

15 November 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

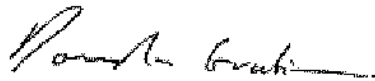
Dear Sir or Madam

Telstra's strategy for growth

In accordance with the listing rules, I attach a copy of a media announcement for release to the market.

.

Yours sincerely

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

Douglas Gration
Company Secretary

Media Release



15 November 2005

327/2005

Telstra's strategy for growth

Telstra today announced a strategy for improving its business by deploying a company wide market based management system, adopting a one factory approach to managing operations and delivering integrated services to customers.

The improved performance will be underpinned by:

- Increasing revenue by providing new integrated services targeted to business and consumer segments that have different needs and value services differently, with a seamless one click, one touch, one button or one screen approach
- Cutting costs by simplifying processes and systems, reducing duplication and complexity of existing networks by operating under a one factory approach which will lead to new efficiencies and allow a reduction in the number of full time equivalent (FTE) positions while delivering more effective service.

CEO Sol Trujillo outlined the strategy for a new Telstra for Australia's broadband and wireless future at an investors briefing in Sydney. Telstra announced decisions to:

- Introduce a next generation IP network, an investment of more than \$10 billion over five years of which \$2-3 billion is incremental over existing plans, with the IP core in place by the end of 2007
- Reduce the number of Telstra's 52,000 full time equivalent (FTE) positions by between 6,000 and 8,000 over three years and 10,000 over five years
- Introduce a \$200 million field staff training program to provide Telstra people with the skills in building, running and maintaining next generation networks
- Replace the CDMA mobile network with a national 3G GSM network which will offer the same or better coverage than currently available
- Cut the number of different network platforms from about 330 by 60 pc within three years
- Cut the number of business and operational support systems from about 1200 by 75 pc in three years.

Telstra announced new commitments including:

- 25 pc of Telstra revenues will come from new products by the end of 2008
- Sensis will double its revenue base to \$3 billion within five years
- 80 pc of Telstra's internet customers will have broadband in three years (today 50 pc are on broadband)
- 25 pc of customers will be using 3G in three years (now 1 pc)
- Business and government customers will be served by 16 competency centres to equip large customers to transition to an IP environment and to allow Telstra to grow faster than the market.

Enhanced consumer offerings announced today include Telstra BigPond signing a deal with Sony Pictures to offer movie downloads to PCs from March 2006 and new initiatives from Telstra's directories and advertising business, Sensis, offering online consumer to consumer transactions at Trading Post.

Media Release



Mr Trujillo outlined Telstra's financial projections based on the execution of the new strategy – raising top line growth by between 2 pc and 2.5 pc compound annual growth rate (CAGR) between now and 2010.

Chief Financial Officer John Stanhope said the Telstra Board intends to pay an ordinary dividend of 28c a share for the next three years and then review it, subject to the board's half yearly declaration and review of the business and regulatory conditions.

The CFO announced that the Board has decided not to proceed with the third year of the \$1.5 billion capital management program due to end in 06-07. It is considered more important to invest this money to implement the new strategy which is about delivering long term shareholder value.

Telstra updated the market on the outlook for Telstra's earnings for the 2005-06 year with an expected EBIT decline between 19 to 24 pc as a result of the implementation of the strategy which will require accelerating depreciation relating to assets that will be decommissioned. This new estimate would increase the decline to between 25 and 30 pc if Telstra raised a provision for redundancy. This assumes a reasonable regulatory outcome.

Other financial projections include:

- A cost structure that will remain flat from the half year 05-06 level
- Revenue growing faster than expense growth, reversing recent trends – with EBIT expected to grow at a 3 to 4 percent CAGR between now and 2010.

Mr Trujillo said: "We will not require the same number of employees and contractors as we implement the strategy because we will reduce complexity. With simplicity we can be leaner," he said.

He said regulation has a huge potential impact on Telstra's business and the financial projections assume a reasonable regulatory environment in which to operate.

"If excessive regulation doesn't get in the way, we can hit the plan we have laid out today. If it does get in the way, it has the potential to be harmful to our core," he said.

Mr Trujillo said: "We have a chance to make a strong company great. We will do that by being innovative, by offering integrated services to consumers, by employing market based management and by being highly competitive. Customers want it their way and they have very different needs. Only Telstra can make it happen.

"Telstra has a vision to use technology and capabilities available today to transform industries and improve people's lives. We have barely tapped the potential of what is possible and how we can improve productivity for Australian business and increase mobility for consumers."

Mr Trujillo said the Australian telecommunications industry was based on price competition in a downward spiral and was not adding enough value to its customers.

Media Release



“Our strategy is to offer customers products which work seamlessly together and to offer business differentiated wireless and broadband solutions which will create the most value for them,” he said.

The market based management plan outlined by Group Managing Director Strategic Marketing Bill Stewart will include needs based and value based segmentation following extensive high quality customer research.

Telstra’s program will involve interviews with 90,000 consumer customers and will build a panel of 16,000 small businesses in order for Telstra to understand its customers’ needs like never before.

Telstra’s Chief Operations Officer Greg Winn said a review of Telstra’s operations over the past four months showed that investment was spread across far too many networks and technologies.

Telstra planned to cut the number of its complex business support and operational support systems by 75 pc in three years and transform the IT capability to deliver new cost-effective capabilities.

“We will introduce a new IP/MPLS network core by the end of 2007,” he said. “We will deploy five mated pairs of new high capacity soft switches to replace 116 class five switches, providing deep network redundancy, deep resiliency and dramatically lowering our cost structure.”

Mr Winn said the move to a national 3G GSM mobile network would mean Telstra would be the first Australian telco to deliver nationwide wireless broadband to all its mobile customers, offering improved speed and quality. He said that Telstra spends more than four times on capex per CDMA subscriber than it does per GSM subscriber.

A centralised program office will orchestrate the change effort through the company, he said.

Investors were also told that:

- Sensis plays a critical role in Telstra’s core strategy and its online business would be further developed by integrating search and transaction based applications and services for Sensis customers and core Telstra customers.
- Foxtel is a core asset by which Telstra could create shareholder value.
- Telstra announced a memorandum of understanding to merge its Hong Kong mobile business CSL and another Hong Kong carrier New World Mobile Holdings which would give clear market leadership.

Telstra Media Contact:

Andrew Maiden

Tel: 02 9298 5259 Mbl: 0428 310 710

Telstra’s national media inquiry line is 13 1639 and the Telstra Corporate Communications Centre is located at: www.telstra.com.au/abouttelstra/media