10 February 2011

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Analyst Briefing – Half year results presentation pack

In accordance with the listing rules, I attach a copy of a presentation to be made today, for release to the market.

This Announcement has been released simultaneously to the New Zealand Stock Exchange.

Regards

Carmel Mulhern
Company Secretary

2011 HALF YEAR FINANCIAL RESULTS

David Thodey, CEO
John Stanhope, CFO

10 February 2011

DISCLAIMER

- These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in Telstra's Financial Report dated 12 August 2010 and 2010 Annual Debt Issuance Prospectus lodged with the ASX.
- All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences. All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.
- All amounts are in Australian Dollars unless otherwise stated.

2011 HALF YEAR FINANCIAL RESULTS

David Thodey, CEO

10 February 2011

NATURAL DISASTERS

NBN NEGOTIATION UPDATE

- COMMERCIAL TERMS AGREED
- APPROXIMATELY $11 BILLION POST-TAX NPV
- TARGETING 1 JULY SHAREHOLDER VOTE

2011 HALF YEAR FINANCIAL RESULTS

John Stanhope, CFO

10 February 2011

FINANCIAL RESULTS - REPORTED

$ Billions	1H10	1H11	% Growth	Guidance basis*	On track versus guidance
Sales Revenue	12.32	12.26	-0.5%	-0.5%	✓
EBITDA	5.32	4.58	-13.9%	-12.5%	✓
EBIT	3.13	2.38	-24.1%	-21.8%	n/a
Attributable NPAT	1.85	1.19	-35.6%	-30.5%	n/a
Accrued Capex	1.60	1.45	-9.4%		✓
Free Cash Flow	2.62	2.02	-22.9%	-35.1%	✓
Ordinary DPS (cents)	14	14	-		✓

* Guidance excludes Octave impairment, gain / loss from the sale of businesses.

7

CONTINUING STRONG GROWTH IN CUSTOMER BASE FROM OUR STRATEGY

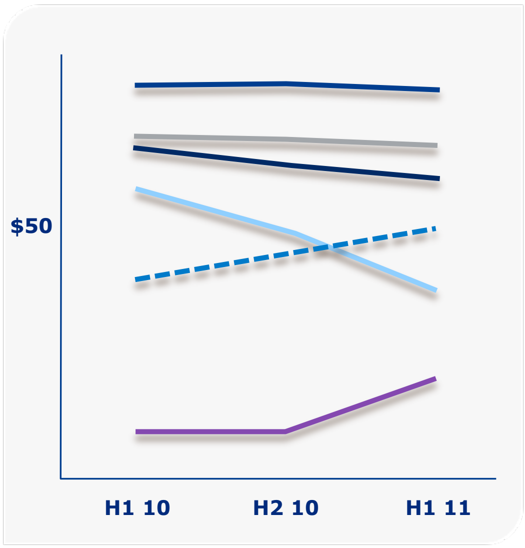
Product Net adds ('000)	4Q10	1Q11	2Q11	1H11 Total
Bundles	141	220	200	420
T-Box and T-Hub (sales)	23	93	121	214
Postpaid mobile handheld	39	116	181	297
Mobile broadband	150	251	254	505
Total mobile SIOs	100	364	555	919
Retail Fixed Broadband	14	59	80	139

Bundles continue to gain traction and churn has improved

Strong demand for Telstra's differentiated T-Box® and T-Hub® products

Strong mobile physicals driven by Next G™ network advantage and attractive offers

ARPU TRENDS



MOBILE:

- **Handheld postpaid: FLATTISH**
  - Smartphones & roaming offset more capped plans
- **Handheld prepaid: INCREASED**
  - Increase in prepaid caps
- **Broadband: DECLINED**
  - Growth in prepaid penetration & decline in pricing
- **Blended handheld: INCREASED**

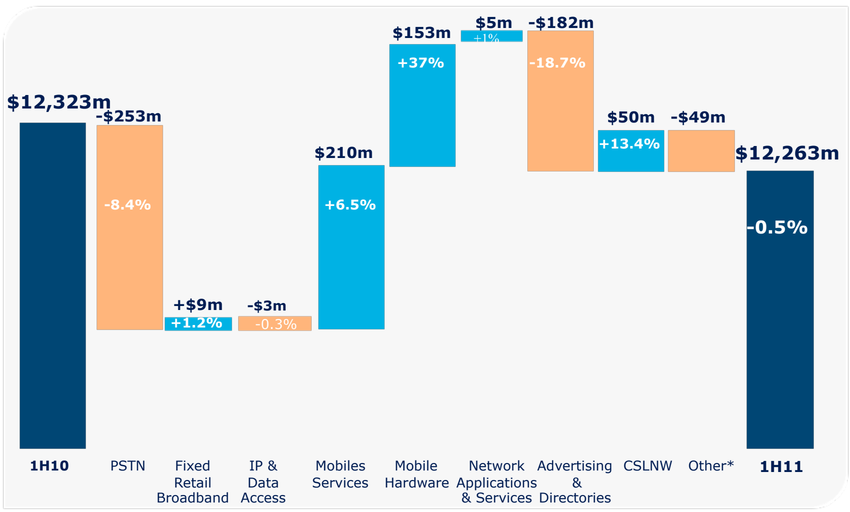
FIXED:

- **Retail Broadband: FLATTISH**
  - Shift to high data plans from low data plans
  - Shift to high speed plans from low speed plans
- **PSTN: DECLINED**
  - Fixed usage declining as traffic migrates to mobile

BUNDLES: NET MIX REVENUE ACCRETIVE

- New customers
- Existing customers taking an additional product
- Lower churn from customer base accepting multi-product discount

SALES REVENUE BY PRODUCT – MIX CHANGE CONTINUES



Mobile growth offsetting PSTN headwinds

IP Access revenue +20%, offset by migration from legacy data products

Adv & Dir impacted by Sydney Yellow Pages print recognition change to H2

* Other includes ISDN (-$16m), Other fixed internet (-$39m), Other fixed ($48m), Offshore content & online content (-$42m), TelstraClear (-$4m), Other offshore services (-$22m), Pay TV ($39m) and Other (-$13m)

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RETAIL SEGMENTS

CONSUMER AND COUNTRYWIDE

Sales Revenue +1.9%

- Focused on growing customer base from strategic investments
- Mobile SIOs +676k during half
- Fixed Broadband SIOs +114k

BUSINESS

Sales Revenue +2.2%

- Revenue growth across all product portfolios, except PSTN
- Mobile Broadband revenue increased more than 20%
- IP Access revenue +28%

ENTERPRISE & GOVERNMENT

Sales Revenue +1.3%

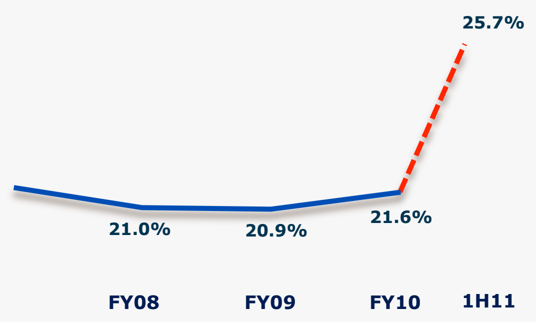
- Mobile services revenue +11%
- IP Access Revenue +19%
- Expenses declined marginally

INVESTMENT TO GROW CUSTOMER BASE DRIVING OPEX INCREASE

Operating expenses

% change	Reported Opex 1H11
Labour	**1.1%**
• Salary and associated costs	-3.8%
• Redundancy	56.3%
DVCs	**20.4%**
• Cost of Goods Sold - Other	39.5%
• Cost of Goods Sold -Subsidies	44.2%
Other Opex	**8.2%**
• Service Contracts & other Agreements	6.7%
• General & Admin	-5.5%
Operating Expenses	**10.7%**

Variable Costs as % Sales*



* Goods and Services Purchased / Sales

UPDATE ON STRATEGIC OPEX INVESTMENTS

	Investor Day 2010	1H11
DVC / COGS: maintain share, grow share - Mobiles (including subsidies & other COGS), Network Payments	~$450m	~$500m
New Products Growth - T-Box, T-Hub, NAS, new product development, P&A	~$230m	~$100m
Project New (net outcome) - Redundancy, customer satisfaction, process simplification	~$40m (net spend)	~$90m

We will continue to invest in the customer base

$153m increase in mobile hardware revenue partially offsets DVC spend

Any additional DVC spend is within guidance

EXPENSES – KEY DRIVERS

Labour

Labour costs +1%

- Salary and associated costs down -3.5%
- Domestic full time staff declined by 1,187 during half
- Redundancy costs up +56% due to Project New initiatives

DVCs

COGS– subsidies +44%

- COGS +$410m: Domestic subsidies +$90m, CSLNW subsidies +$50m, Other +$270m
- Network payments: +$48m
- Service Fees +$65m due to increased bundling of Foxtel PayTV services

Other Expenses

General Admin -5.5%

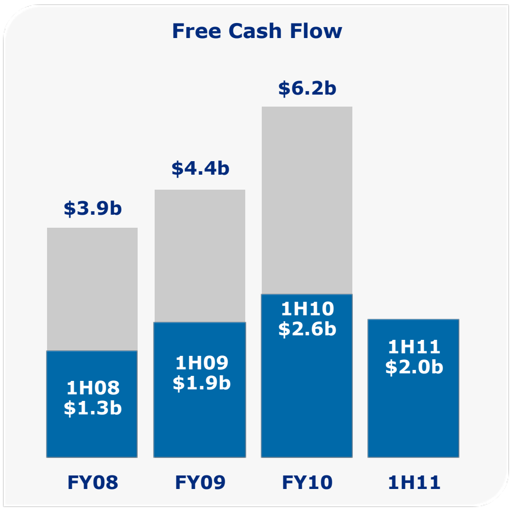
- SC&A costs +6.7% due to higher costs for call centres, sales support and costs for Project New
- General Admin expenses declined for 4th consecutive half
- P&A +8% for half but ~10% below 1H08 and 1H09 levels

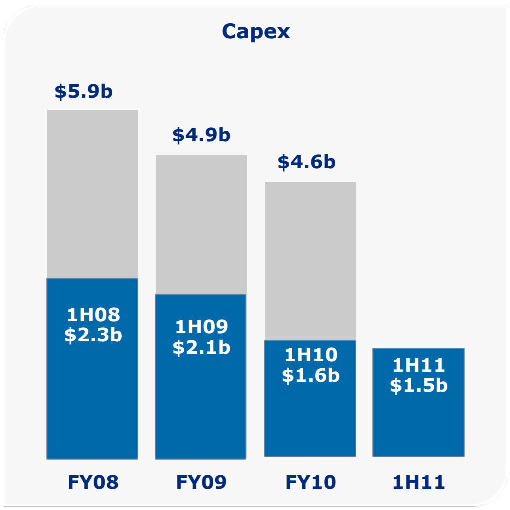
PRODUCT PROFITABILITY*

EBITDA MARGIN	FY08	FY09	FY10	1H10	2H10	1H11
Mobiles	30%	34%	35%	34%	35%	29%
Fixed Internet	27%	35%	40%	40%	39%	33%
PSTN	61%	59%	60%	59%	60%	59%
IP & Data	55%	57%	62%	61%	64%	61%
Sensis**	51%	53%	57%	50%	63%	41%
Total Telstra Group	**42.2%**	**43.2%**	**43.7%**	**43.1%**	**44.3%**	**37.3%**

* Based on Telstra management estimates
** From FY09, Sensis EBITDA margins exclude China online businesses.

CASHFLOW AND CAPEX





FY11 GUIDANCE*

Measure	Target
Sales Revenue	Flattish
EBITDA	High single digit percentage decline
Capex	14% of sales
Free cashflow	$4.5 - $5.0 billion
Dividend	28c fully franked

Factors impacting 2H11

- Growth in customer base to flow into financials
- Benefits from simplifying the business
- Recognition of Sydney Yellow Pages book
- Sequential fall in redundancy expense
- Cycling 2H10 CSLNW goodwill impairment

* Guidance assumes wholesale product price stability, no fiscal 2011 impairments to investments and excludes any proceeds from the sale of businesses or any impact from the cost of network restoration due to natural disasters

2011 HALF YEAR FINANCIAL RESULTS

John Stanhope, CFO

10 February 2011

2011 HALF YEAR FINANCIAL RESULTS

David Thodey, CEO

10 February 2011

STRATEGY - FOUR MAJOR INITIATIVES

1. IMPROVING CUSTOMER SERVICE
2. RETAIN AND GROW CUSTOMERS
3. SIMPLIFYING THE BUSINESS
4. NEW GROWTH BUSINESSES

1. CUSTOMER SERVICE RESULTS

NEW INITIATIVES

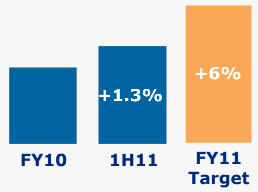
- IVR improvements
- 24/7 for sales and service
- Weekend technician appointments
- Free calls to Telstra key service and support numbers
- Dedicated move team for moving home
- Telstra Plus Premium Service
- Remote access to CPE
- Improved complaint management standards

EARLY RESULTS

Annualised Deactivation Rates

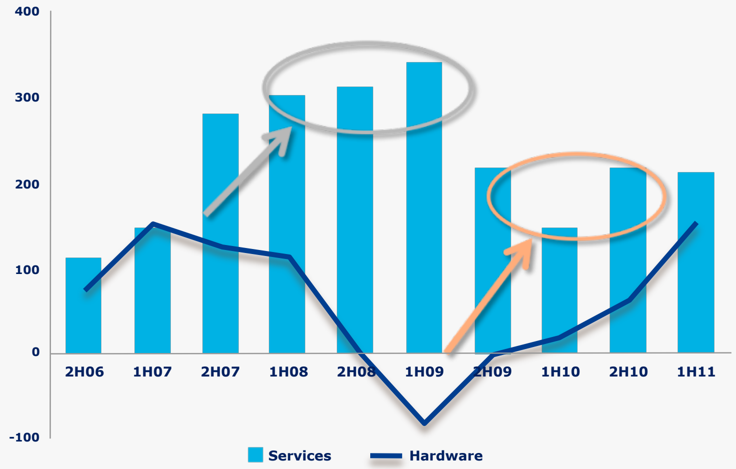
	1H10	1H11
Postpaid Handheld	15.8%	**9.7%**
Retail Fixed Broadband	25.1%	**16.4%**
PSTN	25.0%	**22.0%**

Customer Satisfaction Survey Results



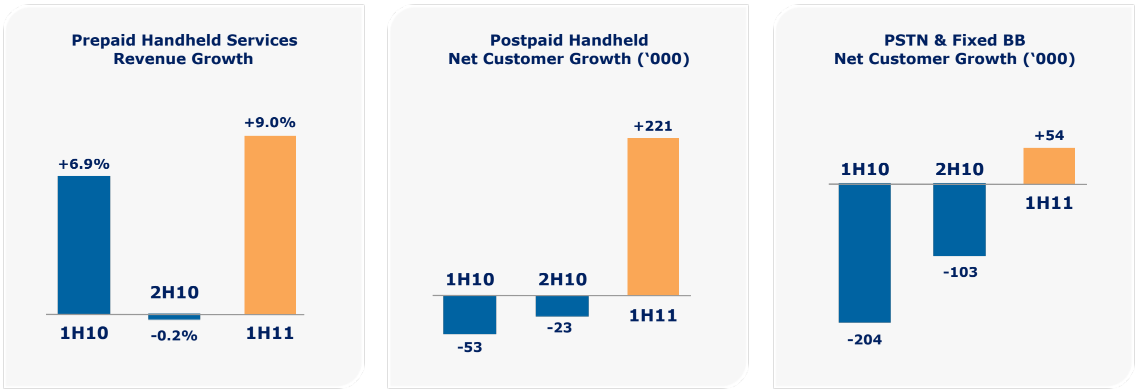
2. RETAIN AND GROW CUSTOMERS

Absolute Change in Mobile Revenue ($m)



Hardware revenue growth is a leading indicator of services revenue growth

WINNING SHARE IN THE CONSUMER "BATTLEGROUND"



3. SIMPLIFYING THE BUSINESS

New Lean Operating Model

End-to-End Customer Process Improvement

Sales & Service Channel Enhancements

Pricing Simplification

A New Customer Focused Culture

Third Party Spend & Productivity Improvement Program

PROGRESS ON KEY LEAD STRATEGIC INDICATORS

A. Customer satisfaction

	Measure	Target	Progress
1)	Improve customer satisfaction	6% improvement year-on-year	
2)	Reduce TIO complaints	30% reduction year-on-year	
3)	First contact resolution	75% by 2013	

B. Simplification

	Measure	Target	Progress
4)	Improving productivity	Retail productivity to increase 10% by 2013	
5)	Lower transaction costs	35% of transactions online by 2013	

C. Customer growth

	Measure	Target	Progress
6)	Fixed broadband share	Maintain over 3 years	
7)	Wireless customer share	Grow over 3 years	

D. Growing the business

	Measure	Target	Progress
8)	Percentage of revenue from NAS, media and Asia	More than 20% by 2013	

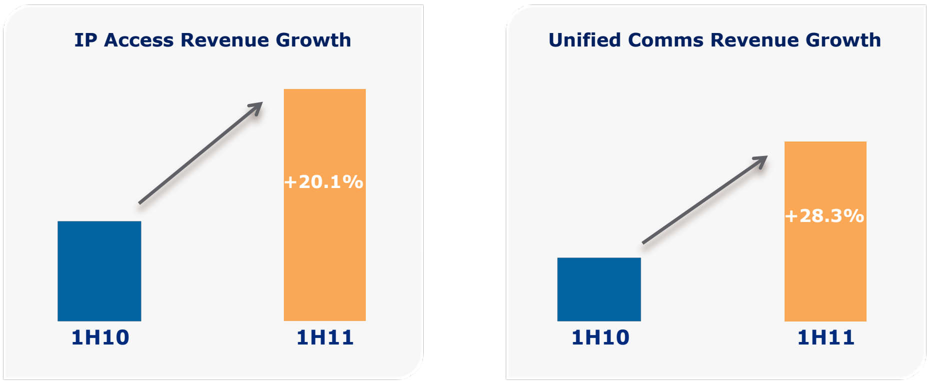
4. GROWTH AREAS

1. NAS

2. ASIA

3. MEDIA

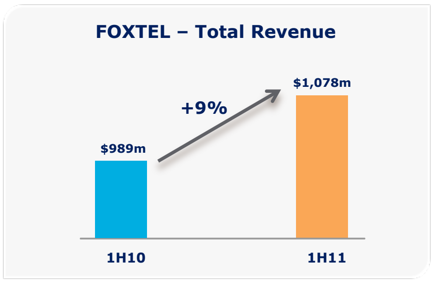
4. MAXIMISING THE NAS OPPORTUNITY

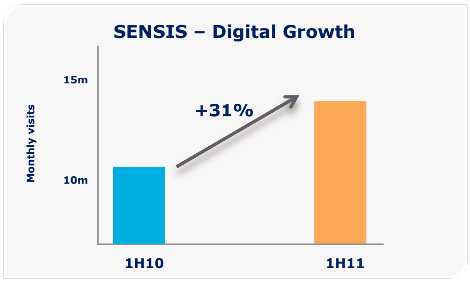


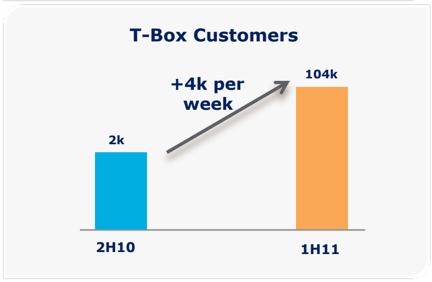
4. DRIVING SHAREHOLDER VALUE FROM OUR ASIAN ASSETS

1. CSL MOMENTUM IMPROVING
2. REACH DEMERGER ANNOUNCED
3. CHINA ASSETS

4. GROWING OUR MEDIA BUSINESS







Every second in Australia:

- Yellow Pages print is used 20 times
- Yellow Pages digital is used twice
- 1 click from a search engine to Yellow Pages Online
- 3 Yellow Pages advertisers appear on Whereis.com
- 4 Yellow Pages advertisers appear on Bing Maps (even more on Google Maps)

CONCLUSION

STRONG SALES MOMENTUM IN THE HALF

DELIVERY ON STRATEGY

FULL-YEAR GUIDANCE CONFIRMED

2011 HALF YEAR FINANCIAL RESULTS

10 February 2011

APPENDIX

FINANCIAL RESULTS – ADJUSTED TO SHOW UNDERLYING PERFORMANCE

	1H11 change
Sales Revenue	0.7%
Total Revenue	0.2%
Operating Expenses	9.8%
EBITDA	-11.1%
EBITDA Margin (absolute)	38.1%
EBIT	-19.6%
Attributable NPAT	-24.9%

ADJUSTMENTS
(1H11 impact compared to 1H10)

Sydney Yellow Pages
- Revenue $83m
- EBIT $71m

FX Changes
- Revenue $69m
- EBIT $3m

Octave Impairment
- 1H11 $133m

Gain/Loss on sale of businesses**
- 1H10 -$9m
- 1H11 $59m

Fair Value Adjustment
- 1H10 $31m loss
- 1H11 $111m loss

* Octave impairment impacted by FX rates
**Includes SouFun, Keycorp, UK Voice and Universal Publishers

DOMESTIC RETAIL PERFORMANCE*

Revenue Growth (%)	1H10	2H10	1H11
Sales Revenue	**-1.5**	**-0.3**	**1.9**
Mobile services	4.8	7.4	**6.9**
Fixed (ex Internet)	-6.0	-8.4	**-7.5**
Fixed Internet	0.7	-1.4	**-1.0**
Operating Contribution Growth	-1.9	-1.7	**-5.7**
Operating Contribution Margin (%)	66.5	65.8	**61.5**
Change (yoy)	-0.2pp	-1.0pp	**-4.9pp**
SIO net adds ('000)	**1H10**	**2H10**	**1H11**
PSTN	-185	-138	**-109**
Postpaid mobile	169	278	**511**
Retail Fixed broadband	-30	11	**139**

* Prior period growth rates have been restated due to movement of global business operations to Telstra International and the merging of Telstra Consumer and Telstra Country Wide.

TELSTRA CONSUMER AND COUNTRY WIDE*

Revenue Growth (%)	1H10	2H10	1H11
Sales Revenue	**-0.7**	**-1.5**	**1.9**
Mobile services	4.7	3.6	**4.3**
Fixed (ex Internet)	-6.4	-10.4	**-8.8**
Fixed Internet	0.5	-2.9	**-3.2**
Operating Contribution Growth	-2.5	-6.1	**-14.3**
Operating Contribution Margin (%)	58.7	56.2	**49.4**
Change (yoy)	-1.0pp	-2.7pp	**-9.3pp**
SIO net adds ('000)	**1H10**	**2H10**	**1H11**
PSTN	-149	-102	**-60**
Postpaid mobile	-8	46	**280**
Retail Fixed broadband	-45	-1	**114**

* Prior period growth rates have been restated due to the merging of Telstra Consumer and Telstra Countrywide, and the movement of customers between Telstra Consumer and Country Wide and Telstra Business.

TELSTRA BUSINESS*

Revenue Growth (%)	1H10	2H10	1H11
Sales Revenue	**0.7**	**3.2**	**2.2**
Mobile services	4.9	12.3	**9.9**
Fixed (ex Internet)	-4.4	-5.5	**-7.0**
Fixed Internet	6.1	4.1	**3.7**
Operating Contribution Growth	-1.1	0.2	**1.4**
Operating Contribution Margin (%)	72.7	72.8	**72.1**
Change (yoy)	-1.4pp	-2.2pp	**-0.6pp**
SIO net adds ('000)	**1H10**	**2H10**	**1H11**
PSTN	-28	-30	**-28**
Postpaid mobile	113	112	**101**
Retail Fixed broadband	15	12	**26**

* Prior period growth rates have been restated due to movement of customers between Telstra Consumer and Country Wide and Telstra Business.

TELSTRA ENTERPRISE & GOVERNMENT*

Revenue Growth (%)	1H10	2H10	1H11
Sales Revenue	**-5.8**	**-1.4**	**1.3**
Mobile services	5.1	11.7	**10.7**
Fixed (ex Internet)	-7.5	-6.7	**-4.3**
IP & Data	2.7	2.3	**0.0**
Operating Contribution Growth	-1.6	3.6	**1.7**
Operating Contribution Margin (%)	77.3	78.6	**77.5**
Change (yoy)	3.4pp	3.8pp	**0.2pp**
SIO net adds ('000)	**1H10**	**2H10**	**1H11**
PSTN	-8	-6	**-21**
Postpaid mobile	64	120	**130**
IP WAN	12	1	**4**
IP MAN	1.5	1.8	**1.7**

* Prior period growth rates have been restated due to global business operations now being recorded in Telstra International.

37

OFFSHORE PERFORMANCE

% change	1H11 Reported	1H11 Local Currency
CSL New World		
• Total Income	13%	24%
• EBITDA contribution	-33%	-26%
TelstraClear		
• Total Income	-1.5%	1.8%
• EBITDA contribution	-18%	-16%
Chinese Online businesses (ex-SouFun)		
• Total Income	-33%	-28%
Other Offshore Controlled Entities		
• Services Revenue	-14.5%	n/a
Total Offshore		
• Total Revenue (excluding SouFun)	-1.8%	n/a

* Chinese online business results are from unaudited management accounts converted from local currency into A$.

MARKET SHARE*

Retail SIOs	1H09	2H09	1H10	2H10	1H11
Total Mobile	41%	41%	41%	39%	41%
Fixed (ex Internet)	75%	75%	75%	74%	74%
Fixed Retail Broadband	47%	45%	44%	44%	45%

Revenue	1H09	2H09	1H10	2H10	1H11
Mobile	43%	42%	42%	42%	42%
Fixed (ex Internet)**	73%	73%	73%	72%	72%
Fixed Retail Broadband	52%	51%	49%	48%	48%

*Based on Telstra management estimates, subject to competitor reporting.
** Some prior period restatements of Fixed (ex Internet) revenue due to changes in competitor reporting.

INTEREST & FINANCIAL PARAMETERS

INTEREST

	1H10	1H11	Change ($)	Change (%)
Net Borrowing Costs	$491m	$531m	$40m	8.1%
Other (incl IFRS adj)	$29m	$40m	$11m	n/m
Net Finance Costs	$520m	$571m	$51m	9.8%
Avg. Borrowing Costs	6.05%	6.94%		0.89pp
Net Debt (31 December)	$15,240m	$14,395m	-$845m	-5.5%

*1 Net Borrowing Costs is Borrowing Costs less Finance Income

FINANCIAL PARAMETERS

	Comfort Zones*4	Actual (includes IFRS)	Actual (adjusted for IFRS & other)*3
Debt Servicing	1.5 – 1.9x	1.57x	1.63x
Gearing	50% to 70%	54.1%	56.0%
Interest Cover*2	>7x	8.61x	8.61x

Debt Servicing = Net Debt/EBITDA
Gearing = Net Debt/(Net Debt+Equity)
Interest Cover = EBITDA/Net Int. Exp.

*2 Interest Cover - based on net interest costs and excludes impact of IFRS fair value adjustments, unwinding of discount on liabilities recognised at present value, interest capitalised and standby fees.
*3 Actual (adjusted for IFRS) - adjusted figures representative of economic situation after removing fair value revaluations and other IFRS adjustments
*4 Debt Servicing and Gearing comfort zones have been moderately tightened (Previously - Debt servicing 1.7 to 2.1; Gearing 55% to 75%).