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30 November 2005

The Manager

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra information to be sent to shareholders

Attached for release to the market is a copy of a letter from CEO Sol Trujillo and a shareholder brochure to be sent to all shareholders shortly.

Yours sincerely

Douglas Gration
Company Secretary

Telstra Corporation Limited
ABN 33 051 775 556

Office of the CEO
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

Telstra's strategy for growth

28 November 2005

Dear Shareholder

I am writing to you today to report on the results of our in-depth review of our business, and communicate the outcomes of that review and our strategy for the future, which has the potential to provide all Australians with greatly improved telecommunications networks and services and the opportunity to create shareholder value.

Telstra is a great iconic brand and a very important Australian company. There is no company anywhere in this country that touches more people. This company also has more shareholders than any other company in Australia.

We want Telstra to be healthy, vibrant and growing for our shareholders.

Before painting a picture of the future – I would like to re-state a few facts about the reality that is facing our company today.

When I arrived here in July the first thing I did was set about reviewing this business. This four-month journey has been about analysis and understanding based on facts and data. We have been looking at our networks, our systems and our processes.

At the same time, we have taken a look in the rear vision mirror. Our costs have been growing fairly dramatically, while our traditional fixed-line revenues have been decreasing as a result of regulatory action, competition and migration to wireless and broadband networks.

Our strategic review took account of all these facts and the answer was simple. To survive and prosper Telstra must invest and innovate. That is what we plan to do, so let me outline how we intend to achieve it.

The coming three to five years will be spent rebuilding the network, redirecting resources into next generation services, reshaping the business, reconnecting with customers and restoring investor confidence in the leadership, management, and financial performance of Telstra.

We will create new revenue sources to grow the business as we harness new technologies to develop new applications to meet changing and differing customer needs.

We will be leaner and more efficient. We will stop doing things that add no value to the customer experience. At the same time, we will do new things, expanding and growing in other areas – as we enter new markets and redefine old ones to create new opportunities.

We will reshape the company into a cohesive and integrated enterprise – one that is centred around the customer and where infrastructure development and operations are driven from a single 'factory.'

You will also see increasing integration in the services we provide to customers as we move in the direction of a one-touch, one-click, one-screen approach to removing complexity and simplifying our products and the way we do business.

This overall strategy has the potential to provide our shareholders with improved returns on their investment.

Clearly the biggest obstacle we face is the regulatory environment, that is why we are working hard to achieve three key regulatory reforms:

Access to next generation networks – if access to our future networks is regulated under Part 11C of the Trade Practices Act, allowing foreign-owned competitors access to our new networks – what are the benefits to us in investing?

Operational separation – we believe the list of designated services that we should separate should be limited to the 'core services' which are provided over the copper network and not interfere with our ability to provide consumers and businesses with truly integrated services, and;

Unbundled Local Loop – prices for access to Telstra's unbundled local loop should not be below our cost. Telstra's shareholders have the right to recover the company's costs, rather than stand by and watch competitors cherry pick lucrative customers. Our rural and regional customers should also be very concerned about the likely impact that de-averaged prices would have on the costs of providing telecommunication services.

These are crucial issues facing the future of this company you invest in as they have significant value-destroying potential. That is why we are advocating strongly on your behalf.

We believe a competitive market place is a good thing but you as a shareholder should not be asked or required to subsidise other companies that we compete with. Many of these companies are large multinational companies, some much larger than Telstra.

Telstra acknowledges that some regulation is necessary and should remain. Regulations should not, however, impede our ability to provide competitive returns to our investors.

The time for debate is now and I would encourage all shareholders to get engaged, ask questions about the future of your investment, seek answers and influence the future, not just of Telstra, but of the telecommunications industry as a whole.

Transformations are never easy. However, I am confident that we are set on the right path. If we are given the freedom to compete, I am confident we will create a new Telstra, a world-class company where we will delight our customers, reward our shareholders, find employees satisfied and eager to go to work each day, and serve the national interest by providing advanced communications services to the people, enterprises and communities that make this a great nation.

As always, I welcome your feedback on the future plans for your company.

Please contact us with any questions or comments at Investor.Relations@team.telstra.com

SOL TRUJILLO
Chief Executive Officer

Telstra's strategy for growth*

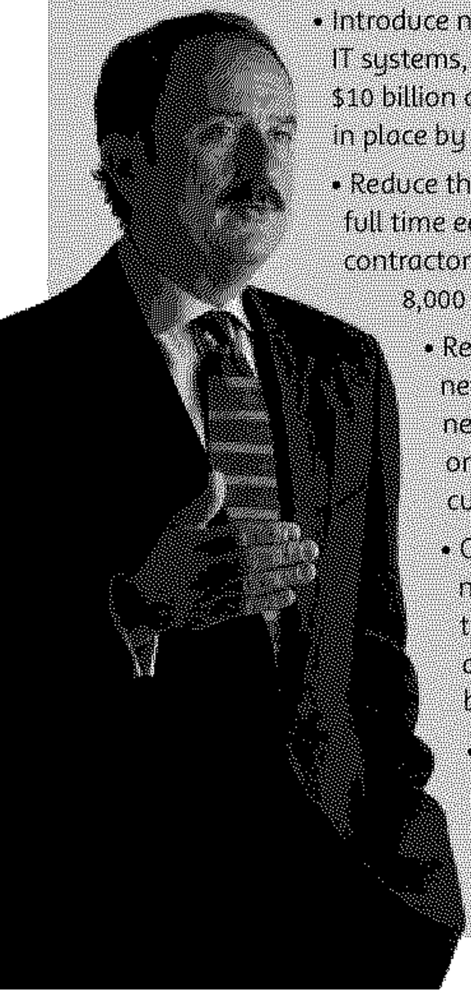
We have a chance to make a strong company great. We will do that by being innovative, by offering integrated services to consumers, by employing market based management and by being highly competitive. We are confident we have the people, resources and partnerships in place to succeed. We expect to create new revenue growth and improve shareholder value. The story is truly one of transformation.

Overarching themes of Sol's Strategic Review

- **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** through simplifying processes and systems and reducing duplication and complexity of existing networks by operating under a one factory approach which will lead to new efficiencies.

New strategy at a glance

- Introduce next generation IP network and IT systems, an investment of more than $10 billion over five years, with the IP core in place by the end of 2007.
- Reduce the number of Telstra's 52,000 full time equivalent positions (including contractors) by between 6,000 and 8,000 over three years.
- Replace the CDMA mobile network with a national 3G GSM network which will offer the same or better coverage than is currently available.
- Cut the number of different network platforms by 60% and the number of business support and operational support systems by 75% within three years.
- Strategic supplier arrangements with global leaders such as Ericsson, Alcatel, Cisco, Accenture and Siebel to build the next generation network and develop a world-class customer database.
- Introduce a $200 million staff training program to provide Telstra people with the skills in building, running and maintaining next generation networks.



OUR VISION

To give the customer a powerful, seamless user experience across all devices and all platforms in a 1 Click, 1 Touch, 1 Button, 1 Screen way – whether that customer is an individual, small business, large business or government agency.

New commitments to shareholders and customers:

- 25% of Telstra new revenue growth will come from new products by the end of 2008.
- We expect Sensis to double its revenue base to $3 billion within five years.
- 80% of Telstra's internet customers will have broadband in three years.
- 25% of customers will be on 3G in three years.
- Subject to the Board's twice yearly declaration and review of the business and regulatory environment, it is our intention to pay a dividend of 28 cents per share per annum for each of the next three years.
- Telstra management will continue to advocate for a regulatory regime that is fair and encourages investment.

*Refer to back page for regulatory caveat and disclaimer

Transformation centred around the customer*

Each part of the company, whether it is the 'back of house' building next generation networks, or those working directly with customers, has a crucial role to play in transforming the business.

Strategic Marketing

'The first key pillar in transforming this company'

The goal of Strategic Marketing is to transform Telstra into one of the best customer-driven marketing organisations in the global telecommunications industry. Here's how we'll do it:

- Implementing a simple straight-forward process that puts the customer at the centre of everything we do.
- Reorganising marketing and channel functions around market managers who will have full accountability for our market performance and profitability around customer segments.
- Establishing a clear focus to win the market through intimate knowledge of our customers.

This strategy requires the right systems and tools and we are developing these tools today. Companies that have successfully executed this type of customer knowledge system upgrade have seen dramatic improvements in efficiency, cost, revenue and churn reduction. We anticipate similar financial improvements as we complete our work over the next 18 months to two years.

One Factory – Chief Operations Office

'The second key pillar in transforming this company'

So, how will we implement our strategy? How are we going to make these fundamental changes? Well, it will begin in the 'Factory' with our networks and IT systems.

The Factory is the engine room that executes on our strategy. It will provide the platform through which we will deliver innovative, integrated services available only from Telstra. Guiding it are these four simple principles:

PRINCIPLE 1: Do it once
PRINCIPLE 2: Do it 'right' for the customer
PRINCIPLE 3: Do it in an integrated way
PRINCIPLE 4: Do it at low unit cost

Along with a world-class next generation network, we will also be delivering a single, nationwide 3G GSM mobile network, with extended range equal to or better than CDMA.

We will deliver dramatic cost reductions, plus new capabilities to enable sustainable growth, and our customers will have a truly differentiated experience, only available from Telstra.

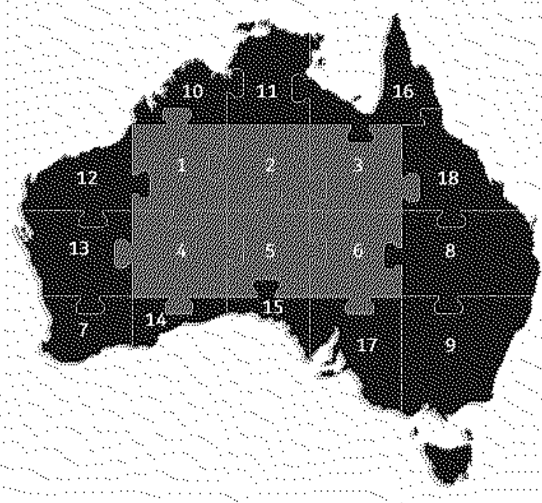
Broadband

'Broadband is the key to the future of Telstra, whether it be on a fixed platform, whether it be on wireless'

Can you imagine an Australia with very high speed wireless broadband connectivity covering 98% of the population? We can – and in that future world we'll use computers, handheld devices and phones in ways we can't conceive today.

In the world we are heading to, networks, handheld devices and services will converge and no-one will be in a better position to make sense of this for our customers than Telstra BigPond.

- From early next year BigPond will offer free blogging – publicly accessible web pages that serve as a personal journal.



THE TRANSFORMATIONAL DECISIONS

1. **Market based management**
2. **One factory model**
3. **Integrated company**
4. **Integrated services**
5. **Broadband focused**
6. **Next generation networks & IT**
7. New customer experience
8. New economic model
9. Value based vs. price based
10. Fewer partners
11. Comms, info, transactions, entertainment
12. Australia 1st, 2nd, and 3rd priority
13. Serving interests of all
14. Differentiation is the key
15. Return will drive resource allocation
16. Expand in core competency areas
17. Simplicity of use (one touch, click, button, page, screen)
18. Low cost model

*Refer to back page for regulatory caveat and disclaimer

- We will offer value added content packages for different market segments – for example SME Package; Gamers package; Family package – that will create incremental revenue and increase customer loyalty.
- We have launched the BigPond Movie Download Service in partnership with Sony Pictures.

Consumer & Small Business

'We are going to be focused on a new customer experience at literally every touch point'

What this is about is three things; speed, simplicity and mobility. For consumers and small business customers Telstra is changing everything that we do, with the goal of becoming a truly customer oriented organisation.

So how will Telstra put the customer first?

- We will be truly focusing on the whole of customer, and, through segmentation and market-based management, catering to the differing needs of customers.
- Our offers will be more targeted and we will execute them through the right channels.

Business and Government

'We can add value going forward. It doesn't mean we are not going to be price competitive, it just means that we are going to take the game to another level'

The business segment is a dynamic, competitive and exciting market presenting many new opportunities.

We have three strategic priorities to transform into an integrated carriage, services and solutions business, over the next three to five years:

- To lead the customer IP migration and transformation.
- To build an exclusive, Telstra-only suite of products and solutions.
- To differentiate on customer service and value creation to target segments.

Telstra will also provide an exclusive suite of service and solution offerings to drive growth.

Sensis

'Sensis is one of the best performing directory businesses in the world'

We are going to take Sensis to the next level with a simple strategy. We will make complex life simpler by helping buyers and sellers do business right across the value chain. To do this Sensis will excel in six areas:

- Protect, grow and leverage our core directory business.
- Extend into high-value customer categories.
- Add online transaction capabilities.
- Leverage our world class directory management capabilities and newer search innovations into geographic growth.
- Maintain focus on cost management.
- Pursue people, process and technology excellence in everything we do.

In doing this we will maintain near double digit organic revenue and EBIT growth while preserving margins.

Wholesale

'Our wholesale customers need all the things that we can deliver very well and maybe, being candid, better than anybody else'.

In wholesale, our recent strong top line growth and the wholesale market dynamics are threatened by regulatory pricing decisions. We are at a fork in the road and regulatory decisions will determine our path.

So, we've resolved to set a course for the wholesale business which plays to our existing strengths.

- First, we need to ensure that PSTN recoveries reflect true costs.
- We need to ensure that Operational Separation improves our customers' confidence in the wholesale business without impairing our ability to compete with other wholesalers.
- We will continue to focus on leveraging the scale of our network by driving volumes through our channel.
- Most importantly, we want to deliver great service to our customers, and improve upon the standards we have previously set ourselves.

Our objectives are straightforward. We will continue to compete hard for traditional voice and data revenues, relying on the superiority of our infrastructure. We will especially focus on improving the customer service experience.

NEW NETWORK WILL HAVE REAL BENEFITS

FOR TELSTRA	FOR CUSTOMERS
• Simpler environment →	• Simpler experience
• Higher reliability, faster speeds →	• Fewer outages, faster services
• Common standards and platforms →	• Same experience across multiple devices and networks
• Faster development and deployment →	• Early access to innovative services
• Lower unit costs →	• Competitive pricing

Resetting our financial targets for the future*

This is about creating long-term shareholder value. At the end of the day, all this work and all this investment is aimed at growing the business, growth that will come from satisfying our customers like never before. Satisfied customers will drive growth in the business, in turn growing shareholder value.

Obviously, there are things not in our control, and one of these is the regulatory environment. Our financial results are largely dependant on regulatory outcomes that will permit us to undertake what has been planned – including regulations that will permit us to earn a competitive return on shareholder investments. This is because we can only achieve the improvements in financial performance and shareholder value if we have a regulatory environment that allows it.

So what does all this mean in terms of financial outcomes?

Revenues

By implementing this strategy, we believe over a three year period, revenues can grow between 2% and 2.5%. This assumes a reasonable regulatory environment to operate within.

Earnings

For the 2005/06 year EBIT is expected to decline between 19 to 24% as a result of the implementation of the strategy which will require accelerating depreciation relating to assets that will be decommissioned. This estimate would increase to between 25 and 30% if Telstra raised a provision for redundancy. While earnings will be affected in the short term, in the long term this strategy will set the foundations for growth, not otherwise achievable if we were to continue down the previous path.

Expenses

Expenses will be higher in the next two years due to the acceleration and growth in depreciation and amortisation, as we invest significantly in the 'one factory' model over the next few years. Then we expect to reap the rewards and expenses will begin to fall.

Capital Expenditure

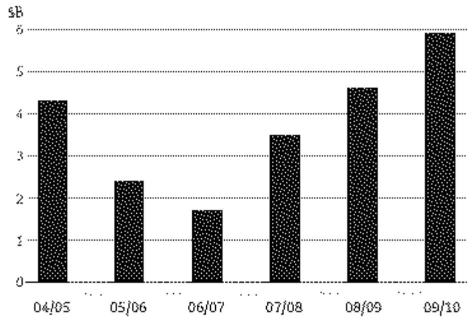
The new strategy will require a total CAPEX expenditure up to $25 to $26 billion over five years. Obviously, we will only invest if it is economic to do so and in the best interests of you, our shareholders.

Cashflow

With the lower earnings growth and increased CAPEX requirements, free cashflow will be impacted over the next three years when most of the CAPEX is required. Free cashflow begins to grow again from 2007/08.

FREE CASHFLOW

(Operating cashflow less investing cashflow less interest paid)



Labour force

It is anticipated that across the three year period our full-time equivalent positions (including contractors) of 52,000 will reduce between 6,000 to 8,000. Over five years, we anticipate a reduction of between 10,000 to 12,000.

What this means for dividend payments

Ordinary dividend

Subject to the Board's twice yearly declaration and review of the business and regulatory environment, it is our intention to pay a dividend of 28 cents per share per annum for each of the next three years at which time the policy will be reviewed.

Capital Management

Telstra will pay a 6 cent special dividend with the interim dividend in March 2006 to complete the $1.5 billion capital return for the 2005/06 year.

The Board has decided not to proceed with the $1.5 billion capital return in 2006/07. It is considered more appropriate to invest this money to implement the new strategy which is about delivering long-term shareholder value.

Talk to us

If you have any questions or comments about the strategic review and how it affects your investment in Telstra please email us at: Investor.Relations@team.telstra.com.

The detailed presentation packs and transcripts of the strategic review announcements can be downloaded from the Telstra Investor Relations website at: http://www.telstra.com.au/abouttelstra/investor/asx_announcements.cfm

Our strategic review announcements are accompanied by an * asterisk. This asterisk indicates that the announcements depend on regulatory outcomes that will permit us to undertake what has been planned – including regulations that will permit us to earn a competitive return on shareholder investments. Many of the benefits we hope to deliver to our customers and shareholders can be delayed or prevented by regulations. Telstra acknowledges that some regulation is necessary and should remain. Regulations should not, however, impede competition, slow innovation or inhibit investment.