

8 August 2013

The Manager

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**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Letter to Shareholders and Retail Shareholder Information Meetings**

In accordance with the Listing Rules, I enclose the following letter to Shareholders and the details of our Retail Shareholder Information Meetings, for release to the market.

Yours faithfully



**Damien Coleman**  
Company Secretary



Telstra Corporation Limited  
ABN 33 051 775 556

8 August 2013

Dear Shareholder,

We are writing to provide you with an update on Telstra's results for financial year 2013 which were reported to the market this morning.

This year we made good progress on our journey to change our company and put the customer at the centre of everything we do.

We have been able to deliver the third consecutive year of significant customer growth as a result of our focus on improving customer service as well as continued investment in the network.

Our strategy around improving customer service as well as focusing on our growth businesses is working. We are pleased we have once again delivered on our commitments and met our guidance at the same time as continuing to simplify our business. We also confirmed a 14 cent fully franked dividend bringing the total dividend to 28 cents per share for financial year 2013, a return of \$3.5 billion to shareholders.

## Key outcomes

We delivered revenue and profit growth as well as adding 1.3 million new domestic retail mobile customers during financial year 2013. The reported financial results for the 12 months to 30 June 2013 are:

- total income increased by 1.9 per cent or \$477 million to \$25,980 million;
- EBITDA increased by 3.9 per cent or \$395 million to \$10,629 million;
- net profit after tax increased by 12.9 per cent or \$441 million to \$3,865 million;
- earnings per share increased by 11.6 per cent to 30.7 cents, bringing the dividend payout ratio to 91 per cent;
- capex to sales ratio of 14.9 per cent, with capital expenditure of \$3,792 million; and
- free cashflow decreased by 3.3 per cent or \$173 million to \$5,024 million.

We continued to lead in mobile growth with total domestic retail mobile customers increasing to 15.1 million and mobile revenue rising by six per cent to \$9.2 billion.

We invested \$1.2 billion in our mobile network during the year. This investment included expanding the reach of our 4G network, which now covers 66 per cent of the population and is on target to reach 85 per cent by the end of the year.

We also continued to build momentum in our Network Applications and Services (NAS) portfolio. NAS revenue increased by 17.7 per cent for the year and included the commencement of a \$1.1 billion six year contract with the Department of Defence as well as international agreements with Jetstar and Fitness First.

## Improving customer satisfaction

Telstra remains committed to improving customer service as our number one strategic priority.

Complaints to the Telecommunications Industry Ombudsman have fallen for a third consecutive year and we are focused on implementing key customer service initiatives.

Customers are telling us we are improving, but that we have a long way to go before more of them become advocates.

## **Growth in customer numbers**

Telstra's products and ongoing investment in the network continue to attract new customers. In addition to the 1.3 million domestic retail mobile customers added during the year, we added:

- 173,000 fixed retail broadband customers, to a total of 2.8 million;
- 238,000 bundled customers, to a total of 1.6 million; and
- 425,000 Hong Kong mobile customers, to a total of 3.9 million.

Telstra's 4G network build accelerated during the year, and since launch we have activated more than 2.8 million 4G devices.

PSTN customers decreased by 287,000 or 3.6 per cent to 7.8 million and PSTN revenue declined by 9.5 per cent.

## **Simplifying the business**

Simplification initiatives delivered \$1 billion of productivity benefits, which were reinvested into the business to support growth in our customer base, customer satisfaction initiatives and development of new growth businesses. Aided by cost control and productivity improvements, operating expense grew by only 0.5 per cent.

Productivity benefits were delivered by continued process improvement, including supply-chain efficiencies, improving online sales and service capability and effective credit management. Productivity benefits continue to flow from customers transacting online, with more than one million active users on the 24x7 smartphone and tablet app.

We are continuing to make it easier and quicker for people to interact with us, with 40 per cent of our customers now doing business with us online.

## **Building new growth businesses**

As stated above, the NAS portfolio continued to grow, with revenue increasing by 17.7 per cent to \$1,487 million. Double digit growth was reported across all major NAS product categories.

International businesses grew revenue by 16.2 per cent or \$243 million to \$1,739 million. This portfolio comprises the Hong Kong mobile services (CSL New World) business, the Telstra global connectivity and NAS business and the China digital media businesses, which provide digital media services in automotive, IT and consumer electronics.

We continue to restructure the Sensis business as it transitions from print to digital. Australian media revenue, which includes Sensis, declined by 7.8 per cent. Sensis performed as projected, with digital media revenue growth of 11.3 per cent offset by a print revenue decline of 19.9 per cent resulting in an overall revenue fall of 11.4 per cent.

We have also established two new business units to focus on growth opportunities, e-Health and global applications.

## **NBN**

Telstra continues to progress implementation of its National Broadband Network Agreements with NBN Co and the Commonwealth, and will continue to work constructively in the best interests of shareholders and seek to maximise the value of those agreements as the project progresses.

## **Sustainability**

We are pleased with the progress we have made on our sustainability agenda. Our aim in financial year 2013 was to build performance momentum in three key areas – employee involvement, digital inclusion and environmental leadership.

Our people contributed more than 4,200 employee volunteer days, a 200 per cent increase on the previous year. In December 2012, we launched the Telstra Alumni program – which had more than 8,600 members by the end of financial year 2013.

We developed a new operating model and strategy for the Telstra Foundation to align key community investments with core customer digital inclusion programs. Now squarely focussed on Everyone Connected, the Foundation announced two flagship multi-year partnerships - with the Alannah and Madeline Foundation and the National Centre of Indigenous Excellence to help more Australians enjoy the benefits of being connected to new communication technologies. The value of the partnerships is \$13 million over six years.

We completed significant research to inform a more proactive and strategic approach to the environment. In the coming year, we will focus our efforts on three key areas – improving the energy efficiency of our operations, reducing environmental impact in our supply chain and developing greener products and services.

We place the highest priority on the safety of our employees and the wider community. We were very disappointed there were issues with our asbestos management activities. As a result, we stopped pit remediation work and conducted a review of our contractor management which identified a number of areas where improvements could be made. We recently announced remediation works will recommence with additional safeguards in place. This includes requiring relevant employees and contractors involved in this work to undergo additional training in the safe handling and removal of asbestos and the requirement for contractors to hold appropriate licences.

Sustainability remains a key focus for the Board and management at Telstra.

## Financial outlook

Telstra expects growth to continue in financial year 2014 and forecasts low single digit total income and EBITDA growth, with free cashflow between \$4.6 billion and \$5.1 billion. Telstra expects capital expenditure to be around 15 per cent of sales as it continues to build out its 4G mobile network.

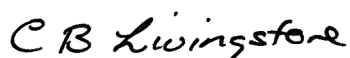
This guidance assumes wholesale product price stability, no impairments to investments, and excludes any proceeds on the sale of businesses, the cost of acquisitions and spectrum purchases.

As stated above, Telstra has confirmed a fully franked dividend of 14 cents per share bringing total dividends per share for financial year 2013 to 28 cents per share. In financial year 2014, as previously announced, the company will return to its previous practice of considering dividends on a half yearly basis, as part of the regular Board process.

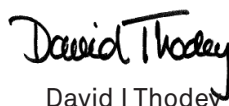
## Retail shareholder information meetings

We understand how important it is to keep our shareholders informed. In September and October, we are pleased to again host a series of retail shareholder information briefings around the country with Telstra's Chief Executive Officer David Thodey and Chief Financial Officer Andrew Penn. This year, briefings will be held in Sydney, Melbourne, Brisbane, Adelaide and Perth. Further details can be found in the accompanying brochure, by calling 1800 131 011 or online at [www.telstra.com.au/shareholdermeetings](http://www.telstra.com.au/shareholdermeetings).

Yours sincerely,



Catherine B Livingstone AO  
Chairman



David I Thodey  
Chief Executive Officer

# TELSTRA RETAIL SHAREHOLDER INFORMATION MEETINGS

CITY	DATE	TIME	ADDRESS	HOST
MELBOURNE	Monday 23 September	2.00pm	Hotel Sofitel 25 Collins Street, Melbourne	CEO & CFO
SYDNEY	Tuesday 24 September	10.30am	Hilton Hotel 488 George Street, Sydney	CEO & CFO
BRISBANE	Wednesday 25 September	10.00am	Marriott Hotel 515 Queen Street, Brisbane	CEO
PERTH	Tuesday 1 October	10.00am	Hyatt Regency Hotel 99 Adelaide Terrace, Perth	CFO
ADELAIDE	Wednesday 2 October	10.00am	Crowne Plaza Hotel 16 Hindmarsh Square, Adelaide	CFO

PLEASE REGISTER AT YOUR LOCATION:  
DIAL 1800 131 011 AND FOLLOW THE PROMPTS OR  
EMAIL: [SHAREHOLDER.MEETINGS@TEAM.TELSTRA.COM](mailto:SHAREHOLDER.MEETINGS@TEAM.TELSTRA.COM)

VISIT OUR WEBSITE: [WWW.TELSTRA.COM.AU/SHAREHOLDERMEETINGS](http://WWW.TELSTRA.COM.AU/SHAREHOLDERMEETINGS)

This is strictly a retail shareholder information session and an opportunity for shareholders to ask questions of management. It is not open to the media. We expect the sessions to last approximately two hours.

