Office of the Company Secretary

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2 March 2010

The Manager

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Corporation Limited Shareholder Letter

In accordance with the Listing Rules, attached is a copy of a letter to shareholders, for release to the market.

Yours sincerely

Carmel Mulhern
Company Secretary

Telstra

Telstra Corporation Limited
ABN 33 051 775 556

2 March 2010

Dear Shareholder

Update on NBN and Government Legislation

We have committed to keeping you informed about significant developments at your company. As you know, the NBN negotiations are extremely important for Telstra. We remain engaged with the Government and NBN Co; we also remain committed to trying to find a mutually acceptable outcome. There are several complex issues about which we await clarification from the Government and NBN Co. However, these commercial discussions cannot be divorced from the current legislative risks your company faces. There are two important matters that we want to bring to your attention:

1. the Federal Government's proposed regulatory reform package (***Telecommunications Legislation Amendment Bill***) for the telecommunications industry looks likely to be debated in the Senate in the second or third week of March; and
2. last week, the Federal Government released the ***NBN Co Exposure Draft Legislation*** that could significantly alter NBN Co's 'wholesale-only' business model.

Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009

Telstra's position on this Bill has not changed: while we support the Government's National Broadband Network (NBN) vision and sensible reforms for our industry, we have always said this legislation is likely to destroy shareholder value and makes an agreement with NBN Co and the Government harder to achieve. In particular:

- denying Telstra access to spectrum will harm not only shareholders, but also consumers – especially those in rural and regional Australia who rely on Telstra for their mobile services;
- the unprecedented and largely unconstrained powers the legislation gives the ACCC and the Minister send a negative signal to investors in our industry and this country; and
- functional separation could cost Telstra $1 billion and take five years to implement, damaging customer service and providing no real benefits to consumers.

NBN Co Exposure Draft Legislation

On 24 February, the Government also released draft legislation that would govern how NBN Co is operated and regulated. Although this is only draft legislation, it raises for the first time the prospect of NBN Co becoming a Government-funded retailer, not just a wholesale network provider. Such an outcome would run counter to the core purpose of the NBN and the Government's primary policy objective of restructuring the industry to have separate providers for retail and wholesale fixed network services. We are very concerned about this potential change in the Government's position. If enacted, we would need to factor this into the financial consideration required to achieve an agreement that is in the company's and your best interests.

In closing, let us reassure you that the interests of our investors, customers and staff will remain paramount throughout the negotiations. We are strongly representing your interests to all parties. Our concerns about the potential shift in NBN Co's scope will be strongly and clearly stated in our submission on the draft legislation due on 15 March. As ever, we welcome your comments, so please contact us at ***investor.relations@team.telstra.com.***

Yours sincerely

C B Livingstone David Thodey

Catherine Livingstone AO **David Thodey**
Chairman **Chief Executive Officer**