FINANCIAL HIGHLIGHTS
Full Year ended 30 June 2010

42.6% FREE CASHFLOW GROWTH; DIVIDEND MAINTAINED; POSITIONING FOR FUTURE GROWTH

REPORTED RESULTS

- **Sales revenue declined 2.2% or $558m to $24,813m**
- **EBITDA declined by 0.9% or $101m to $10,847m, including a $168m impairment to our investment in CSL New World**
- **EBIT declined by 0.9% or $57m to $6,501m**
- **Earnings per share of 31.4 cents was down 4.7%**
- **Free cashflow grew 42.6% or $1,860m to $6,225m**
- **Final dividend of 14 cents per share, fully franked**

On our guidance basis (excluding the CSL NW impairment):

- **Sales revenue declined 2.2% or $558m to $24,813m**
- **EBITDA grew by 0.6% or $67m to $11,015m**
- **EBITDA margins increased 1.2 percentage points to 44.4%**
- **EBIT grew by 1.7% or $111m to $6,669m**

ADJUSTED RESULTS*

- **Sales revenue declined 0.2%**
- **EBITDA increased 1.3%**
- **Adjusted earnings per share increased 7.6%**

*Adjusting for currency movements, the sale of KAZ, CSL New World impairment, and fair value adjustments included in finance costs

Reported results

SUMMARY FINANCIAL RESULTS

	FY 2010 $m	FY 2009 $m	YoY Change
Sales revenue	24,813	25,371	-2.2%
Total revenue	24,917	25,507	-2.3%
Operating expenses	14,184	14,669	-3.3%
EBITDA	10,847	10,948	-0.9%
EBITDA*	11,015	10,948	0.6%
Depreciation and Amortisation	4,346	4,390	-1.0%
EBIT	6,501	6,558	-0.9%
EBIT*	6,669	6,558	1.7%
Net finance costs	963	900	7.0%
Tax	1,598	1,582	1.0%
Attributable NPAT	3,883	4,073	-4.7%
EBITDA margin*	44.4%	43.2%	1.2pp
Accrued capital expenditure	3,471	4,598	-24.5%
Free cash flow	6,225	4,365	42.6%

*on February guidance basis, excluding CSL impairment

Telstra Corporation Limited and its controlled entities (Telstra) has achieved its February guidance, excluding the CSL impairment, despite the challenging market conditions. Most importantly, the company has generated free cashflow for the year of $6.2 billion, a growth of 42.6% year-on-year and ahead of our long-held target. In fiscal 2010, sales revenue declined 2.2% to $24,813 million and total revenue declined by 2.3% to $24,917 million. However, in the second half of the year the decline in sales revenue was 1.9%.

Operating Expenses (before D&A) in the year declined by 3.3% to $14,184 million as the company focused on cost control and productivity in the light of the top-line pressures. This expense total includes the previously announced impairment of $168 million to our investment in CSL New World.

Labour expenses declined by 10.3% to $3,707 million while Goods and Services Purchased increased by 0.9% to $5,360 million. This includes a decrease in network payments of 8.8% which was partly due to foreign exchange impacts and lower offshore backhaul payments, offset by a 9.5% increase in cost of goods sold as competition intensified and the mobile market moved to higher cost smartphones. Other expenses decreased by 2.1% to $5,117 million. Within that category, Service Contracts and Other Agreements declined 4.8% to $2,275 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 0.9% to $10,847 million and earnings before interest and tax (EBIT) decreased by 0.9% to $6,501 million on a reported basis. On our guidance basis, excluding the impairment at CSL New World, EBITDA grew by 0.6%, with growth in the second half of 2.4% and EBIT increased by 1.7%.

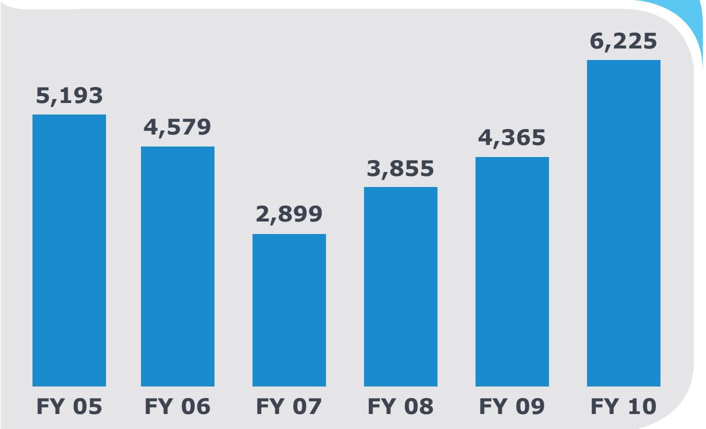
Reported profit after tax and non-controlling interests (PATNCI) declined 4.7% to $3,883 million and basic earnings per share (EPS) decreased by 4.7% from 32.9 cents to 31.4 cents.

+42.6% FREE CASHFLOW GROWTH

Free cash flow of $6,225 million was generated in the year, an increase of $1,860 million or 42.6% from fiscal 2009. Importantly, we continue to invest in the business with capital expenditure of $3,471 million in the year, or 14% of sales.

On 12 August 2010, the Directors of Telstra resolved to pay a fully franked final ordinary dividend of 14 cents per share, bringing the total fully franked dividend for the year to 28c. Shares will trade excluding entitlement to the dividend on 23 August 2010 with payment on 24 September 2010.

FREE CASH FLOW $m



FINANCIAL HIGHLIGHTS
Full Year ended 30 June 2010

Adjusted Results

There are a number of one-off factors that have impacted our results on a year-on-year comparative basis. In all the following commentary we have adjusted the results for four factors – the sale of the KAZ IT services business, the significant strengthening of the Australian Dollar, the impairment to the carrying value of CSL New World and the fair value adjustments to finance costs - to present a business performance view.

Adjusted sales revenues in the year declined by 0.2%. In the second half of the year, sales revenue increased by 0.3%.

Operating expenses declined 1.6% with EBITDA increasing 1.3% and EBIT increasing 2.4% year-on-year. Finally, after fair value adjustments at the finance cost line ($5 million gain in FY 2010 versus $284 million gain in FY 2009), profit after tax and non-controlling interests increased 7.6% in the year and basic EPS also increased by 7.6%.

ADJUSTED FINANCIAL RESULTS*

	Full-year 2010 YoY change	H2 2010 YoY Change
Sales revenue	-0.2%	0.3%
Total revenue	-0.4%	0.4%
Operating expenses	-1.6%	-1.1%
EBITDA	1.3%	2.4%
EBIT	2.4%	2.7%
Net finance costs	-17.9%	-9.6%
Attributable NPAT	7.6%	3.3%

* Adjusted for KAZ sale, currency movements, CSL New World impairment and fair value adjustments

+2.4% H2 EBITDA GROWTH

Segment Performance

While our retail segments have faced challenges in 2010, there is evidence of some improving operating performance in the second half of the year. Of our three major retail segments, Telstra Business and Telstra Enterprise and Government both grew in the second half as new products and offers begin to gain traction in the market.

Total retail income increased by 0.3% in the year with revenue in our wholesale business declining by 2.6%.

Product Performance

At a product level, performance in the year has been mixed but overall performance has improved in the second half of the year. The trend seen in recent periods, with mobile and IP Access growth offsetting declining legacy revenues, has continued. Mobile services revenue growth of 5.9% continues to show the strength of that market, and 7.1% growth in the second half represents an acceleration on the 4.7% growth in the first half of the year. Growth has also continued in IP access, but offsetting this we have seen a further significant slowdown in PSTN and declining fixed internet revenue.

Fixed

Total PSTN revenue declined by 8.0% during the year to $5,833 million. In the second half of the year, PSTN revenue decline was 9.0%, an acceleration on the 6.9% decline in the first half of the year. This decline is driven by continued lower usage across all

KEY SEGMENT INCOME

	Year ended June 2010, $m	YoY change	Half-year ended June 2010, $m	YoY change
Telstra Consumer	10,275	-0.5%	5,082	-0.8%
Telstra Business	3,836	1.0%	1,912	2.4%
Telstra Enterprise & Government	4,237	1.6%	2,160	2.9%
Total Retail[1]	18,348	0.3%	9,153	0.7%
Telstra Wholesale	2,320	-2.6%	1,151	-1.9%
Sensis	2,262	-1.7%	1,227	-3.2%

KEY PRODUCT REVENUE

	Year ended June 2010, $m	YoY change	Half-year ended June 2010, $m	YoY change
Mobile services	6,461	5.9%	3,250	7.1%
PSTN	5,833	-8.0%	2,836	-9.0%
Fixed retail broadband	1,547	0.9%	781	-0.5%
IP and data access	1,772	1.7%	881	1.1%
Advertising and directories	2,165	-4.2%	1,190	-3.3%

1. *Total retail revenue is calculated as the sum of Telstra Consumer, Telstra Business and Telstra Enterprise and Government.*

calling categories, most notably in local calls and national long distance. There has also been a further acceleration in retail line loss to 4.2% in the fiscal year versus a 1.7% decline in 2009, equivalent to 326 thousand lines. Line spectrum sharing (LSS) and unbundled local loop (ULL) uptake by competitors continues to be strong, but there has also been a significant increase in net line cancellations, with more than 200 thousand in the year. Although some of these cancellations are substitution to our mobile or IP Telephony products, the underlying trend is still negative. We believe that around 12% of households are now mobile-only for voice, up from around 8% a year ago.

Fixed internet revenue declined by 0.7% to $2,144 million. As the broadband market matures and competition intensifies, we have seen a decline of 19 thousand retail fixed broadband customers in the year. However, in the second half we have benefited from a suite of new products and offers with retail fixed broadband subscribers growing 11 thousand in the half. For example, we now have more that 50 thousand Telstra T-Hub® customers and 15 thousand Telstra T-Box® customers plus nearly 300 thousand customers on our bundled plans. Fixed retail broadband average revenue per user (ARPU) continues to grow and is now at $57 per month, an increase of 0.9% year-on-year. Competition from wireless continues to put pressure on the fixed broadband market, as it does on the fixed voice market.

+5.9% MOBILE SERVICES REVENUE

Mobile

Mobile revenue growth remains strong, a testament to our network investments and the value customers place on mobility. Mobile services revenue grew by 5.9% to $6,461 million in the year with growth in the second half accelerating to 7.1%. Voice revenue decline is more than offset by growth in data usage with total mobile data revenue growth of 21.7%. During the year, messaging revenue grew by 14.2% to $1,023 million. Handheld data revenue grew by 20.7% to $660 million in the year and wireless broadband revenue grew by 34.1% to $787 million.

At the end of June postpaid subscribers were 7,016 thousand, up 278 thousand in the half and 447 thousand in the year. Prepaid subscribers were 3,546 thousand, down 103 thousand in the half and 76 thousand in the year. Wireless broadband SIOs (postpaid and prepaid) were 1,654 thousand, up 329 thousand in the half and 608 thousand in the year. We believe that Unique Users (defined as active SIM cards in any given month) is a more representative and less volatile measure of our revenue-generating prepaid customers. In the three months to June, monthly prepaid handheld unique users averaged 1,889 thousand a decrease of 32 thousand on the three months to December of the year.

+23.8% IP ACCESS REVENUE

IP and Data

IP and data access revenues continue to perform well as we manage our major customers' migration to IP. There was an increase of 1.7% to $1,772 million. Growth in IP Access revenue in the year was 23.5% to $835 million and as expected the growth accelerated in the second half to 25.6%. Our IP and cloud computing services continue to produce significant contract wins in the year. Going forward we continue to see significant opportunities in the network applications and services area.

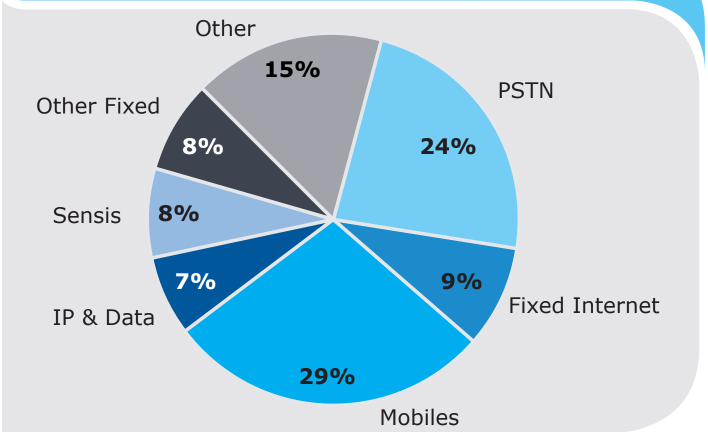
Sensis

For the fiscal year Sensis Group total income was down 2.1%, EBITDA grew by 2.3% and EBITDA margins were up two percentage points to 54%. Adjusting for the transfer out of the Trading Post business and the sale of Universal Publishers, Sensis domestic sales revenue declined by 2.3% in the second half, an improvement on the 3.6% decline in the first half. New channels, including the T-Hub and Apple® iPhone™ provide further opportunities to enhance advertiser returns. For example, there has been dramatic growth in mobile access to the Yellow Pages® and White Pages® directories with an increase from 0.5 million visits in June 2009 to nearly 1.6 million in June 2010.

CSL New World

The Hong Kong mobile market remains tough and this is reflected in the performance of CSL New World which saw revenues decline 6.9% in local currency. However, costs remain under control, with EBITDA growth of 6.7% in the year in local currency. As previously noted, the weaker outlook at CSLNW has resulted in a $168 million impairment of this asset.

FY 10 PRODUCT REVENUE BREAKDOWN



Expense performance

Operating expenses in the year declined by 1.6% with labour expenses declining by 6.2% driven by a reduction in incentive payments and lower redundancy costs. There was also a favourable impact of government bond rates on our long service leave balances.

Goods and services purchased increased by 4.3% with cost of goods sold increasing by 9.5%. There continues to be a shift to lower margin products such as mobiles which have higher subscriber acquisition and retention costs (SARCs). As more customers move to smartphones, blended SARCs grew 11.3% to $155. Our network payments reduced this year by 5.5% due to lower offshore outpayments for backhaul, interconnection costs and datapack charges.

Other expenses decreased by 4.0% driven by Service Contracts and Other Agreements declining by 3.7%. Our General and Administration costs declined for the first time since fiscal 2006 via reductions in travel expenditure, lower training and consolidation of office space.

Despite the reduction in total operating expenses we increased our investment in improving the customer experience during

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the year including more front line staff to manage complaint handling, improved training of customer facing staff and revision of complaint handling processes.

Financial position

(a) Capital expenditure and cashflow

Accrued operating capital expenditure of $3,471 million was down $1,127 million or 24.5% on the year, and is consistent with our guidance for capex/sales of around 14% in the year.

Free cashflow increased by $1,860 million to $6,225 million in the year driven largely by lower capex and some non-recurring items and meets our long-held target of $6 billion of free cashflow in fiscal 2010.

(b) Debt position

The effective net debt position at 30 June 2010 was $13,926 million which represents a decrease over the year of $1,729 million. Our average borrowing cost on average net debt reduced from 7.1% in fiscal 2009 to 6.4% in fiscal 2010. Average debt maturity has gone from 3.9 to 4.0 years in the year.

-$1.7b **REDUCTION IN NET DEBT**

We continue to look at executing long term borrowings across a diverse range of debt markets. Given the strength of Telstra's balance sheet and our debt maturity profile we are also able to access multiple debt markets on competitive terms. During fiscal 2010 we have conducted a number of capital raisings in the debt markets including executing a €1bn 10 year benchmark bond issue in March 2010.

National Broadband Network

On 20 June Telstra signed a Non-binding Financial Heads of Agreement (FHoA) with NBN Co to participate in the rollout of the National Broadband Network (NBN).

The transaction, if completed, would deliver Telstra a post-tax net present value of approximately $11 billion. This includes payment for the decommissioning of Telstra's copper network and cable broadband service, use of Telstra's infrastructure, and the value to Telstra of avoiding costs, including certain Universal Service Obligation (USO) costs. Payments would be made progressively to Telstra.

The agreement would result in Telstra migrating customer services that currently use its copper network and cable broadband network onto the NBN as it is built. This includes fixed voice and fixed broadband products. For the agreement to be finalised, it will require legislation to be passed and ACCC approval.

The final agreement, if reached, will also be put to a vote of Telstra shareholders – we expect this to occur in the first half of 2011.

While it is an important milestone, a very significant amount of work must still be done on many complex issues before we can take a final completed agreement to shareholders. As such, there is no guarantee a final agreement will be reached.

Outlook

2010 was undoubtedly a challenging year as we managed intense competition and an accelerating shift of voice and data to our mobile networks.

In the last six months we have seen the operating performance in a number of key areas begin to improve. In the second half we have seen improving growth in our mobile business, and a return to fixed broadband subscriber growth as well as growth in both our Business, and Enterprise and Government segments.

2011 will be a transition year as we invest to prepare the company to compete in the future. We will:

- continue to improve customer service and satisfaction;
- simplify the business , re-engineer core processes and reduce costs; and
- prepare the business for an NBN world by investing to grow new revenue streams that compensate for reductions in traditional fixed revenues.

We are making capital investment and operational expenditure investment to develop and improve our product and service delivery capability. We believe this investment will allow us to fulfil the longer-term imperative of creating sustainable shareholder value.

The benefits of this necessary investment will become obvious from 2012.

In 2011, we expect an increase in the customer base and flattish revenue, but because of our additional investments and changing product mix we expect a high single digit percentage decline in EBITDA, and Free cashflow between $4.5 and $5 billion.

Excluding any possible spectrum acquisition costs, we foresee capex/sales around the 14% level for the medium term.

GUIDANCE SUMMARY*

Measure	FY11 Guidance
Sales Revenue	**Flattish**
EBITDA	**High single digit percentage decline**
Capex/sales	**14%**
Free cashflow	**$4.5-5.0 billion**

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

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