

14 August 2014

Office of the Company Secretary

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

The Manager

Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

General Enquiries 08 8308 1721
Facsimile 03 9632 3215

ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra announces off-market share buy-back up to \$1 billion

In accordance with the Listing Rules, I attach a copy of an announcement and Appendix 3C, for release to the market.

Yours faithfully



Damien Coleman
Company Secretary

Telstra announces off-market share buy-back up to \$1 billion

14 August 2014 – Telstra today announced it would return up to approximately \$1 billion of capital to shareholders through an off-market share buy-back tender process.

Telstra CEO David Thodey announced the buy-back, part of a \$4.7 billion return to shareholders from Telstra's 2014 financial year operations, during the company's full year results presentation in Sydney.

The buy-back will be funded from excess cash generated through Telstra's strong operating performance and recent asset sales, including 70% of Telstra's Sensis directories business and Telstra's 74.6% interest in Hong Kong mobiles business, CSL New World Limited.

Mr Thodey said the buy-back was considered the most effective way to deploy surplus capital from strong operational performance and significant asset sales.

"Telstra's level of free cashflow exceeds what we need in the short to medium term so the return of surplus capital to shareholders is considered appropriate in the current environment," he said.

Mr Thodey said shareholders who chose not to participate in the buy-back and retain their Telstra shares were expected to benefit from improved earnings per share because the number of shares on issue will be reduced as a result of the buy-back.

The buy-back will be managed through a tender process with the tender period closing on Friday, 3 October 2014. Terms and conditions of the Buy-Back will be contained in a Buy-Back Booklet to be issued to shareholders and expected to be available at www.telstra.com/buyback on 27 August.

Telstra also announced today an increased final dividend of 15 cents per share, taking total dividends for FY14 to 29.5 cents. The \$4.7 billion return to shareholders from operations in FY14 compared with \$3.5 billion in FY13.

Details of the Buy-Back

The Buy-Back will involve a tender process, under which Eligible Shareholders will be invited to tender their Shares to Telstra at specified discounts from 6% to 14% inclusive (at 1% intervals) to the Market Price¹ and/or as a Final Price Tender (which is the option of accepting the final Buy-Back Price, no matter where in the discount range it is).

Eligible Shareholders may also select a Minimum Price below which Shares tendered by them will not be bought back.

Telstra will determine the final Buy-Back Price as the lowest price at which it can buy-back the targeted amount of capital (\$1 billion), based on the tenders received from all participating shareholders. For Eligible Shareholders who choose to participate in the Buy-Back:

- if the Buy-Back Discount is less than the discount they selected, shareholders will receive the lower Buy-Back Discount; and
- if the Buy-Back Discount is greater than the discount they selected, then those Shares will not be bought back.

Shareholders who successfully tender may be subject to scale back if the total value of Shares, tendered at or greater than the Buy-Back Discount and/or as Final Price Tenders, exceeds Telstra's target buy back amount (approximately \$1 billion worth of Shares). The scale back has been structured to ensure that Eligible

¹ Market Price means the volume weighted average price of Telstra ordinary shares on the ASX over the five trading days leading up to and including the Closing Date, excluding off-market trades, calculated to four decimal places as determined by Telstra on Friday 3 October 2014.

Shareholders with small holdings will not be disadvantaged. Before applying any scale back, Telstra will first buy back a Priority Allocation which is expected to be 925 Shares² from each shareholder who has successfully tendered Shares.

Additionally, shareholders who tender all of their Shares at one or more tender discounts equal to or greater than the Buy-Back Discount and/or as a Final Price Tender, and who would be left with a holding of 375 Shares or less as a result of the scale back, will have their Tender(s) accepted in full without applying a scale back.

Shareholders will receive the fully franked dividend of 15 cents per share on any Shares held by them on 29 August 2014 even if they are subsequently successfully tendered under the Buy-Back.

The Buy-Back Price will have two components: a capital component of \$2.33 and a fully franked dividend component equal to the difference between the Buy-Back Price and \$2.33.

For some Telstra shareholders, depending on their particular circumstances, the after-tax return from participating in the Buy-Back may be greater than if they had sold their Shares on-market. The Buy-Back will have different tax consequences for different shareholders. Shareholders should seek their own professional advice (including tax advice) about the implications of participation in the Buy-Back in respect of their own individual circumstances.

While Telstra intends to buy back up to approximately \$1 billion worth of Shares, it retains absolute discretion to vary the size of the Buy-Back depending on demand and market conditions, including by choosing not to buy back any Shares.

The terms and conditions of the Buy-Back will be set out in a booklet to be distributed to shareholders by Thursday, 4 September 2014. The booklet, in addition to an online tax calculator, is expected to be available at www.telstra.com/buyback on 27 August 2014.

Certain shareholders are not eligible to participate, directly or indirectly, in the Buy-Back, including any (i) person who is located or resident in the United States, (ii) U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended), or (iii) agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal giving instructions from within the United States.

Timetable

| Event | Date |
|--|------------------------------|
| August 2014 | |
| Announcement of the Buy-Back | Thursday, 14 August |
| Last day that Shares can be acquired to be eligible to participate in the Buy-Back and as a consequence may be eligible for Buy-Back franking entitlements | Tuesday, 19 August |
| Buy-Back Ex-entitlement Date: the date that Shares commence trading on ASX on an ex-Buy-Back basis | Wednesday, 20 August |
| Buy-Back Record Date: determination of Eligible Shareholders entitled to participate in the Buy-Back | Friday, 22 August |
| Dividend Ex-entitlement Date: the date that Shares commence trading on an ex-entitlement basis for the 2014 final dividend | Wednesday, 27 August |
| Dividend record date: determination of Eligible Shareholders entitled to receive the 2014 final dividend | Friday, 29 August |
| September 2014 | |
| Distribution of Buy-Back Documents to shareholders is expected to be completed | Thursday, 4 September |
| Tender Period opens | Monday, 8 September |
| Payment date for 2014 final dividend | Friday, 26 September |

² Subject to scale back to a lesser number as is required to ensure that Telstra is able to buy back only the number of Shares it determines to buy back.

October 2014

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|--|----------------------------|
| Tender Period closes: Tenders must be received by the Registry no later than 7.00pm (Australian Eastern Standard Time) | Friday, 3 October |
| Buy-Back Date: Buy-Back Price and scale back (if any) determined and Buy-Back Contracts entered into. | Monday, 6 October |
| Buy-Back proceeds paid to successful shareholders and updated holding statements dispatched | Tuesday, 14 October |

While Telstra does not anticipate any changes to these dates and times, it reserves the right to vary them. Any change in date or time will take effect from the time it is authorised by the Board and will be publicly announced as soon as practicable following the Board's authorisation. Telstra may also decide not to proceed with the Buy-Back and may vary the size of the Buy-Back.

Shareholder enquiries

A Telstra enquiry line in relation to the Buy-Back will be available from Monday, 27 August 2014. Shareholders who have enquiries may contact Telstra's information line on 1300 88 66 77 within Australia, 0800 835 787 within New Zealand or +61 1300 88 66 77 if you are calling from outside Australia and New Zealand, or visit www.telstra.com/buyback.

Media contact: Nicole McKechnie, 0429 004 617
Email: media@team.telstra.com
www.telstra.com.au/abouttelstra/media-centre/
Reference: 151/2014

Important Notices

Capitalised terms in this announcement have the same meaning as will be contained within the Buy-Back Booklet.

Not for distribution or release in or into or to any person located or resident in the United States.

This media release does not constitute, or form part of, any offer or invitation to sell, or any solicitation of any offer to purchase securities in any jurisdiction, nor shall it or the fact of its distribution be relied on in connection with any contract thereof. No indications of interest in the Buy-Back are sought by this media release.

The Buy-Back is not being made, and will not be made, directly or indirectly in or into, or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of or by use of any facilities of a national securities exchange of, the United States. Shares may not be tendered in the Buy-Back by any use, means, instrumentality or facility from or within the United States or by any: (i) person who is located or resident in the United States; (ii) U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended); (iii) agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal giving instructions from within the United States. American Depositary Receipts representing Shares of Telstra may not be tendered in the Buy-Back.

Buy-Back documents, including the booklet describing the terms and conditions of the Buy-Back and tender forms, when issued, and any other documents or materials relating to the Buy-Back are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to any persons located or resident in the United States. Any purported Tender of Shares in the Buy-Back resulting directly or indirectly from a violation of these restrictions will be invalid.

For the purposes of this announcement, "United States" means the United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States of America and the District of Columbia.

Forward looking statements

This media release contains forward looking statements, including statements regarding the implementation of the Buy-Back and its effects on our business and securities. The results and effects of the Buy-Back may differ materially from those expressed in, or implied by, these forward looking statements. Factors that could cause or contribute to such differences include the number of Shares bought back, the final Buy-Back Price and the general trading and economic conditions affecting our business. We do not undertake any obligation to revise these forward looking statements to reflect any future events or circumstances.

Appendix 3C

Announcement of buy-back (except minimum holding buy-back)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001, 11/01/10

| Name of entity | ABN/ARSN |
|---|----------------|
| Telstra Corporation Limited (the Company) | 33 051 775 556 |

We (the entity) give ASX the following information.

Information about buy-back

| | | |
|---|--|--|
| 1 | Type of buy-back | Selective buy-back on equal access buy-back conditions (as modified by ASIC) |
| 2 | +Class of shares/units which is the subject of the buy-back (eg, ordinary/preference) | Ordinary |
| 3 | Voting rights (eg, one for one) | One for one |
| 4 | Fully paid/partly paid (and if partly paid, details of how much has been paid and how much is outstanding) | Fully paid |
| 5 | Number of shares/units in the +class on issue | 12,443,074,357 |
| 6 | Whether shareholder/unitholder approval is required for buy-back | No. An ASIC modification will be obtained pursuant to section 257D(4) of the Corporations Act 2001 (Cth) |
| 7 | Reason for buy-back | As part of the Company's capital management program |

+ See chapter 19 for defined terms.

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|---|--|--|
| 8 | Any other information material to a shareholder's/unitholder's decision whether to accept the offer (eg, details of any proposed takeover bid) | See announcements of full year results date 14 August 2014 and accompanying announcements including announcement titled "Telstra announces off-market share buy-back up to \$1 billion". Further information will be provided in a buy-back booklet to be lodged with the ASX prior to its dispatch to shareholders. |
|---|--|--|

On-market buy-back

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|----|---|-----|
| 9 | Name of broker who will act on the company's behalf | N/A |
| 10 | Deleted 30/9/2001. | |
| 11 | If the company/trust intends to buy back a maximum number of shares - that number Note: This requires a figure to be included, not a percentage. | N/A |
| 12 | If the company/trust intends to buy back shares/units within a period of time - that period of time; if the company/trust intends that the buy-back be of unlimited duration - that intention | N/A |
| 13 | If the company/trust intends to buy back shares/units if conditions are met - those conditions | N/A |

Employee share scheme buy-back

- | | | |
|----|---|-----|
| 14 | Number of shares proposed to be bought back | N/A |
| 15 | Price to be offered for shares | N/A |

Selective buy-back

| | | |
|----|--|-----|
| 16 | Name of person or description of class of person whose shares are proposed to be bought back | N/A |
| 17 | Number of shares proposed to be bought back | N/A |
| 18 | Price to be offered for shares | N/A |

Equal access scheme

| | | |
|----|--|--|
| 19 | Percentage of shares proposed to be bought back | The percentage of shares to be bought back is not presently known and will depend on the final buy-back price and the amount determined by the Company to be bought back. The target size of the buy-back is A\$1 billion. The Company may, at its discretion, vary the size of the buy-back. The Company also retains the discretion to repurchase a lesser amount of shares than indicated or no shares at all. In any event, the Company will buy back less than 10% of the smallest number, at any time during the last 12 months, of votes attaching to voting shares of the Company. |
| 20 | Total number of shares proposed to be bought back if all offers are accepted | The total number of shares to be bought back is not presently known and will depend on the final buy-back price and the amount determined by the Company to be bought back. The target size of the buy-back is A\$1 billion. The Company may, at its discretion, vary the size of the buy-back. The Company also retains the discretion to repurchase a lesser amount of shares than indicated or no shares at all. In any event, the Company will buy back less than 10% of the smallest number, at any time during the last 12 months, of votes attaching to voting shares of the Company. |
| 21 | Price to be offered for shares | The price will be determined by a tender process, as detailed in an announcement dated 14 August 2014 and outlined in a buy-back booklet which is expected to be lodged with the ASX on or around 27 August 2014. |
| 22 | +Record date for participation in offer Cross reference: Appendix 7A, clause 9. | 22 August 2014 (unless you are a TESOP 99 shareholder, in which case, 26 September 2014) |

+ See chapter 19 for defined terms.

Compliance statement

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.

or, for trusts only:

1. The trust is in compliance with all requirements of the Corporations Act as modified by Class Order 07/422, and of the trust's constitution, relevant to this buy-back.
2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

Sign here:


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(Director/Company secretary)

14 August 2014
Date:

Print name:

Damien Coleman
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