

9 March 2012

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Corporation Limited – Shareholder Letter

In accordance with the Listing Rules, I attach a letter to shareholders for release to the market.

Yours faithfully



Damien Coleman
Company Secretary

9 March 2012

Dear Shareholder

Telstra finalises \$11 billion NBN Agreements

Over the last three years, Telstra has undertaken lengthy and complex negotiations with the Government and NBN Co in relation to Telstra's participation in the rollout of the National Broadband Network. Protecting the interests of our shareholders has been critical throughout and, following the resounding support received at our AGM in October last year, we are pleased to confirm that Telstra's Definitive Agreements with NBN Co and the Government commenced on 7 March 2012.

These Agreements and associated Government policy commitments are expected to provide to Telstra approximately \$11 billion in post-tax net present value over their long-term life.

The Minister has also made decisions which enable Telstra to retain ownership of our HFC network and our share in FOXTEL™, and Telstra's Structural Separation Undertaking (SSU) has come into force. This Undertaking is a key part of the regulatory framework for Telstra's participation in the rollout of the NBN.

As was detailed in the Explanatory Memorandum published ahead of last year's AGM, compared with other realistically available options, implementation of these Agreements should deliver a better overall financial outcome, a more stable regulatory environment and greater strategic flexibility, enabling Telstra to maintain a strong focus on our key areas of growth.

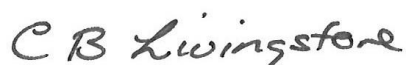
The Agreements are also expected to contribute to free cashflow generation in the medium term, provide us with greater financial flexibility and a stronger balance sheet, and help to offset the decline in free cashflow expected as customers migrate onto the NBN. In this context, the Commonwealth has confirmed that Telstra will receive a payment of approximately \$300 million this financial year as provided for in the Agreements with the Government.

The finalisation of the Definitive Agreements and the ACCC's acceptance of the SSU represent the culmination of some extraordinary work by a large number of our employees. We are pleased to deliver this positive outcome for shareholders.

As we reconfirmed at our recent Half Year Financial Results, it is the company's intention to maintain a 28 cent fully franked dividend for fiscal 2012 and 2013, subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

As ever, we also welcome your feedback, which can be provided to investor.relations@team.telstra.com, or in the mail to the Investor Relations Department, Telstra, 242 Exhibition Street, Melbourne, VIC 3000.

Yours sincerely



Catherine Livingstone AO
Chairman



David Thodey
Chief Executive Officer