14 August 2009

Office of the Company Secretary

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ELECTRONIC LODGEMENT

Dear Sir or Madam

CEO Letter to Shareholders

In accordance with the listing rules, I enclose an announcement for release to the market.

Yours sincerely

Carmel Mulhern
Company Secretary

Telstra Corporation Limited
ACN 051 775 556
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David Thodey
Chief Executive Officer
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Telstra Corporation Limited
ABN 33 051 775 556

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Dear Shareholder

I would like to take this opportunity to introduce myself as Telstra's new CEO and to share with you our strong results for the full-year ended 30 June 2009, as well as some insights into my key priorities for the company.

As a member of Australia's largest shareholder base, your support and loyalty are extremely important to Telstra and are not taken for granted. In buying Telstra shares, you have invested in a company which touches millions of customers every day. Telstra is an important part of the nation's fabric and, as a shareholder, and probably a customer, you have a key interest in the company's future growth and prosperity.

Financial Results
During difficult economic conditions, I am pleased to inform you that your company has performed well over the past year, delivering strong results in line with our guidance and analysts' consensus estimates, with net profit growth more than 10%. Importantly, we have built a strong foundation and we are still aiming to meet our goal of $6 billion of free cash flow in 2010.

At a time when many companies have had to ask for more money from shareholders, we are pleased that you will continue to benefit from Telstra's 28¢ fully-franked dividend for the year.

Financial highlights include:

- Total revenue grew by 2.7% to $25,507 million. Excluding the impact of the sale of KAZ in April 2009, total revenue grew by 3.0%;
- Total operating expenses grew by only 0.6% to $14,669 million. This is the lowest rate of expense growth in 6 years;
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by 5.1% to $10,948 million which was within our guidance range of 5% to 6% growth; and importantly
- Free cash flow increased by 13.2% to $4.4 billion.

Other key operational highlights include:

- Retail business units grew total revenue 3.4% in the year;
- Mobile services revenue grew 10.0% and wireless broadband revenue grew 69.2%, with wireless broadband subscribers almost doubling to more than one million;
- Fixed retail broadband revenue grew 15.9% to $1,533 million;
- Sensis revenue grew 5.8% to $2,250 million, which includes positive revenue growth in our Yellow™ Print business.

I would like to recognise the tremendous contribution of all staff in the delivery of this great result. Our people remain the real competitive advantage of this company.

Key Priorities

As CEO of Telstra, I am focused on delivering strong financial results for shareholders. I am committed to taking forward a number of key priorities over the next year to ensure that Telstra retains its market position and delivers for customers and shareholders. These priorities include:

- Improving customer service and satisfaction across the company;
- Engaging constructively with the Government on NBN and regulatory reform to protect shareholder value; and
- Achieving all of our financial targets.

As you know, Telstra has been undertaking a company-wide transformation program over the past four years, rebuilding our networks and systems to enable us to be a true market leader. It is now time to build on this work with a renewed commitment to all our customers. We acknowledge not all customer experience has yet met expectations but our team is focused on quickly improving the customer experience so it becomes an unequivocal point of differentiation for Telstra. This should deliver improved business results over the next few years. These include the launch of the internal employee complaint referral process and a new executive position of Director of Customer Service.

We are also working diligently to bring to market new and improved products and services that will enable Telstra to continue differentiating itself from its competitors and providing true value-for-money for customers. You can expect to hear some exciting announcements, including in relation to the ongoing upgrade program for our Melbourne cable network to peak speeds of up to 100Mbps into the home, as well as another upgrade of the world-leading Next G™ mobile network to support even faster broadband speeds.

National Broadband Network

I readily acknowledge that Telstra faces challenges in the next year. On the issue of the National Broadband Network, we will continue to engage constructively with the Government and the NBN Company to help find a solution that is in the best interests of the nation, as well as Telstra's shareholders, customers and staff.

We are also facing a regulatory review that was introduced by the Government in a document calling for industry comments. We continue to strongly represent to the Government and ACCC on behalf of the company.

Outlook

The company has a target of generating $6 billion of free cash flow in the 2010 financial year. In 2010, the company also expects low single-digit sales revenue, EBITDA and EBIT growth with EBITDA margins maintained.

This outlook does not include the impact of any Government regulatory review or NBN outcomes or any unexpected outcome from ACCC pricing decisions.

I am confident that the combination of our world-leading products, our commitment to enhancing customer experience and our ongoing discipline on costs will enable us to drive superior longer-term business outcomes and strong returns for our shareholders.

Now is the time to make it count by ensuring that the past four years of hard work rebuilding Telstra delivers real benefits for our customers, our staff and for you, our shareholders.

I feel privileged to be leading this great company and I am looking forward to the next few years as we implement our strategy. Please contact us at ***investor.relations@team.telstra.com*** if you wish to seek further information.

Yours sincerely

David Thodey