



11 September 2009

The Manager

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**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Telstra Corporation Limited – 2009 Shareholder Update**

In accordance with the listing rules, I attach a copy of the 2009 Shareholder Update which will be sent to shareholders shortly.

Yours sincerely

A handwritten signature in black ink, appearing to read "Carmel Mulhern".

**Carmel Mulhern**  
Company Secretary

# MAKING A DIFFERENCE...

Shareholder Update 2009

OVER

**\$31m**

PROVIDED TO MORE THAN 5,850  
COMMUNITY PROJECTS ACROSS  
AUSTRALIA THROUGH THE  
TELSTRA FOUNDATION SINCE 2002

**8bn**

CALLS HANDLED ON OUR FIXED  
LINE NETWORK

OVER

**30,000**

EMPLOYEES IN AUSTRALIA



### Smarter, greener, together

Climate change is one of the biggest challenges of our time. Telstra's shareholders can help Australia tackle climate change by reducing waste and cutting carbon emissions. You are a member of Australia's largest shareholder base and a small change by you can make a difference. Say goodbye to paper and switch to online shareholder communications today. Register online at: [www.linkmarketservices.com.au/telstra](http://www.linkmarketservices.com.au/telstra)

### ONE household, ONE communication

Telstra recently launched the **ONE** program that also contributes to cutting carbon emissions. The program targets households that receives more than one set of hardcopy shareholder documents and only sends one. This program **does not** include dividend statements and Annual General Meeting notices, but information-only type communications.

**\$25bn**

OF SALES REVENUE GENERATED

OVER

**10m**

MOBILE CUSTOMERS INCLUDING  
1 MILLION WIRELESS BROADBAND  
CUSTOMERS

**\$3.5bn**

OF DIVIDENDS PAID TO OUR  
SHAREHOLDERS



“Now is the time to drive the benefits of the past four years of hard work rebuilding Telstra and *making a difference* for our customers, employees and for our shareholders.”

DAVID THODEY CHIEF EXECUTIVE OFFICER

# FINANCIAL HIGHLIGHTS

## Five year financial summary

|   | 2009<br>\$m | 2008<br>\$m | 2007<br>\$m | 2006<br>\$m | 2005 <sup>(4)</sup><br>\$m |
|---|-------------|-------------|-------------|-------------|----------------------------|
| Sales revenue   | 25,371      | 24,657      | 23,673      | 22,712      | 22,161                     |
| EBITDA <sup>(1)</sup>   | 10,948      | 10,416      | 9,861       | 9,575       | 10,464                     |
| EBIT <sup>(2)</sup>   | 6,558       | 6,226       | 5,779       | 5,497       | 6,935                      |
| Profit for the year after minority interests                  | 4,076       | 3,711       | 3,275       | 3,183       | 4,309                      |
| Dividends declared per share (cents per share) <sup>(3)</sup> | 28.0        | 28.0        | 28.0        | 34.0        | 40.0                       |
| Total assets  | 39,962      | 37,921      | 37,837      | 36,224      | 35,211                     |
| Gross debt  | 17,036      | 16,285      | 15,410      | 13,712      | 13,319                     |
| Net debt  | 15,655      | 15,386      | 14,587      | 13,022      | 11,772                     |
| Total Equity  | 12,681      | 12,245      | 12,580      | 12,834      | 13,659                     |
| Accrued capital expenditure <sup>(5)</sup>                    | 4,598       | 4,897       | 5,879       | 4,303       | 4,129                      |
| Free cash flow  | 4,365       | 3,855       | 2,899       | 4,579       | 5,193                      |

(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 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) The adoption of UIG4 "Determining Whether an Arrangement Contains a Lease" has been applied from 1 July 2005. As such, 2005 has not been restated for the impact of UIG4.

(5) 2006 and 2005 are cash capital expenditure numbers.

### Sales revenue



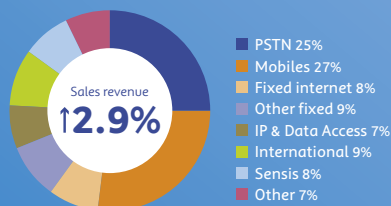
### Profit for the year



### Broadband customers



### Contribution to sales revenue



### Mobile customers



# CHAIRMAN AND CEO MESSAGE



Catherine B Livingstone AO Chairman



David Thodey Chief Executive Officer

## DIVIDENDS

**At a time when many companies have had to ask for more money from shareholders, we are pleased that you will continue to benefit from our fully-franked final dividend of 14 cents per share bringing the total fully-franked dividend for the fiscal year to 28 cents per share.**

Dear Shareholders

**Telstra is a great Australian company, touching the lives of millions of Australians every day. As your new Chairman and CEO, it is our pleasure to be able to provide you with an update on how our business has performed over the past year. In the pages ahead you will also learn more about the strong customer demand for our differentiated product and service offerings, the performance of our various customer segments as well as some information about our Board of Directors and what we have planned for the year ahead.**

We will also provide some perspectives on the Government's National Broadband Network (NBN) project and Telstra's commitment both to remain engaged in discussions on the project, and retain our commitment to protect shareholder value through any negotiations.

## Financial Highlights

Despite the challenging economic conditions the company faced last fiscal year, sales revenue for the year grew by 2.9% to \$25,371 million. Total operating expenses grew by only 0.6% to \$14,669 million. This is the lowest rate of expense growth in six years and resulted in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) growth of 5.1% to \$10,948 million. Profit attributable to Telstra shareholders increased by 10.3% to \$4,073 million and importantly for our shareholders, free cash flow increased by 13.2% or \$510 million to \$4.4 billion.

Across all products, the business has performed well. Strong growth has been recorded in areas where Telstra has made significant investments. Mobiles, in particular, had another fantastic year as a result of our investments in the Next G™ network.

# CHAIRMAN AND CEO MESSAGE (CONTINUED)



## THE TRANSFORMATION

**You have heard a great deal from Telstra regarding our transformation programme over the last few years, so it is important to provide you with an update. It could be said that a company the size and complexity of Telstra must never stop transforming to maintain its differentiated networks and services. However, over the last four years, we have invested significantly in providing our customers with world class networks and capabilities. Much of that work is done – NextG™ and Next1P™ networks are built, and around 75% of the IT transformation is complete. What this means is that although work will continue on the remaining areas of the IT transformation, the vast bulk of the work is done, and continuous upgrading of the new networks and systems are considered by us as now just business as usual.**

Mobile services revenue grew by 10.0% to \$6,101 million and we now have more than ten million mobile customers, including over one million wireless broadband customers. It's worth noting that mobile revenue exceeded the fixed telephony revenue by more than \$500 million in FY09.

## Priorities

Telstra has been undertaking a company-wide transformation programme over the past four years, rebuilding our networks and systems to enable us to be a true market leader. Now is the time to make it count. Our priority now is to drive further operational benefits from the significant transformation investments. Now is also the time for us to provide a better customer experience to accompany our undoubtedly world-leading networks and financial performance. As your CEO and Chairman, we acknowledge that not all customer experience has yet met expectations but steps are being implemented to focus our efforts on improving this – improvement in the customer experience will lead to better business outcomes and returns for our shareholders.

## National Broadband Network (NBN)

We have a Government with a strong vision to bring high-speed broadband to all Australians. The National Broadband Network is undoubtedly an important nation-building initiative which we support but it also represents an immense financial and engineering challenge. We are committed to working constructively with the Government to help find a solution that is in the best interests of the nation, and for our shareholders, customers and staff. Please be assured that as we work with the Government to try and find a way to make their fibre-to-the-home vision a reality, we will protect the interests of you, our shareholders. It is our responsibility to do so.

Recently, the Government has announced the appointment of a Board and Chief Executive for its new NBN Company. Over the coming months we expect progress to be made on the project's implementation study as well as appointment of an extended management team for NBN Co. As that progresses we expect engagement to become increasingly more focused on the challenges to achieve the outcomes desired by everyone.

Telstra will also not let NBN distract us from running the company and serving our customers. Therefore, we have appointed a small, high-level team to manage the process – there is a Board-level committee to oversee NBN negotiations and a dedicated team led by Geoff Booth in the role of Group Managing Director, NBN Engagement.

There is much work left to be done, but as this important issue develops we will continue to update you, as owners of this company, on the progress.

### Our staff

Telstra employs more than 30,000 Australians and our total workforce, including those employed by our offshore entities, is over 40,000. Without a doubt, our people remain the real strength of this company and they have been working diligently to deliver world-class products and services to our customers over the past year. We have a great team here at Telstra – from our technicians connecting your home with your latest communications needs, to the T [life]<sup>TM</sup> employees, through to the Executive Leadership Team.

We are also very proud of the high representation of women in our workforce and on the Executive Leadership Team. Nerida Caesar, our new Enterprise and Government Group Managing Director joins Holly Kramer, Deena Shiff, Kate McKenzie and Andrea Grant in leading large business units within Telstra and reporting directly to the CEO.



### PHILANTHROPY

**The Telstra Foundation delivers Telstra's corporate philanthropy program and is the cornerstone of our community investment strategy. The Telstra Foundation's mission is to make a positive and lasting difference to the lives of children and young people. In 2008/09, the Telstra Foundation provided over \$4.8 million in funding to support more than 1,200 projects across Australia. Over seven years since its inception, the Telstra Foundation has financially supported more than 5,850 projects to the value of \$31 million.**



## CHAIRMAN AND CEO MESSAGE (CONTINUED)

Telstra's commitment to diversity extends beyond gender diversity and recognises Age Balance, Cultural Diversity, Indigenous, Disability, Work Life Flexibility and Sexual Orientation. The Telstra Diversity Council promotes the strategic vision for Diversity at Telstra, ensuring that we continuously focus on identifying and celebrating the diversity that exists in our workplace.

### Outlook

Conditions in the market remain challenging, but because of the investments Telstra has made in the last few years, we are committed to delivering further profitable growth and our core target of \$6 billion dollars of free cash flow in fiscal 2010. This is more than 35% free cash flow growth year-on-year. This year, we also expect to grow our sales revenue, EBITDA and EBIT by low single-digit percentages, whilst maintaining our capital expenditure level below \$3.8 billion.

We are committed, and will continue, to keep you informed of any significant developments in Telstra. We both look forward to leading this great Australian company into the future.



**Catherine B Livingstone AO** Chairman



**David Thodey** Chief Executive Officer

# BOARD OF DIRECTORS



**CATHERINE B LIVINGSTONE**  
AO, BA (Hons), FCA, FTSE  
Chairman

Ms Livingstone joined Telstra as 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 Remuneration, Audit and Technology Committees.

**Experience:** Ms Livingstone has a degree in accounting and has held several finance and general management roles predominantly in the medical devices sector. Ms Livingstone was the Chief Executive of Cochlear Limited (1994-2000).

**Directorships of other listed companies – current:** Director, Macquarie Bank Limited (2003- ), Macquarie Group Limited (2007- ) and WorleyParsons Ltd (2007- ).

**Directorships of listed companies – past three years:** Nil.

**Other:**

Current: Future Directions International Pty Ltd (2007- ); Member, New South Wales Innovation Council (2007- ) and the Royal Institution of Australia (2009- ). Former: Chairman, CSIRO (2001-2006); Chairman and Director Australian Business Foundation (2000-2005); Director, Goodman Fielder Ltd (2000-2003), Rural Press Limited (2000-2003), Macquarie Graduate School of Management Pty Ltd (2007-2008) and Sydney Institute (1998-2005), Member, Department of Accounting and Finance Advisory Board Macquarie University, Business/Industry/Higher Education Collaboration Committee (BIHECC) and Federal Government's National Innovation System Review Panel (2008-2008).



**DAVID THODEY**  
BA Chief Executive Officer

Mr Thodey became Telstra's Chief Executive Officer and executive director of the Board on 19 May 2009, announcing a strategy of market differentiation and a renewed focus on customer service and satisfaction.

Mr Thodey joined Telstra in April 2001 as Group Managing Director of Telstra Mobiles, overseeing significant industry change with the mass take up of mobiles and the introduction of digital technologies.

In December 2002, Mr Thodey was appointed Group Managing Director Telstra Enterprise and Government and was responsible for the company's large corporate, government and business customers in Australia, TelstraClear in New Zealand and Telstra's international sales division. At the helm of Telstra Enterprise and Government, Mr Thodey oversaw another period of significant industry change, with the rapid take up of IP and mobile broadband services over Telstra's Next IP™ and Next G™ networks.

Before joining Telstra, Mr Thodey was Chief Executive Officer of IBM Australia/New Zealand and previously held several senior executive positions in marketing and sales with IBM across the Asia Pacific. He originally started at IBM as a systems engineer and has retained a passion for technology throughout his career.

Mr Thodey was born in Perth and is currently the Chairman of Basketball Australia. He holds a Bachelor of Arts in Anthropology and English from Victoria University in New Zealand. Mr Thodey attended the Kellogg Post-Graduate School General Management Program at Northwestern University in Chicago.



**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.

**Experience:** Mr Cousins has more than 26 years experience as a company director. Mr Cousins was previously the Chairman of George Patterson Australia and is a former Director of Publishing and Broadcasting Limited, the Seven Network, Hoyts Cinemas group and NM Rothschild & Sons Limited. He was the first Chief Executive of Optus Vision and before that held a number of executive positions at George Patterson, including Chief Executive of George Patterson Australia.

**Directorships of other listed companies – current:** Nil

**Directorships of listed companies – past three years:** Director, Insurance Australia Group Ltd (2000-2007) .

**Other:**

Former: Chairman, Cure Cancer Australia (2004-2007), The Starlight Foundation (1988-1994) and Museum of Contemporary Art (1990-1994); Director, Globe International Limited (2001-2003), Sydney Theatre Company Ltd (1990-1996), St George Foundation Ltd (1989-1995) and The Smith Family (1988-1994); President, The Shore Foundation Ltd (1992-1994). Mr Cousins was previously a consultant to a former Prime Minister.

## BOARD OF DIRECTORS (CONTINUED)



**CHARLES MACEK**  
BEC, MAdmin, FAICD,  
FCPA, SF Fin, FCA

Mr Macek joined Telstra as a non-executive director in November 2001. He is a member of the Audit and Nomination Committees and is Chairman of the Remuneration Committee.

Mr Macek has advised he will not stand for re-election at the Annual General Meeting on 4 November 2009.

**Experience:** Mr Macek has a strong background in corporate governance and has had a long association with the finance and investment industry. His former roles include 16 years as Founding Managing Director and Chief Investment Officer and subsequently Chairman of County Investment Management Ltd.

**Directorships of other listed companies – current:** Director, Wesfarmers Ltd (2001- )

**Directorships of listed companies – past three years:** Director, Living Cell Technologies Limited (2006-2007)

### **Other:**

Current: Chairman, Sustainable Investment Research Institute Pty Ltd (2002-), Racing Information Services Australia Pty Ltd (2007- ) and Orchard Funds Ltd (2007- ); Director, Orchard Capital Investments Ltd (2009- ) and Thoroughbred Trainers Service Centre Ltd (2009- ); Member, Investment Committee of Unisuper Ltd, Global Research Advisory Council of Glass, Lewis & Co LLC and MMC Advisory Board; Vice-chairman, Standards Advisory Council of the International Accounting Standards Board.

Former: Member, Centre for Eye Research Australia Ltd (1996-2002) and Chairman (2002-2003); Member, Financial Reporting Council (FRC) (2000-2003) and Chairman (2003-2007); Chairman and Director, IOOF Holdings Ltd (2002-2003); Director, Famoice Technology Pty Ltd. (2001-2004), Vertex Capital Pty Ltd (2004-2006); and Williamson Community Leadership Program Limited (2004-2007); Victorian Councillor, Australian Institute of Company Directors (2003-2007); Member, New Zealand Accounting Standards Review Board (2004-2007).



**JOHN P MULLEN**

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

**Experience:** Mr Mullen has worked for over two decades in a multitude of senior positions with different multinationals. His corporate experience includes 10 years with the TNT Group, with two years as its Chief Operating Officer. From 1991 to 1994, he held the position of Chief Executive Officer of TNT Express Worldwide, based in the Netherlands. Mr Mullen joined Deutsche Post World Net (DPWN) as an Advisor in 1994, becoming Chief Executive Officer of DHL Express Asia Pacific in 2002, Joint Chief Executive DHL Express in 2005 and Global Chief Executive Officer DHL Express in 2006.

**Directorships of other listed companies – current:** Nil

**Directorships of listed companies – past three years:** Director, Deutsche Post World Net, Board of Management, Germany (2005-2009) and Embarq Corporation USA (2006-2009).

### **Other:**

Current: Member, Australian Graduate School of Management (2005-), Advisory Council to the City of Seoul (2006- ), and Chairman, National Foreign Trade Council (Washington DC) (2008-).

Former: Director, International Swimming Hall of Fame (USA) (2005-2008 ).



**JOHN V STANHOPE**  
B Com (Economics and  
Accounting), FCPA, FCA,  
FAICD, FAIM  
Chief Financial Officer and  
Group Managing Director  
Finance and Administration

Mr Stanhope was appointed to the role of Chief Financial Officer and Group Managing Director, Finance & Administration in October 2003. He was appointed as an executive director of the Telstra Board in May 2009.

Mr Stanhope is responsible for finance; treasury; risk management and assurance; corporate planning, reporting and analysis; business services; investor relations; corporate security and investigations, procurement, billing and business improvement. Mr Stanhope also managed Telstra's involvement in the Federal Government's T3 sale of Telstra shares.

Since joining Telstra in 1967, Mr Stanhope has held a number of operational roles and a range of senior financial management positions including Director, Finance.

In this role, which he assumed in 1995, he contributed to the T1 and T2 share sales, cost reduction programs, growth strategies, debt raising, capital management and organisational restructures.

He is Chairman of the Business Coalition for Tax Reform, and was appointed to the Financial Reporting Council in 2006.

Mr Stanhope is a director of Telstra Super, Sensis, SouFun, Octave Investments Holdings and the Telstra Foundation, and was recently appointed to the AGL Energy board as a non-executive director. He is Chairman of TelstraClear and CSL New World.



**JOHN M STEWART**  
BA, FCIB, ACII

Mr Stewart joined Telstra as a non-executive director in April 2008. He is a member of the Nomination and Remuneration Committees.

**Experience:** Mr Stewart has had a long and successful career in the finance industry since he first joined Woolwich PLC in 1977. Mr Stewart was appointed to the Board of Woolwich in 1995 and became Chief Executive in 1996. Following Woolwich's acquisition by Barclays PLC in October 2000, Mr Stewart was appointed Deputy Chief Executive Officer and became a member of the Barclays Group Board and Group Executive Committee. In August 2003 he joined the Group comprising National Australia Bank (NAB), the Clydesdale & Yorkshire banks in the UK, the Bank of New Zealand, and nabCapital, as Chief Executive, Europe and Principal Board Member.

In February 2004 Mr Stewart was appointed Group Chief Executive Officer of NAB and retired from the NAB effective 31 December 2008.

**Directorships of other listed companies – current:** Nil

**Directorships of listed companies – past three years:** Director and Chief Executive Officer, National Australia Bank (2004-2008).

**Other**

Current: Member, Scottish Enterprise's International Advisory Board (2006- ); Member, the Federal Attorney General's Business-Government Advisory Group on national security.

Former: Chair, Australian Bankers' Association (2007-2008); Director, Business Council of Australia (2006-2008); Executive Director, Barclays PLC (2000-2003); Group CEO Woolwich PLC (1996-2000).

Mr Stewart was a member of the Prime Minister's Task Group on Emissions Trading.



**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.

**Experience:** Dr Stocker has had a distinguished career in pharmaceutical research and extensive experience in management of research and development, and its commercialisation including in his roles as Chief Executive of CSIRO (1990-1995) and subsequently as Chief Scientist for the Commonwealth of Australia (1996-1999).

**Directorships of other listed companies – current:**

Chairman, Sigma Pharmaceuticals Ltd (2005- ); Director, Nufarm Limited (1998-).

**Directorships of listed companies – past three years:**

Director, Cambridge Antibody Technology Group plc (1995-2006) and Circadian Technologies Ltd (1996-2008).

**Other:**

Current: Principal, Foursight Associates Pty Ltd (1996- ); Chairman, CSIRO (2007- ); Chairman, The Australian Wine Research Institute Ltd (2009-).

Former: Chairman, Grape and Wine Research and Development Corporation (1997-2004) and Sigma Company Ltd (1998-2005).



**PETER J WILLCOX**  
MA

Mr Willcox ceased to be a director of Telstra, effective 27 August 2009.

Mr Willcox joined Telstra as a non-executive director in May 2006. He was a member of the Audit, Nomination, Remuneration and NBN Committees.

**Experience:** Mr Willcox holds a degree in physics from Cambridge University and following a 28 year career in the international petroleum industry was appointed as Chief Executive Officer of BHP Petroleum Limited, from 1986 to 1994. He has wide and diverse experience as a Director and Chairman of Australian and American listed companies.

**Directorships of other listed companies – current:** Nil

**Directorships of listed companies – past three years:** Chairman, Mayne Pharma (2005-2007) and 3D Oil Ltd (2007-2009).

**Other:**

Former: Chairman and Director, CSIRO (2006-2007); AMP Limited (2002 - 2005), Mayne Group Ltd (2002-2005); Director, F.H. Faulding & Co Ltd (1996-2000); Energy Developments Ltd (1994-2002), Lend Lease Corporation (1994-2000), Schroders (Australia) Ltd (1994-1999), North Ltd (1994-2000), James Hardie Industries Ltd (1992-2001), BHP Ltd (1988-1994), Woodside Petroleum (1986-1993).



**JOHN D ZEGLIS**  
BSc Finance, JD Law

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

**Experience:** Mr Zeglis has a legal background, and became partner with the law firm Sidley & Austin in 1978. He was General Counsel of AT&T from 1986-1998. His qualifications include a BSc in Finance from the University of Illinois, and a JD in Law from Harvard. Mr Zeglis has had a long and distinguished career in the US telecommunications sector. He joined AT&T in 1984, and was elected as President of AT&T in 1998 and Chairman and Chief Executive Officer of the AT&T Wireless Group in 1999. He continued as CEO of AT&T Wireless until retiring in November 2004 following the company's sale to Cingular Wireless.

**Directorships of other listed companies – current:**

Director, Helmerich & Payne Corporation (1989-).

**Directorships of listed companies – past three years:** Nil

**Other:**

Current: Director, AMX Corporation; (2005- ) and State Farm Automobile Insurance (2004- ).

Former: Director, Georgia Pacific Corporation (2001-2005); Sara Lee Corporation (1998-2000) and Illinois Power Company (1992-1996).

As announced to the market on 2 September 2009, Russell Higgins AO and Steve Vamos have been appointed to the Board as non-executive directors, effective 15 September 2009.

# BUSINESS UNITS

## Consumer



**David Moffatt**  
BBus (Mgt), FCPA  
Group Managing Director  
Telstra Consumer

**Telstra Consumer is a Customer Servicing, Marketing and Sales Organisation.** We are fully committed to investing in, and seeking ways to improve both the Value and Customer Experience we provide for every one of our customers, everyday. This includes maintaining the most complete range of telecommunication products and services available in Australia including; fixed lines, mobiles, fixed and wireless internet access and Pay TV services, and an innovative range of integrated bundles and packages. We are also responsible for the operation of the Telstra T[life]<sup>TM</sup> shops, consumer call centres and for maintaining relationships with Telstra's licensees and dealers.

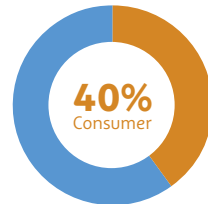
### **Performance highlights for the year**

- Sales revenue of \$10.3 billion (a growth of 3.1%), and continuing margin expansion.
- We substantially completed a large, complex and multi-faceted transformation of our core systems and processes, and migrated the majority of our customer to those new core operating systems.
- Momentum in retail continues with our 100th T[life]<sup>TM</sup> store opening in September 2009.

### **Consumer's strategic priorities for the year ahead are to:**

- Further improve our value propositions and the customer experience.
- Complete our comprehensive consumer Transformation program and migrate all our consumer customers to our new systems environment.
- Further invest in the T[life]<sup>TM</sup> store rollout, and expand our Online presence and service capabilities.
- Expand our in-home product and service propositions.
- Continue to invest in the growth and development of our "world-class" people.

**"Market-Based Management is at the heart of our approach to satisfy the needs of our telecommunication customers. By knowing these customers and understanding their needs better than ever before, and better than anybody else, we believe we are in the best position to help them live their life, their way."**



**Contribution to sales revenue**

# Enterprise and Government



**Nerida Caesar**  
BComm (Marketing), MBA  
Group Managing Director  
Telstra Enterprise and Government

## **Telstra Enterprise and Government is the leading provider of network solutions and services to enterprises and governments in Australia.**

- Telstra Enterprise and Government is committed to migrate customers onto our Next G™ and Next IP™ networks to allow more customers to benefit from better performance and an enriched user experience.
- We are managing more of our customers' networks and have a growing offering of differentiated network-centric applications and professional services that is allowing our customers to increase productivity and reduce risk.
- Our customers continue to recognise the superior value we provide, with strong customer satisfaction results demonstrating a broadening gap to competitors on key performance drivers.

### **Performance highlights for the year**

- Telstra Enterprise and Government experienced strong revenue growth of 2.9% or 5.0% when adjusted for the sale of KAZ.
- KAZ sold to Fujitsu for \$200 million in April.
- New sales grew by 9% to \$1.1 billion with key contract wins including a large managed services contract with the Commonwealth Bank worth up to \$1 billion over 10 years, and a \$146 million broadband contract to extend the reach and capacity of broadband connectivity with Catholic Network Australia.

**“Using our world leading networks and growing suite of network-centric products and services, our customers are more productive and serve their customers more effectively - in a way that is not constrained by time, distance, devices or infrastructure.”**



**Contribution to sales revenue**

# Telstra Business



**Deena Shiff**

B.Sc (Econ) Hons; B.A. (Law) Hons  
Group Managing Director  
Telstra Business

**Telstra Business is one of Telstra's newest and most dynamic business units.** Created in 2006 out of a need to differentiate service and offerings to small and medium-size enterprises (SMEs), Telstra Business is a high-performing business unit that gives our customers specialised and tailored solutions to allow them to do business their way.

### **Delivering an integrated business experience:**

**Offers** – Telstra Business aims to be the business solutions carrier of choice; the core strategy is to retain existing customers and drive greater breadth and depth.

**Products** – Telstra Business will continue to build differentiated products specifically for the SME market.

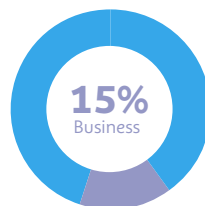
**Service** – we are making changes to better serve the customer in one place. Our aspiration is to offer a one stop shop where service not price is the value proposition of buying many products in one place.

**Coverage** – focus on optimising our coverage to drive greater retention, customer growth and channel productivity.

### **Performance highlights for the year**

- Telstra Business revenue growth was 4.7% for the year.
- 22 Telstra Business Centres have now been opened, providing more local points of contact for small businesses. We are continuing to expand, with 50 Business Centres planned to be opened by the end of next year.
- We have made changes in our sales structure to improve accountability of service and first call resolution and have launched fault centres to manage business faults. We are making our email and applications experience easier for our customers and will continue to build differentiated products specific to our market so we can be the business solutions carrier of choice.

**“Small businesses across Australia are impacted in one way or another by the economic slowdown and in turn, so are we. This means that our point of differentiation and service experience needs to be stronger than ever in the year to come”**



**Contribution to sales revenue**

## FAST FLOWERS PRODUCTIVITY BLOOMS WITH TELSTRA BUSINESS

As his business blossomed, Jonathan Barouch learnt a critical business lesson about running a 24 hour online florist servicing up to 150,000 customers worldwide.

The CEO of the hugely successful [fastflowers.com.au](http://fastflowers.com.au) received a worrying phone call one Saturday morning. On the line was one of his senior managers who told him a vital toll-free customer phone line was down. Quick to recognise the potential for lost business, Barouch got straight on the phone to one of his telecommunications suppliers to immediately fix the damaging outage.

"It was an unbelievable experience. We had a supplier who only handled all of our toll free numbers – one of a hodge-podge of different communication suppliers we had at the time," Barouch explained.

Six separate telecommunications vendors were soon consolidated into one – Telstra Business – which now provides [fastflowers.com.au](http://fastflowers.com.au) with 24-hour support service if things go wrong.

"Since making the switch to Telstra Business we have not had one down-day yet because of a technology failure. But if we do, we know we've got access to 24-hour support and if something goes down we'll have someone who can fix it straight away," Barouch said.

"The great thing is that we receive a premium service and we're able to reduce our annual telco bill significantly. As a small business, that goes straight to the bottom line."



The personal benefits Fast Flowers CEO Jonathan Barouch has experienced have also been compelling, with his BlackBerry® device and Telstra Business Broadband service alone saving him up to five hours a week in increased productivity.

Among the services [fastflowers.com.au](http://fastflowers.com.au) has employed to grow their business are Telstra Business Broadband for fixed internet, as well as a Telstra wireless broadband card and BlackBerry® services for wireless internet. Both the wireless broadband card and the BlackBerry® services are connected to the high speed Telstra Next G™ network.

Fast online access is therefore vital for a business that owes its very existence to the Internet. "Speed equals success in our business. It's as simple as that," says Barouch.

BlackBerry® and related trademarks, names and logos are the property of Research In Motion Limited and are registered and/or used in the U.S. and countries around the world.



# Wholesale



**Paul Geason**  
BA/LLB (Hons)  
Group Managing Director  
Telstra Wholesale

**Telstra Wholesale is Australia's leading supplier of telecommunications services that enable its customers in Australia and elsewhere to deliver their own products and services to support their customers' needs.** Telstra began providing wholesale access to products and services in 1992 when competition was introduced into the Australian telecommunications market. During the past 17 years the Telstra Wholesale team has built strong commercial relationships which underpin a vibrant telecommunications landscape.

## **A proven industry leader**

- Telstra Wholesale provides a stable common network for all mobile number portability industry participants. This IT network enables millions of porting transactions each year with the majority of successful ports completed within one hour of the 'gaining party' instigating a port request.
- Telstra Wholesale facilitates the transfer among ISPs of broadband services delivered over Telstra's network.

## **Performance highlights for the year**

- Telstra Wholesale signed more than 300 commercial agreements with its customers, rolled-out ADSL2+ to its customer base and achieved an average automation rate of 85% for processing customer orders for voice, broadband and spectrum sharing services.
- Telstra Wholesale's Carrier-Grade and Business-Grade Ethernet products were also recognised as meeting global industry standards for functionality and performance.
- Telstra Wholesale complied with Operational Separation requirements including publication of the annual long-term notification report and regular reporting to the ACCC covering 23 service metrics and the prices of our key services. These metrics show equivalence between wholesale and retail customers.

**"Our goal is to be the number one wholesaler of choice in the Australian wholesale telecommunications market. We intend to do this through improving levels of customer service and satisfaction and focusing on operational excellence."**



**Contribution to sales revenue**

# Sensis



**Bruce J Akhurst**  
LLB, BEc (Hons)  
CEO Sensis

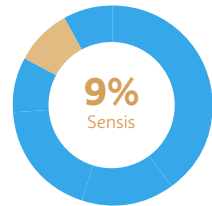
**Sensis is Telstra's information and advertising business. We're focused on helping people find, buy and sell.** Sensis' tradition of bringing Australians together through the White Pages® and Yellow Pages® directories stretches back over 125 years. In more recent times, Sensis has capitalised on opportunities offered by digital media and is now bringing Australians together through a sophisticated network of information services. This network spans brands like 1234, Whereis®, Citysearch® and MediaSmart® and channels like print, online, voice, mobile and satellite navigation.

Sensis has also opened up new opportunities through our investments in the largest Internet market in the world – China. Our partners are #1 in real estate, #1 in auto and #2 in consumer electronics in the Chinese online advertising market.

### **Performance highlights for the year**

- More than ever, Sensis is focused on driving sustainable growth by **listening** to, **learning** from and **launching** the services that meet the needs of our customers. This commitment has resulted in growing customer satisfaction and world-leading financial growth (revenue increasing by 5.8% and EBITDA margins also growing to 52%) in a very challenging media market.
- 4.9% revenue growth in Sensis' core print and online directories and search business
- Over \$500 million of internet advertising revenue across China and Australia.
- Strong growth in online user satisfaction: Yellow Pages® online up 10 percentage points and White Pages® Online up 14 percentage points in eighteen months.
- 96% of print directories recycled or re-used. Up from only 4% in 1999.

**“As a result of the economic downturn, now is a difficult time in the Australian media and advertising market. This will not stop Sensis from aggressively building the value we offer buyers, sellers, investors and the communities in which we operate.”**



**Contribution to sales revenue**

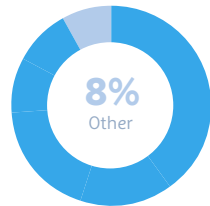
## Other international businesses

**While over 90% of Telstra's sales revenue is from our domestic operations, our international operations are still performing well in extremely challenging conditions.** Telstra has operations in many countries, including Hong Kong, New Zealand and China.

CSL New World Mobility Group (CSL) is Hong Kong's first and leading mobile network operator. In March, CSL unveiled the commercial launch of Next G™, the world's fastest All-IP mobile broadband network. Next G™ has download speeds up to 21 Mbps and offers the widest coverage providing unrivaled mobility and performance. While revenue growth declined by 11.3% in local currency driven by lower voice revenues and a decline in handset sales, CSL is extremely well positioned to take advantage of the economic recovery in Asia.

TelstraClear Limited, the second largest full service carrier in New Zealand grew domestic revenue by 2.3%. The Consumer segment experienced strong revenue growth of 18.7% for the year due to higher access revenue and internet revenue. The company is competing strongly in a tough market.

In February 2009, Telstra expanded its presence in China with the acquisition of a 67% interest in both China M and Sharp Point. China M is a leading supplier of consumer mobile content serving 350,000 customers daily, while Sharp Point provides technical services for China Mobile's rapidly growing central mobile music platform. Together these businesses enjoy strong commercial and contractual links with the country's mobile telecoms providers. For the year, China M and Sharp Point provided combined revenue of approximately \$50 million.



Contribution to sales revenue





High speed broadband access provides significant benefits for the Arnhem Land communities involved.

## BROADBANDING THE TOP END

Broadbanding the Top End is a \$34 million partnership project between Telstra, the Northern Territory Government, Rio Tinto Alcan and the Northern Land Council which has seen over 800km of fibre optic cable laid by Telstra between Jabiru and Nhulunbuy, connecting five indigenous communities and the township of Nhulunbuy with state-of-the-art telecommunications.

The benefits of the Broadbanding the Top End project are many and varied.

– Broadband access through ADSL2+ technology became a reality for some of the remotest communities in the Northern Territory and

Nhulunbuy, bringing equivalence between this part of remote Northern Territory and other areas of Australia.

- Schools can access greater internet bandwidth, health centres are implementing patient care systems across Arnhem Land and the police are establishing and using greater communications systems and platforms.
- Local businesses are also benefiting from high-speed broadband access which will contribute to improving the economy of the region.
- Wideband transmission for Rio Tinto Alcan has allowed them to implement real time monitoring systems, leading to improved productivity and cost savings.

# CORPORATE RESPONSIBILITY

## Telstra's commitment to corporate responsibility

**Acting ethically and responsibly in all we do, and investing in the communities we serve.**

Telstra's commitment to corporate responsibility begins with a simple and straight-forward commitment to principled decision-making in all that we do. From a principled perspective, your Company's primary corporate responsibilities are to:

- Increase shareholder value and advance shareholder interests.
- Provide customer service that meets the expectations of our customers and wins their continuing loyalty.
- Provide our employees with good jobs at good wages.
- Provide good stewardship of the environment and providing technology solutions that enable others to do the same.
- Provide access to communications for those who need it most.
- Advance the national interest by strengthening the capability of the nation's telecommunications infrastructure.

Telstra produces a comprehensive corporate responsibility report each year that is available on our website.

Telstra also invests nearly \$40 million per annum in projects that provide access to communications for those who need it most. This includes disaster relief, technology that makes a positive and lasting difference to the lives of Australian children and young people, and sponsorships that nurture Australia's talented sportspeople and artists. In addition to community investments, the company provides discounts and subsidies that enable disadvantaged customers and people with special needs to keep in touch with their families and loved ones.

Telstra and The Australian Ballet celebrate a 25 year partnership in 2009. Dancers: Kevin Jackson and Danielle Rowe.



## Disaster Relief

Disaster relief is a core element of Telstra's corporate responsibility as shown by the response to the tragic fires and floods earlier this year.

### Floods in Queensland and Northern NSW

Queensland was hit twice this year with torrential rain and flooding. In February the impact of Cyclone Ellis resulted in 62 per cent of the state declared a disaster area and severe storms and flood waters in May left thousands of people in south-east Queensland and the NSW north coast without essential services. Telstra's core network held up well with the largest impact to Telstra's services caused by a loss of power in affected areas. Telstra deployed extra technicians to affected regions to help restore services and teams of experts worked around the clock to monitor the network and co-ordinate restoration efforts.

### Victorian bushfires

Telstra's mobile and fixed networks were put under enormous pressure by a combination of fire and high speed winds when devastating bushfires ravaged much of Victoria on Black Saturday.

While Telstra's networks proved quite resilient to the catastrophic conditions, Telstra technicians were quickly deployed to repair damaged infrastructure, re-connect households and establish additional mobile coverage in remote areas using transportable Cells on Wheels.

Telstra's retail team was also quick to respond with Telstra Country Wide staff deployed to emergency relief centres, established across Victoria to help residents affected by the fires. As an example of practical assistance, Telstra distributed over 1,000 mobile handsets free of charge.

Telstra waived bills for thousands of customers affected by the fires and supported communities by converting payphones in bushfire affected regions so they provided free local and STD calls.

In a further goodwill gesture, Telstra and its people contributed more than \$1.5 million to the Bushfire Appeal, while staff volunteered to work in Telstra call centres that were used to co-ordinate public pledges of support.

Since the fires Telstra has invested over \$15 million to repair and upgrade its networks in affected areas, including establishing four new exchanges in Marysville, Narbethong, Kinglake and Kinglake West.

As a further response to the devastating fires, Telstra designed and built the first Mobile Exchange on Wheels (MEOW), which is a fully functional telephone exchange, specifically designed to provide communications to disaster areas.

Service Delivery Executive Director Phill Sporton and team deliver a Cell on Wheels to boost mobile coverage in bushfire affected regions.



# CONTACT DETAILS AND FINANCIAL CALENDAR

## Contact details

### Registered Office

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Company Secretary  
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### General Enquiries – Registered Office

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### Shareholder Enquiries

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website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Link Market Services Limited  
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### Telstra Corporation Limited

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](http://www.telstra.com.au/abouttelstra/investor)

## Indicative Financial Calendar\*

|                                     |                           |
|-------------------------------------|---------------------------|
| Annual General Meeting              | Wednesday 4 November 2009 |
| Half Year Results announcement      | Thursday 11 February 2010 |
| Ex-dividend share trading commences | Monday 22 February 2010   |
| Record date for interim dividend    | Friday 26 February 2010   |
| Interim dividend paid               | Friday 26 March 2010      |
| Annual Results announcement         | Thursday 12 August 2010   |
| Ex-dividend share trading commences | Monday 23 August 2010     |
| Record date for final dividend      | Friday 27 August 2010     |
| Final dividend paid                 | Friday 24 September 2010  |
| Annual General Meeting              | Friday 19 November 2010   |

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

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## Communicating with our Shareholders

Our online Investor Centre [www.telstra.com.au/abouttelstra/investor](http://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 Annual Report is available to all shareholders on our investor website at [www.telstra.com/annualreport](http://www.telstra.com/annualreport). 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 elections online to receive future copies of the Annual Report. Visit the Share Registry's website [www.linkmarketservices.com.au/telstra](http://www.linkmarketservices.com.au/telstra), select the "communications options" menu and follow the prompts.





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