

Simply...

Telstra has redefined its business from a slow-moving, technology-lagging, regulation-centric incumbent operator to a **fully integrated telecommunications business**. Our one-click, one-touch simplicity is bringing our media-comms vision to life, as we continue to innovate and deliver new experiences to help our customers stay connected their way.

Delivering...
more time,
opportunities,
benefits,
experiences,
speed,
savings,
coverage,
convenience,
productivity,
and freedom...
for everyone.

One Telstra.





Many experiences.

Telstra is the central nervous system of Australia and we touch the lives of nearly all Australians. Every customer has their own story, their own needs and their own experience. We have been listening to and understanding our customers so we can deliver to their needs.



Chairman's Update

Our five-year end-to-end transformation strategy is delivering results across the business as our operational and financial performance gathers pace. We are creating shareholder value by focusing on delivering value to our customers, and providing products and services they want and need.



The relentless energy, commitment and focus of the Telstra management team and staff are driving the financial and operational success. The management team has delivered another great result for shareholders and customers alike, as they deliver on the aggressive transformation targets set back in November 2005.

The diverse management team has already achieved many of the key transformation milestones which is a tremendous result given the scale and scope of Telstra's transformation which is unparalleled amongst its global peers and is being achieved amidst a challenging economic environment.

The strong financial result has allowed the Board to maintain the final ordinary dividend at 14 cents per share fully franked, taking the ordinary dividend for the year to 28 cents per share.

National Broadband Network

We are actively participating in the Federal Government's process to select a proponent to deliver the National Broadband Network (NBN). In August, Telstra received written confirmation from the relevant government authorities that we had met our NBN information provision requirements. In September the Government announced that the closing date for the submission of NBN proposals will be 26 November 2008. It is our objective to be successful in the process. Success means that we will be able to deliver the NBN in a manner that is value creating for our shareholders – and that we will be operating in an environment of regulatory certainty.

Structural Separation

In recent months, and linked to the NBN process, ill-informed individuals have sought to foster a debate that is contrary to Telstra shareholders' interest – a proposal to structurally separate Telstra. Structural separation involves splitting Telstra's retail, wholesale and network operations into different companies. Comprehensive structural separation has not been implemented by any incumbent telecommunications operator in the world.

The Board unequivocally rejects the notion and will act to ensure shareholders' interests are protected. We will not build the National Broadband Network if further separation is required. Further separation is unnecessary given Telstra's repeated commitments that we will facilitate open access to any NBN network.

From detailed review we know there have been forms of separation implemented in the United Kingdom and New Zealand for example, but they not only impose substantial costs on the business that are ultimately born by consumers, they also strongly discourage investment. Major investment is needed to bring Australian businesses broadband speeds they will need to increase their productivity in the competitive Australian and international marketplace and to meet the multitude of online needs of households of the future.

Board Changes

During the year we welcomed two new non-executive directors to the Board, John Stewart and John Mullen. John Stewart has led a distinguished career in the financial services and products industry in Australia, New Zealand, the United States and the United Kingdom. On 31 July 2008, the National Australia Bank announced that Mr Stewart will be succeeded as Group CEO effective 1 January 2009. John Mullen is a proven non-executive director and is highly respected for his strategic abilities. He is currently the CEO of DHL Express worldwide.

Outlook

I am confident in the future and have confidence in our strategy. We will continue to innovate and create new and exciting ways for our customers to communicate. We remain committed to continually meeting our objective of creating long term shareholder value.

Regards,

Donald G McGauchie AO
Chairman



Customer Experiences

Telstra's next generation networks are changing our customer experiences and shaping the way we work, live and play. As you can see from the following case studies, Telstra is helping improve the experiences for a wide variety of people and organisations.

Simply... coverage

ROYAL FLYING DOCTOR SERVICE

Just as the Royal Flying Doctor Service (RFDS) pioneered the ground-breaking pedal-powered two-way radio in the 1920's, Telstra's Next G™ mobile broadband network is revolutionising mobile communications today.

Before the Next G™ network, RFDS medical staff needed to download patient information from a number of databases before heading to remote community health clinics. If a person arrived at a clinic who wasn't on the downloaded patient information a new patient record needed to be created because there was no way to see if they were already on the system.

Today, the RFDS is using the superior coverage and speed of the Next G™ network to give their medical staff **secure** and **real-time** access to patient records and other data necessary to make informed critical care decisions. This is resulting in **improved patient safety** and **improved patient care** and helping the RFDS save time by eliminating the need to write duplicate patient records.

Gary Oldman, RFDS Information Technology and Communications Manager said the RFDS medical staff use the Next G™ camera and video phones to record information when critical care patients are airlifted to hospital.

"When we bring a patient back to a higher level of medical care, we need to explain how the patient sustained the injuries, and images taken using Next G™ camera and video phones assist that process," he said.





Simply... integrated

HARVEY NORMAN OFIS

When one of Australia's leading retail companies Harvey Norman added Harvey Norman OFIS to their stable they wanted to ensure customer service was streamlined and payment of goods and services could be made as quickly as possible.

Telstra developed for Harvey Norman OFIS a solution that fully **integrates** the Telstra Next IP™ network and the Next G™ network for both voice and data.

Harvey Norman OFIS use the Telstra Next IP™ network to ensure that the barcode scanning, data and communications between their stores and the central main office is consistent and in **real time** improved the **efficiency** of EFTPOS communications, translating to **savings** in the long term.

Paul English, General Manager of Harvey Norman OFIS said "one of the important things that we found going through this solution with Telstra, was if the system was to fall over, it would automatically switch over to the Next G™ network, which means we have no loss of business and no loss of efficiency in store."

Simply... faster

QSCAN

When time is critical, Qscan turned to the Telstra Next G™ mobile broadband network to provide surgeons and physicians with rapid feedback on radiology scans of trauma patients.

Dr Eric Sclavos, Qscan Managing Partner said "before the Next G™ network, if I was called to assess a scan at two in the morning; I would have to get dressed, spend forty minutes driving and then get through all the hospital gates and doors, review the image, write a report and come home again."

"Today, the Next G™ network allows us to respond rapidly to requests from surgeons and other medical professionals for the information they need to make **timely, informed critical care decisions**," he said.

Telstra also provides Qscan with a 100 megabyte Managed Telstra IP network, accessed via an IP Wireless Port. This links Qscan's head office and seven other sites and allows Qscan doctors to share the workload because of the ease of sharing large files.

Dr Sclavos said the ability to share the workload delivers significant increases in productivity – we have estimated it's the equivalent of having an extra doctor available full time for two days a week.



Simply... more time

RSPCA

Telstra's Next G™ mobile broadband network is helping the RSPCA in the Australian Capital Territory (ACT) protect all creatures great and small.

Before the Next G™ network, when the RSPCA inspectors received a call about an animal in distress for instance, they would have to return to their office to access information such as address and case history, then drive to the address for inspection.

Now, the inspectors use a Telstra Turbo Card™ and laptop to access RSPCA files and other relevant information from the passenger seat of the RSPCA car.

Michael Linke, CEO RSPCA ACT said the Telstra Turbo Cards™ save inspectors about six hours a week driving to and from the office, so they can fit more into a day.

"We wanted inspectors to have **easy** and **consistent** access to the internet and electronic data stored at RSPCA. The Telstra Turbo Cards™ met this need, and they're **easy to use** and **reliable**," he said.



Simply... benefits

KING DAVID SCHOOL

Telstra has helped the King David School in Melbourne implement a tailored, integrated technology solution for their school to replace outdated servers that offered unreliable internet connections and discouraged teachers and students from embracing the technology.

Telstra installed an IP telephony solution that allows calls to be made at a fixed rate and phone numbers to stay the same. Telstra also introduced an interactive whiteboard, m-View capability and video conferencing.

Steve Timmerman, King David's Financial Controller said Telstra has lifted us out of a poor communicating environment into one where the campuses are communicating effectively.

"The IP telephony solution provided by Telstra has been a tremendous boon to the administration. Within the campuses we can redirect calls, meaning we don't need to use outside lines all the time. This solution **saves** the school money – savings that can ultimately flow on to the families of students," he said.

Telstra's integrated technology solutions are helping the King David School stay ahead of the curve and deliver the best education possible for students in an increasingly technologically savvy environment. The school community benefits from the **cost-effective, innovative and interactive** Telstra solutions and the school is able to keep its fees down while offering students cutting-edge technology as part of its daily education offering.



Business Unit Summary

Retail

We have realigned our business to put the customer at the centre of everything we do. Our retail business is focused on delivering value to our millions of consumer, business, corporate and government customers. During the financial year our retail business delivered another strong set of results across the key markets of fixed line, mobiles, internet and IP in a very competitive market, with retail revenue growing 5.9%. Our retail business consists of Telstra Consumer Marketing and Channels (TC&C), Telstra Enterprise and Government (TE&G) and Telstra Business (TB).

Consumer Marketing and Channels

Telstra Consumer Marketing and Channels is responsible for serving consumer customers with a full range of Telstra's products and services including fixed lines, mobiles, Internet and Pay TV services. Our consumer segment has thrived since the introduction of customer segmentation and market-based management. Close to 600,000 customers are on one of Telstra's HomeLine® subscription pricing plans and more customers are "bundling" Telstra's products and services.

This year, we launched five world-class T[Life]™ stores with more set to open in the 2009 financial year. The stores are designed as a state-of-the-art environment that is both welcoming and functional to provide customers with the opportunity to use and experience our full range of integrated products and services.

Enterprise and Government

Telstra Enterprise and Government is the leading provider of network based solutions and services to enterprise and governments in Australia and New Zealand. Telstra has developed a set of world-class programs and capabilities that enable our enterprise and government customers to experience a new way of working that is not constrained by time, distance, devices or infrastructure. This has been enabled by Telstra's world leading and growing suite of next generation solutions and products, which harness the power of Telstra's integrated Next G™ and Next IP™ networks.

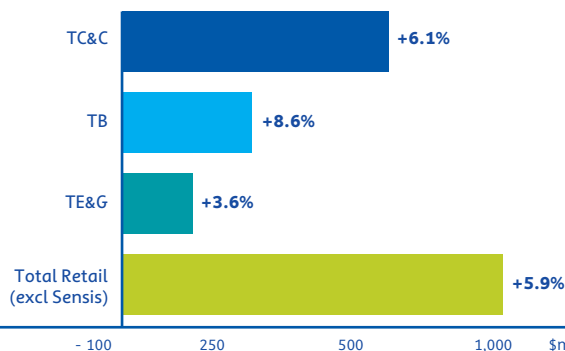
For the year ended 30 June 2008, the sales revenue growth in TE&G of 3.6% was the best performance since competition began. Revenue growth came from winning new contracts with over \$960 million of new business deals signed during 2008. At the same time, customer satisfaction remains at all time highs.

Telstra Business

Telstra Business is now in its third year of operation serving the needs of our small to medium sized enterprise (SME) businesses. For the year TB grew sales revenue 8.6% with strong results across the board and market share gains in key products. SME customers are realising the productivity benefits from the superior speed coverage, security and reliability on offer from TB.

TB delivered a strong mobiles result with services revenue up 19.5% and mobile data revenue accounted for 23% of services revenue. In broadband, revenue grew 51% and in fixed we grew revenue 1% despite the market declining 2%.

FY08 Absolute Sales Revenue Growth



Media-Comms

With the line between telecommunications and media companies becoming blurred, Telstra is well ahead of the game and is evolving into a media communications company through its ever expanding and innovative portfolio of media assets in Sensis, BigPond® and FOXTEL.

Sensis

Sensis makes complex lives easier by helping customers find, buy and sell. Sensis has grown from a telephone book company to become one of the world's most advanced information providers. In addition to the traditional print businesses of Yellow™ and White Pages®, Sensis' network has grown to include iconic brands such as Trading Post®, Citysearch® and Whereis®.

We are also leading the charge into digital media with our location and navigation portfolio and online display solutions experiencing strong double-digit growth. Our businesses in China are also managed through Sensis.

Over the past year, Telstra expanded its presence in China with the acquisition of a 55% stake in two internet businesses with leading positions in the fast-growing Chinese online auto and digital device advertising sectors. These acquisitions complement our strong position in the online business for real estate and home furnishings achieved by the growth of previously acquired SouFun, which will be in 100 cities by year's end.

BigPond

Telstra's broadband business, BigPond, is Australia's leading internet service provider (ISP), growing at four times that of its nearest competitor. With almost 3.3 million customers, BigPond's market share now stands at 49%, a gain of 2 percentage points in the year. Our strategy of simple value based offers is also paying dividends as the number of customers signing up to high-speed plans grows.

BigPond is also changing the game in music with the recent launch of the new BigPond Music service. This service will offer tracks from all major record labels in a format that can be transferred between most music players, including the iPod, Sony Walkman, Xbox, PS3

and home media centres. BigPond's music will be easier to find, simpler to download and cheaper to buy. BigPond's leadership in innovation extends on the competitive advantage we have built around speed, coverage, content, reliability and services.

Foxtel

Telstra's 50% interest in leading Pay-TV provider Foxtel completes our suite of media-comms assets. During the year, Foxtel subscribers passed the 1.5 million mark with revenues also growing strongly. In June, FOXTEL launched the FOXTEL HD+⁽¹⁾ service which includes five dedicated 24/7 HD channels, on-demand HD premiere block buster movies and the FOXTEL IQ2⁽¹⁾, a new high definition personal digital recorder. Almost 40,000 subscribers have already signed up for this service.

International

CSL New World

CSL New World is Telstra's 76.4% owned subsidiary in Hong Kong responsible for providing full mobile services including handset sales, voice and data products to the Hong Kong market. The company is also investing in new network technologies. Growth in handset sales, data, international voice and mobile virtual network operator revenues has seen total income at CSL New World increase this year.

REACH

REACH is the premier provider of international voice and satellite services in Asia and is a 50:50 joint venture held between Telstra and PCCW. The REACH network stretches over 364,000 km around the globe, with nearly half of our traffic terminating at our major hubs in Hong Kong and Australia.

TelstraClear

TelstraClear is our wholly owned New Zealand subsidiary responsible for providing full telecommunications services to the New Zealand market. TelstraClear's Hybrid Fibre Coaxial (HFC) cable network in Wellington and Christchurch has experienced strong growth with broadband penetration increasing by 13 percentage points during the year. The regulatory environment in New Zealand continues to be challenging.

(1) Registered trade mark of Twentieth Century Fox Film Corporation.



5 Year Financial Summary

	2008 ⁽⁶⁾	2007 ⁽⁶⁾	2006 ⁽⁶⁾	2005 ⁽⁶⁾⁽⁷⁾	2004 ⁽⁷⁾⁽⁸⁾
	\$m	\$m	\$m	\$m	\$m
Sales revenue	24,657	23,673	22,712	22,161	20,737
EBITDA ⁽¹⁾	10,416	9,861	9,575	10,464	10,175
EBIT ⁽²⁾	6,226	5,779	5,497	6,935	6,560
Profit before income tax expense	5,140	4,692	4,564	6,055	5,848
Profit for the year after minority interests	3,711	3,275	3,183	4,309	4,117
Dividends declared for the fiscal year ⁽³⁾	3,476	3,479	4,231	4,978	3,284
Dividends declared per share (cents per share)	28.0	28.0	34.0	40.0	26.0
Total assets	37,921	37,837	36,224	35,211	34,993
Gross debt	16,141	15,410	13,712	13,319	11,854
Net debt	15,242	14,587	13,022	11,772	11,167
Equity	12,245	12,580	12,834	13,658	15,361
Capital expenditure and investments ⁽⁹⁾	4,897	5,879	4,303	4,129	3,683
Free cash flow	3,855	2,899	4,579	5,194	4,163
Financial ratios					
Return on average assets	16.8%	15.9%	15.7%	20.6%	19.4%
Return on average equity	30.3%	26.1%	24.3%	30.6%	26.8%
EBIT net finance costs cover (times)	5.7	5.3	5.9	7.9	9.2
EBITDA net finance costs cover (times)	9.6	9.1	10.3	11.9	14.3
Gross debt to capitalisation ⁽⁴⁾	56.9%	55.1%	51.7%	49.4%	43.6%
Net debt to capitalisation ⁽⁵⁾	55.5%	53.7%	50.4%	45.9%	42.1%
Net debt to EBITDA	1.5	1.5	1.4	1.1	1.1

- (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 relate to all financial aspects of the operations of the company. EBITDA is not a measure of operating income, operating performance or liquidity under Australian equivalents to International Financial Reporting Standards (A-IFRS) or US GAAP. 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 within the interim dividend. Dividends declared in 2005 include two special dividends amounting to 12 cents.

- (4) Based on gross debt (total current and non current borrowings) as a percentage of gross debt plus equity.
- (5) Based on net debt (gross debt less liquid interest bearing assets) as a percentage of net debt plus equity.
- (6) Prepared under A-IFRS.
- (7) The adoption of UIG4 "Determining Whether an Arrangement Contains a Lease" has been applied from 1 July 2005. As such, 2005 and 2004 have not been restated for the impact of UIG4.
- (8) Prepared under the previous A-GAAP.
- (9) 2008 and 2007 are accrued capex numbers and 2006, 2005 and 2004 and cash capex numbers.
- Net debt and gross debt balance as at 30 June 2005 do not reflect the impact of the relevant A-IFRS standard for financial instruments as this standard was only adopted 1 July 2005. Had it been adopted at 30 June 2005, Gross Debt would be \$13,208 million and Net Debt \$11,660 million.

Glossary

Term	Explanation
3GSM	Third Generation Global System for mobile communications – is the evolution of the current GSM and CDMA 2G and 2.5G technology to support voice and high speed data and multimedia services.
ADSL	Asymmetric Digital Subscriber Line – is a broadband technology that provides access to the Internet at fast speeds. ADSL – sometimes shortened to simply 'DSL' – uses a data transmission technology that allows high speed data to be carried over everyday copper network phone lines. These data rates can enable the delivery of voice, data and video services.
ADSL2+	An enhanced version of ADSL that provides improved performance and even higher data speeds, up to 20 Mbps.
EBITDA	Earnings before interest tax depreciation and amortisation
EBIT	Earnings before interest and tax
IP	Internet Protocol – is a standard set of rules for the carriage of digital information such as voice, video, data and images, across a global network.
Next G™ network	Telstra's trade mark name for its 3GSM850 mobile network. Telstra's Next G™ high speed mobile network provides Australians with the ability to make and receive video calls, watch mobile TV, access sports, news and entertainment on the move, receive emails and download and play music, as well as make voice calls and send text messages from their mobile phones.
Next IP™ network	Cost effective scalable IP end-to-end IP network, supporting richer, faster, broadband and Ethernet services and voice services with guaranteed Quality of Service, from copper, HFC and 3G access using multiple CPE devices. Telstra's Next IP™ network enables legacy network and service rationalisation leading to simplified networks and services.
PSTN	Public Switched Telephone Network – Generic term for public telephone networks. Often referred to as 'fixed-line' the PSTN is the standard home telephone service, delivered over underground copper wires.

Indicative Financial Calendar

Annual General Meeting	21 Nov 2008
Half Year Results announcement	26 Feb 2009
Ex-dividend share trading commences	6 Mar 2009
Record date for interim dividend	13 Mar 2009
Interim dividend paid	9 Apr 2009
Annual Results announcement	13 Aug 2009
Ex-dividend share trading commences	24 Aug 2009
Record date for final dividend	28 Aug 2009
Final dividend paid	25 Sep 2009
Annual General Meeting	4 Nov 2009

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

® Registered Trade mark of Telstra Corporation Limited.
™ Registered Trade mark of Telstra Corporation Limited.



Contact details

Registered Office

Level 41, 242 Exhibition Street
Melbourne Victoria 3000 Australia

Carmel Mulhern

Company Secretary

email: companysecretary@team.telstra.com

General Enquiries – Registered Office

Australia: 1300 368 387

All Other: +61(8) 8308 1721

Shareholder Enquiries

Australia: 1300 88 66 77

All Other: +61(2) 8280 7756

Fax: +61(2) 9287 0303

email: telstra@linkmarketservices.com.au

website: www.linkmarketservices.com.au

Telstra Corporation Limited

Incorporated in the Australian Capital Territory

Telstra is listed on Stock Exchanges in Australia
and in New Zealand (Wellington)

Investor Relations

Level 36, 242 Exhibition Street

Melbourne Victoria 3000 Australia

Ph: +61(3) 9634 8190

email: investor.relations@team.telstra.com

The Telstra Share Registrar

Link Market Services Limited

PO Box A942

Sydney South NSW 1234 Australia

Websites

Telstra's investor relations home page:

www.telstra.com.au/abouttelstra/investor

Telstra's interactive advocacy website:

www.nowwearetalking.com.au

