

21 September 2010

The Manager

Company Announcements Office
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SYDNEY NSW 2000

Office of the Company Secretary

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MELBOURNE VIC 3000
AUSTRALIA

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Corporation Limited – 2010 Shareholder Update

In accordance with the Listing Rules, I attach the 2010 Shareholder Update for release to the market.

Regards

A handwritten signature in black ink, appearing to read "C. Mulhern", followed by a period.

Carmel Mulhern
Company Secretary

IMPROVING THE WAY



Telstra

WE LIVE AND WORK

Shareholder Update 2010

LIVE

2.1m

square kilometres
covered by the
Next G™ network



80,000

customers visit a Telstra
store every day



1.7m

wireless broadband
customers

More than

100m

bills sent out each year



7m

Australians use
a Sensis product
every week

300,000

calls handled each business
day through our contact
centres

WORK

FINANCIAL RESULTS

Five year financial summary

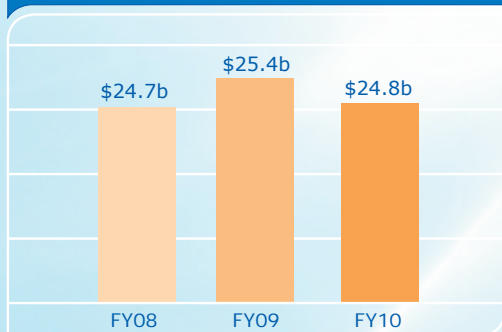
	2010 \$m	2009 \$m	2008 \$m	2007 \$m	2006 \$m
Sales revenue	24,813	25,371	24,657	23,673	22,712
EBITDA ⁽¹⁾	10,847	10,948	10,416	9,861	9,575
EBIT ⁽²⁾	6,501	6,558	6,226	5,779	5,497
Profit for the year after non-controlling interests	3,940	4,076	3,711	3,275	3,183
Dividends declared per share (cents per share) ⁽³⁾	28	28	28	28	34
Total assets	39,282	39,962	37,921	37,837	36,208
Gross debt	16,031	17,036	16,285	15,547	13,792
Net debt	13,926	15,655	15,386	14,724	13,102
Total Equity	13,008	12,681	12,245	12,580	12,834
Accrued capital expenditure	3,471	4,598	4,897	5,879	4,479
Free cashflow	6,225	4,365	3,855	2,899	4,579

(1) Operating profit before interest, depreciation and amortisation and income tax expense. EBITDA is used as a measure of financial performance by excluding certain variables that affect operating profits but which may not be directly related to all financial aspects of the operations of the company. EBITDA is not a measure of operating income, operating performance or liquidity under A-IFRS. Other companies may calculate EBITDA in a different manner to us.

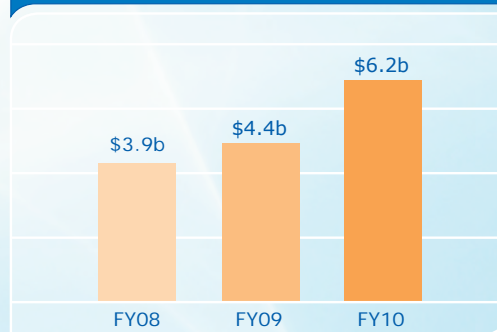
(2) EBITDA less depreciation and amortisation.

(3) Dividends declared in 2006 include a 6 cent special dividend paid with the interim dividend.

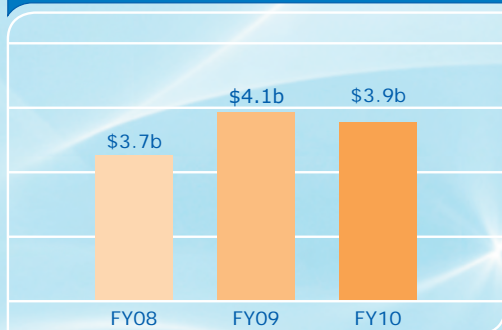
Sales revenue



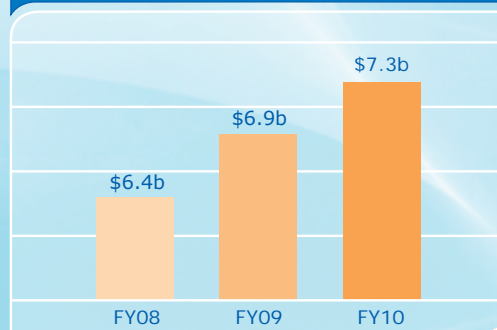
Free cashflow



Profit for the year



Mobile revenue



CHAIRMAN & CEO MESSAGE



Catherine Livingstone AO Chairman



David Thodey Chief Executive Officer

STRATEGY

We will be focused on four key initiatives:

- 1. Continue to improve customer satisfaction;**
- 2. Simplify our business to reduce costs;**
- 3. Compete to retain and acquire customers leveraging our network leadership; and**
- 4. Invest in long-term growth.**

Dear Shareholders

2010 was one of the most significant years in your company's history as we progressed discussions on the National Broadband Network, and we are grateful for your support over this period.

We are attaching details of our latest full year financial results and we would like to give you an understanding of how the business has performed over the last year. You will also find out about some of the important work we do in terms of being a good corporate citizen as well as some stories from our key business units within the company.

Financial Highlights

Despite the challenging market conditions the company faced last financial year, Telstra met its business performance guidance issued in February 2010 and maintained its fully-franked dividend for the year of 28 cents per share. We also saw improving momentum in the business in the second half of the year.

In financial year 2010, sales revenue declined 2.2% to \$24,813 million. Operating Expenses (before Depreciation and Amortisation) declined by \$485 million or 3.3% to \$14,184 million as the company increasingly focused on cost control and productivity. Importantly we exceeded our guidance on free cashflow with a significant increase of 42.6% from the 2009 financial year to \$6,225 million.

At a product level, we have continued to see growth in mobiles and IP products partially offset the declines in our traditional fixed line revenue. Mobile services revenue grew 5.9% to \$6,461 million which included an accelerated growth of 7.1% in the second half, again evidence of the value of our network investments. While fixed internet revenue declined by 0.7% this year, we added 11,000 fixed broadband customers in the second half of the year following the introduction of new bundles and broadband pricing which turned around customer loss in the first half.

Strategy

Telstra's greatest asset is our customer base, and our strategy is centred around satisfying those customers. Telstra has lost customers over the past year and in response to the erosion of our customer base we saw two strategic options.

We could focus on maximising cash in the short-term, cut costs and continue to lose market share, or take a long-term view by investing in customer service, simplifying the business and competing effectively to retain and acquire customers. We must prepare for future opportunities by investing in innovation and differentiation.

Outlook

2011 is a transition year for Telstra and our strategy is to invest in operational excellence to prepare the company to compete in the future.

For the 2011 fiscal year, we expect an increase in the customer base with flattish revenue but because of our investments, the company expects a high single digit percentage decline in EBITDA. We also expect free cashflow of between \$4.5 and \$5 billion*. The benefits of this necessary investment will become apparent from 2012.

Broadband

At the time of going to print, the Federal Election result was not known and there was uncertainty on what this meant for the Government's national broadband network and Telstra's Financial Heads of Agreement with NBN Co. However, Telstra recognises there is a bi-partisan commitment for public investment in broadband infrastructure and we remain committed to working constructively with all political stakeholders for an outcome in the best interests of our shareholders, customers and employees.

Customer Satisfaction

At Telstra, we are driving to become a true service leader, focused on delivering a great experience for our customers every time. Customer satisfaction is a key priority for us and we know that our customers must see value in everything we offer.

* Guidance assumes wholesale product price stability, no additional impairments to investments and excludes any proceeds from the sale of businesses

CHAIRMAN & CEO MESSAGE

Over the past year, we have listened to more than 700,000 Australians who have told us what they think of our service and the products we offer.

In response, we have launched new customer service initiatives such as weekend technician appointments and free calls to our main service and support numbers. We have also recently introduced the ability to contact us 24/7 for sales and support which is a new initiative that will make Telstra the only full-service telco to offer such a sales service. A dedicated team to manage all service changes from start to finish when our customers move house has also been established. This work is never completed, we recognise that further improvement to customer service is needed and we will continue to strive for ever more satisfied customers and fewer complaints.

Corporate Citizenship

At Telstra, we believe we do more than just deliver telecommunications services. We are part of the fabric of the society in which we operate. Through our products and services we can improve the lives of people - in their communities, both metropolitan and rural, in business and with their families. Our vision is to improve the way people live and work through connecting them.

For example, we became the first Australian company to win the prestigious Catalyst Award, an annual international award for initiatives that support and advance women in business.



OUTLOOK

A commitment to improve customer service and satisfaction is at the heart of our strategy as customer behaviour changes.

We believe our strategy is in the best interests of shareholders as we manage the business for sustainable future growth, not just for the short-term.

We also launched the Telstra Reconciliation Action Plan which includes the recruitment of qualified Indigenous candidates for up to 43 traineeships in Telstra, full integration of Indigenous suppliers into Telstra's procurement practices and the employment of a manager of Indigenous Employment Programs within Human Resources to increase attraction, recruitment and retention of new Indigenous employees.

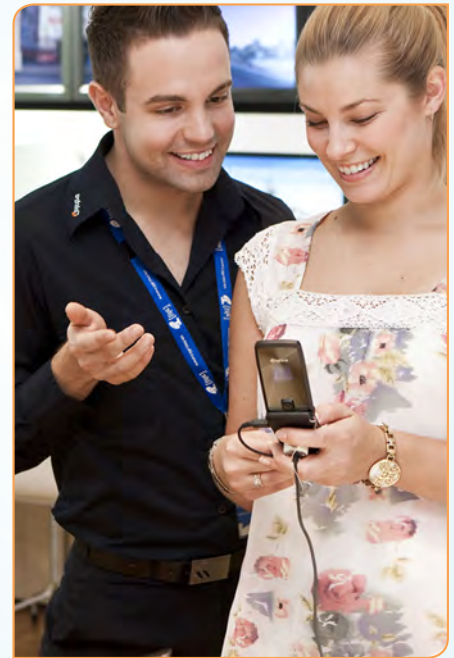
As always, we thank you for your support and commitment as a shareholder. We remain committed to keeping you informed of any significant developments in the company as we lead this great Australian company into the next chapter of its exciting history.

C B Livingstone

Catherine B Livingstone A0 Chairman

David Thodey

David Thodey Chief Executive Officer



SERVICE

We are prepared to work hard to win back the trust and respect of our customers. Such a fundamental change in culture and customer relationships will take time so this is just the start. We will change many of the ways we do business, and more people will say that Telstra has changed for the better.

BOARD OF DIRECTORS



Pictured from left to right: John Zeglis, Geoffrey Cousins, John Stewart, Steven Vamos, David Thodey, John Mullen, Catherine Livingstone, Russell Higgins, John Stocker, John Stanhope. Absent: Nora Scheinkestel.

Catherine B Livingstone

AO, BA (Hons), Hon DSc (Murdoch), Hon DBus (Macquarie), FCA, FTSE, FAICD

Ms Livingstone joined Telstra as a non-executive Director in November 2000 and was appointed as Chairman on 8 May 2009. She is the Chairman of the Nomination and NBN Committees and a member of the Audit, Remuneration and Technology Committees.

David I Thodey BA, FAICD

Mr Thodey became Chief Executive Officer and an executive Director on 19 May 2009.

Geoffrey A Cousins

Mr Cousins joined Telstra as a non-executive Director in November 2006. He is a member of the Nomination and Remuneration Committees.

Russell A Higgins AO, BEc, FAICD

Mr Higgins joined the Telstra Board as a non-executive Director on 15 September 2009. He is a member of the Audit and NBN Committees.

John P Mullen

Mr Mullen joined Telstra as a non-executive Director in July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee.

Nora L Scheinkestel LLB (Hons), PhD, FAICD

Dr Scheinkestel joined Telstra as a non-executive Director on 12 August 2010.

John V Stanhope B Com (Economics and Accounting), FCPA, FCA, FAICD, FAIM

Mr Stanhope was appointed as an executive Director on 8 May 2009. He was appointed to the role of Chief Financial Officer (CFO) and Group Managing Director, Finance & Administration in October 2003.

John M Stewart BA, FCIB, ACII

Mr Stewart joined Telstra as a non-executive Director in April 2008. He is a member of the Audit Committee.

John W Stocker AO, MB, BSc, BMedSc, PhD, FRACP, FTSE

Dr Stocker joined Telstra as a non-executive Director in October 1996. He is Chairman of the Audit Committee and a member of the Technology and NBN Committees.

Steven M Vamos BEng (Hons)

Mr Vamos joined the Telstra Board as a non-executive Director on 15 September 2009. He is also a member of the Nomination, Remuneration and NBN Committees. Mr Vamos ceased to be a member of the Audit Committee on 1 September 2010.

John D Zeglis BSc Finance, JD Law

Mr Zeglis joined Telstra as a non-executive Director in May 2006. He is a Chairman of the Technology Committee.



As a good corporate citizen, Telstra's responsibility is to manage our business ethically to produce an overall positive impact on our customers, employees and shareholders, as well as the wider community and the natural environment.

Your Company's primary corporate responsibilities are to:

- Increase shareholder value and protect shareholder interests;
- Serve the needs of our customers;
- Make Telstra a great place to work;
- Provide good stewardship of the environment;
- Contribute resources - people, money, technology, products and services - to support the communities in which we operate; and
- Advance the national interest by strengthening the capability of the nation's telecommunications infrastructure, and thereby providing a strong foundation for economic growth, productivity improvement, sustainable prosperity, and global competitive advantage.

Bridging the digital divide

Telstra's commitment to corporate citizenship is evidenced by its support of children in remote communities through One Laptop per Child Australia. OLPC Australia is providing remote primary school students with an XO laptop - a purpose-built, low-cost, low-power, rugged, connected learning device - which gives them access to educational programs and connects them, via the internet, to the rest of the world. The program was launched in May 2009 and has since deployed over 1,500 XOs to children across the country. By 2014 the charity will provide each of the 400,000 geographically isolated children with their own machine, a massive undertaking which OLPC Australia projects will cost \$200 million.

Telstra, together with News Ltd and the Commonwealth Bank, will contribute financial and in-kind support to OLPC Australia in a three year partnership, which will enable remote communities to use information and communications technology and overcome the barrier of distance.

Telstra produces a comprehensive corporate citizenship report each year that is available on our website: www.telstra.com.au/cr

BUSINESS UNITS



Consumer

Telstra Consumer is a customer servicing, marketing and sales organisation. Becoming a more customer-centric company and improving customer satisfaction is fundamental to Telstra's strategy.

To do this, we have already begun taking concrete steps to improve key elements of our customers' experience. However, there still is a long way to go.

Over the past year, Telstra has:

- Put millions of dollars more into training customer-facing staff;
- Introduced a dedicated team to manage all service changes from start to finish when our customers move house; and
- Launched new customer service initiatives such as weekend tech appointments, free calls to our main service and support numbers, and the ability to contact us 24/7 for sales and support.

These are just some of the initiatives in a long-term, cross-company program to improve our service, value and offerings to all customers.

Telstra Consumer also continues to bring a range of innovative new products to the market such as the Telstra T-Hub® and T-Box®.

The T-Hub is a new generation of home phone that works like a mobile phone by combining the features of telephony, information and entertainment.

T-Hub will become the new family organiser with a calendar, notes, calculator and alarm clock, all of which can sit on the kitchen counter or be carried to another room.

Telstra's T-Box integrates internet entertainment and free to air TV and information, via one exciting device, so customers can watch what they want, when they want on their TV.

The T-Box gives viewers high-definition free-to-air TV that can be paused, rewind and recorded, seven BigPond® TV channels, a library of on-demand movies and TV shows, plus entertainment direct from YouTube.

BUSINESS UNITS

Tony
Ferguson

Set yourself free



Business

Telstra Business is a business partner and one-stop shop providing communication solutions to Small and Medium Enterprises (SMEs), allowing them to maximise efficiency and focus on their core business.

No matter how small the business, Telstra Business is working to provide a 'Business Class' level of superior service that is unmatched in Australia. Special contact numbers give fast 24/7 access to consultants who are trained to know and understand the unique needs of SMEs. Instead of waiting for businesses to call us with problems, our aim is to call them more often to make sure we're meeting their needs.

We've also opened more than 50 Telstra Business Centres around Australia to give SMEs easier access to experts face-to-face. Telstra Business customers now also have easy affordable access to software including the Microsoft² business range, via our cloud computing platform, T-Suite[®]. With more innovations on the way, it means SMEs now have the level of service and the computing tools to match big business.

One such customer is Tony Ferguson Weightloss. Growing from two stores to nearly 1900 outlets across five countries in five years, Tony Ferguson Weightloss was using a corporate email system that was suffering serious outages and did not meet the diverse needs of its staff.

Decision-makers agreed that they needed to change the way they communicated, without disruption or compromising rapid business growth. They chose Telstra's software-as-a-service offering, T-Suite, to deliver cloud computing solutions from Microsoft Online Services.

"Frankly I was initially sceptical. But as soon as I saw how T-Suite worked and what it could deliver for us, I became very interested," Tony Ferguson Head of Technology Julian Lamb said.

"We'd been considering options to replace our Exchange email service for two years – and it was a scary project. Our company relies heavily on email but we don't have a culture of storing data, so I expected significant disruptions with any other solution."

Tony Ferguson initially opted for a managed Microsoft Exchange Online service to handle email. They found the improvement in service so marked – and migration process so smooth – that they upgraded to 185 full licences for the Microsoft Business Productivity Online Suite, and 25 deskless worker licences. As the chief information officer of a rapidly growing company, Julian believes he will never buy another server again.

BUSINESS UNITS



Enterprise & Government

Telstra Enterprise & Government (TE&G) is the leading provider of network based solutions and services to enterprise and government organisations in Australia and New Zealand.

Telstra provides services to more than 200 of the world's top 500 companies which rely on TE&G to enable greater productivity, efficiency and growth.

TE&G is increasingly being recognised in the market for its award-winning customer service and for creating superior value by enabling customers to improve their productivity, innovate and grow in a more sustainable way.

The past year has seen TE&G announce some of the most ground-breaking deals in the ICT sector, such as building one of the largest private communications networks in the world for NSW Department of Education and Training. The network will connect 2250 schools, 100,000 staff and more than 1.2 million students across NSW for its Connected Classrooms program.

Additionally, Telstra has entered into a major strategic partnership with Catholic Network Australia to provide high-speed broadband to more than 1550 Catholic schools across the country enabling the 'Classroom of the future' a set of new, pioneering learning practises.



Further highlights include Coca-Cola Amatil (CCA) awarding Telstra a 10-year, all of business contract operating over the Telstra Next IP® network and covering mobile email, wireless broadband and voice services. The collaboration is designed to help CCA increase revenues, reduce costs and improve workforce productivity.

Visy Industries also signed a \$50 million, 5-year contract to provide a whole of business network and an enterprise cloud computing platform to more cost effectively support Visy's critical business applications across its 140 packaging,



paper and recycling sites in Australia, New Zealand, Asia and the US.

Telstra has successfully completed a transformation program with Tabcorp, migrating from its legacy network to next generation, managed services over the Telstra Next IP network, covering more than 4,200 venue sites and 14 office and data centre locations.

BUSINESS UNITS



Sensis

Sensis is Telstra's advertising subsidiary and Australia's leading local search and directories business.

Responsible for the Yellow Pages® and White Pages® directories, we deliver value to the buyers, sellers and communities we serve by providing easy access to quality information about Australian businesses.

We are maintaining this focus by progressively embracing digital media. Over the last year, we have delivered substantial upgrades to our major directories sites, including improved search capabilities, deeper content and the capabilities to share information across major social networks. We also launched White Pages and Yellow Pages iPhone³ Apps, a new White Pages Mobile site and sites for the iPad³ and T-Hub. These innovations have had a profound effect on mobile usage, with visits to our mobile sites growing by 80% to 3 million a month.

To assist advertisers, we created a range of new bundled products that make advertising across our network easier than ever. Today, advertising in Yellow Pages means advertisers are not only found in print and online directories, but they can also be searched for in Yellow Pages Online, Yellow Pages on mobile, iPad and T-Hub, the Yellow Pages or iPhone app, Whereis.com, Whereis® Mobile, the 1234 and Call Connect voice services and third party sites like Google¹ Maps and Bing² Maps.

We continue to work hard to demonstrate our value to advertisers with detailed usage data, product information and testimonials from both advertisers and users. This information is presented both directly to customers and via our Yellowadvertising.com.au web site.

Another innovative way we recently demonstrated our value is through the Hidden Pizza campaign. This 'reality advertising' campaign involved offering free pizzas at a restaurant whose contact details were only advertised in the Yellow Pages. The end result was a staggering 6,000 Yellow Pages users visiting the restaurant in just two weeks.

During the year, we were also proud to be acknowledged for our sustainability efforts – including the launch of a new sustainability guide for SMEs and achieving carbon neutral certification for Yellow Pages and White Pages print and online. These acknowledgements included the GreenSkills Best Employer Award, a Gold Star in the international Corporate Responsibility Index and the 2010 Australian Business Award for Environmental Sustainability in our industry.

Sensis produces an annual Sustainability Report which can be viewed at: www.about.sensis.com.au/sustainability/sustainability-report/

BUSINESS UNITS



Wholesale

Telstra Wholesale provides voice, broadband, mobile, data & facilities access services to over 300 customers in Australia and globally.

Telstra Wholesale also provides services that are essential for the efficient operation of the industry including customer churn and transfer processes that affect hundreds of thousands of customer transfers every year. The provision of these services underpins the competitive telecommunications landscape we have in Australia.

Innovation

Telstra Wholesale embarked on a Fibre To The Premises technology trial in Point Cook in Melbourne's western suburbs, delivering voice and broadband products with speeds up to 100Mbps to wholesale customers servicing residents in Point Cook. To date, eight Wholesale customers have taken the opportunity to partner with Telstra to learn from this exciting technology trial.

Telstra Wholesale is also developing smarter, simpler solutions to enable its wholesale customers to serve their business customers. The 'Business Data Access Solution' launched earlier this year offers simple, scalable national access and aggregation connectivity with a choice of bandwidths. The solution is supported by a single contract and simple pricing, quoting, contracting, ordering and billing processes.

Telstra Wholesale's focus on customers has improved their experience, with significantly fewer complaints received in the past six months. Telstra Wholesale has reduced the time taken to acknowledge complaints from three days to one and has reduced turnaround times for complex billing customer enquiries by 33%.



Telstra Country Wide

Telstra Country Wide® is the local face of Telstra in communities across Australia.

Established in 2000, Telstra Country Wide actively supports local community groups that are at the heart of country towns and regions. Our support reflects the broad interests of our communities and highlights what matters most to people living in these communities.

Some of Telstra's significant contributions to local communities over the past decade include nurturing up-and-coming musical talent through the long term support of the Tamworth Country Music Festival and the Inverell Sapphire City Festival since 2003, and bridging the metro-country divide through a three-year partnership with One Laptop Per Child Australia which aims to deploy educational laptops to children living in remote communities.

Since its inception in 2003, including this year, the Telstra Assistance Fund has provided more than \$8.5 million worth of equipment grants to more than 6,500 community and sporting clubs across Australia. These clubs include local football, surf life saving and swimming clubs.

For more information on Telstra's community programs and initiatives go to www.ideasforgood.com.au/community

The diversity of programs that Telstra Country Wide supports in regional Australia extends from the arts and environment, emergency services and disaster relief through to business development, sport and seniors education.

CONTACT DETAILS & FINANCIAL CALENDAR

Contact details

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Telstra Corporation Limited

ABN 33 051 775 556
Incorporated in the Australian Capital Territory
Telstra is listed on Stock Exchanges in Australia
and in New Zealand (Wellington)

Website

Telstra's investor relations home page:
www.telstra.com.au/abouttelstra/investor

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¹ Trademark of Google Inc, a Delaware Corporation

² Trademark of Microsoft Corporation, a Washington Corporation

³ Trademark of Apple Inc.

Indicative Financial Calendar*

Annual General Meeting	Friday 19 November 2010
Half Year Results announcement	Thursday 10 February 2011
Ex-dividend share trading commences	Monday 21 February 2011
Record date for interim dividend	Friday 25 February 2011
Interim dividend paid	Friday 25 March 2011
Annual Results announcement	Thursday 11 August 2011
Ex-dividend share trading commences	Monday 22 August 2011
Record date for final dividend	Friday 26 August 2011
Final dividend paid	Friday 23 September 2011
Annual General Meeting (Brisbane)	Tuesday 18 October 2011

* Timing of events may be subject to change. Any change will be notified to the Australian Securities Exchange (ASX)

Communicating with our Shareholders

Our online Investor Centre www.telstra.com.au/abouttelstra/investor is an important tool for our shareholders where you can access all the latest news, information and shareholder communications faster. If you are an e-shareholder, we will let you know when there is something important for you to view or download.

Telstra's 2010 Annual Report will be available to all shareholders on our investor website at www.telstra.com.au/abouttelstra/investor/annual-reports. To receive a hardcopy of the statutory Annual Report (free of charge) you can call our Share Registry on 1300 88 66 77 and request the report be sent to you. You may also update your communication election online to receive future copies of the Annual Report. Visit our Share Registry's website www.linkmarketservices.com.au/telstra, select the 'communication options' menu and follow the prompts.

Online Communications

Telstra encourages shareholders to elect to receive their communications electronically. By providing your email address you will receive your dividend statements, Notice of the Annual General Meeting and Shareholder Updates (including summary financial information) by email. This is also important if we want to communicate with you at short notice in relation to current issues. To become an e-Shareholder simply:

1. Go to www.linkmarketservices.com.au/telstra
2. Enter your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), your surname or company name and post code (**you can find your SRN/HIN on your latest dividend statement**)
3. Click on the Telstra Corporation Limited link
4. Select YES "I would like to become an e-shareholder"
5. Enter in your email address and select Update



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