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Office of the Company Secretary

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Preliminary unaudited accounting treatment for divestments and other information relating to Telstra's FY14 Income Statement

During the year Telstra completed a number of corporate transactions. The purpose of this note is to provide information to market participants on the preliminary unaudited accounting treatment of these, as well as other information related to Telstra's FY14 results which will be released on 14 August 2014.

1. On 28 February 2014, Telstra completed the divestment of 70 per cent of its directories business for \$454 million. Consistent with disclosure in Telstra's FY14 half-year results, the Sensis Group will be reported as a discontinued operation. The FY14 NPAT for the discontinued business in the eight months to 28 February 2014 was a loss of \$204 million. This includes the loss on sale of \$150 million, of which \$100 million was included in the FY14 half-year income statement and an operating loss of \$54 million reflecting the seasonal nature of the business.
2. On 14 May 2014, Telstra completed the sale of its 76.4% interest in Hong Kong mobiles business CSL for US\$1.99 billion. As previously announced the FY14 results will include the profit on sale of approximately \$561 million, subject to completion accounts and audit. The operating results for CSL for the period 1 July 2013 to 30 April 2014 will be consolidated in Telstra's FY14 results. The CSL unaudited operating results at the end of April include income of \$1.05 billion and EBITDA of \$261 million.
3. During the year the IPO of Autohome was completed. Following the IPO Telstra holds 63.2% of the issued capital of Autohome. The accounting book value of Telstra's investment in Autohome in Telstra's consolidated financial statements is \$310 million. The market capitalisation of Telstra's shareholding based on the Autohome share price at 10 July 2014 is \$2.4 billion. In accordance with accounting standards Telstra does not revalue its investment in Autohome to market value as Autohome is a subsidiary which is consolidated in Telstra's financial statements.
4. During the year Telstra ceased operations in the Octave investment in China and commenced liquidation of the legal entities in the Octave Group. In the FY14 results Telstra will record a write off of \$98 million from the foreign currency translation reserve associated with this investment.
5. Telstra's detailed product and expense reporting hierarchy is unchanged from the FY14 half-year results.

Yours faithfully



Damien Coleman
Company Secretary