of profits?

Telstra pays and always has paid its dividends out of retained profits in accordance with the Corporations Act.

In the last year our total cash payout to shareholders by way of dividends and share buybacks has been higher than free cash flow. This has been a deliberate strategy we outlined to the market when we announced our 3 year capital management program in 2004. Telstra's balance sheet is very strong – and our gearing levels are certainly lower than many of our international peers. I note that on the 21st of June last year when we announced our strategy to return additional capital to shareholders the share price rose by over 4%.

As at 30 June 2005 our capital structure was still more conservative than our target financial settings against which we benchmark ourselves.

Over the last 2 years, despite returning over \$9 billion to shareholders, we remain below our target gearing ratios and our net debt has risen less than \$1billion. Of course, paying out more through dividends and buybacks to shareholders than is generated in free cash flow is clearly not sustainable indefinitely for any company but we have said all along that this is a three year program subject to the guidance given on 11 August.

Will current dividends be sustained going forward?

We advised the market on 11 August that the final tranche of our three year capital management program would be executed based on the flexibility of our balance sheet going forward and that we will continually monitor this as the regulatory and the T3 environment unfolds.

The Board will always reassess ordinary dividend policy if there is a material change in outlook going forward, but at this point in time there has been no change to our guidance from August 11.

Why doesn't Telstra introduce a dividend re-investment plan?

In the past, we could not easily introduce a DRP because the Telstra Corporation Act prevented a reduction in the Commonwealth's equity below 50.1%. Although that restriction no

longer applies, we are not currently looking to raise additional capital so we have not reconsidered the introduction of a DRP.

Why is there a long delay between profit announcements and dividend payment?

We indicated to shareholders at last year's AGM that we intend to pay dividends more quickly. We publish a financial calendar well in advance which is relied upon by many market participants, so we could not implement those changes immediately. I'm pleased to advise that from the interim dividend in March next year we will be paying dividends approximately one month sooner than in previous years.

The Australian Shareholders Association asked the following question:

More than 60% of Telstra's \$36 billion balance sheet for 30 June 2005 consists of "Communications assets." Does the valuation of the public switched telephone network, which accounts for most of these assets, take account of the falling demand for traditional telephone services in favour of internet based telephone services?

The short answer to this question is Yes.

We assess the carrying value of our assets twice yearly, based on expected future net cash flows discounted to present value, and are satisfied that these valuations are appropriate.

In looking at this valuation, it is important to understand that where assets can be shown to be integrated to generate cash flows, the valuation is performed over the group of assets collectively, rather than individually.

The consequence of this is that Telstra's Australian network operations are treated as a single unit for accounting purposes, because – to pick up the question - internet based services still require connections via the core transmission network and customer access network.

LINE RENTAL CHARGE

Why have line rentals increased so much over recent years?

The last line rental rebalance was announced in April 2004 and came into effect in June 2004.

The increases in line rental have been consistent with the Government's price control requirements, which are administered by the ACCC. The ACCC has previously acknowledged that Telstra provides customers – both wholesale and retail - with access to its network at below cost.

It is important to remember call prices continue to fall.

Importantly, we also provide more than \$200 million per annum in concessions to pensioners, low income earners, the elderly and job seekers, and many millions of dollars in line rental discounts each year to eligible charities and non-profit organisations.

CREDIT CARD CHARGE

Why has Telstra introduced fees for paying by Credit Card?

Telstra provides its customers with a large number of choices in relation to how they pay their bills. Customers not wishing to incur a credit card fee can choose other payment options.

By way of background, a ruling from the Reserve Bank of Australia effective from 1 January 2003 permitted merchants to recover from cardholders the charge levied on merchants by the credit card companies for accepting credit card payments.

At Telstra we previously absorbed the costs associated with payment by credit card, which were quite high and rising. However, the RBA ruling and the high cost to Telstra of this form of bill payment prompted us to move to recover part of this cost.

It is important to note that some customers are exempted from paying the credit card fee including those on Telstra's Pensioner Concession and Telstra disability customers.

[JOHN STANHOPE HANDS BACK TO THE CHAIRMAN]

Auditor Question List

Finally, I note that we received a number of questions addressed to our auditor. Our auditor has reviewed the questions and prepared a list of those relevant to the auditor's report or the conduct of the audit. A copy of the questions and the auditor's response is available from the shareholder registration desk in the foyer and on the investor relations section of our website.

Ladies and Gentlemen, I trust you agree that it was important to take the time to address so many of the shareholder questions submitted to us in advance of the Annual General Meeting today.

I now would like to move to questions from the floor.