

13 August 2015

The Manager

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

Office of the Company Secretary

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

General Enquiries 08 8308 1721
Facsimile 03 9632 3215

ELECTRONIC LODGEMENT

Dear Sir or Madam

Letter to Shareholders

In accordance with the Listing Rules, I enclose the following letter to Shareholders, for release to the market.

Yours faithfully



Damien Coleman
Company Secretary

LETTER TO SHAREHOLDERS FULL YEAR RESULTS 2015



Catherine Livingstone AO, Chairman
Andrew Penn, Chief Executive Officer

Dear Shareholder,

Today we announced our Full Year Results for the Financial Year 2015, which showed the company's strategy of improving customer advocacy, driving value from the core and building growth businesses had again delivered strong results for shareholders.

The 2015 financial year saw Telstra continue to perform strongly, growing revenues, adding fixed and mobile customer services and continuing to invest in our network advantage.

This is our first full financial year operating without the CSL Hong Kong mobile business, which was sold in May 2014. As a result, our reported income and profit numbers are impacted on a comparative basis. On a reported basis, our total income was up 1.2 per cent and EBITDA was down 3.5 per cent. On a guidance basis, and excluding CSL operating results, our total income was up 6.6 per cent and EBITDA was up 4.5 per cent (see key outcomes panel).

The Board has announced a further increase in the final dividend, to 15.5 cents per share fully franked, bringing the total dividend for the 2015 financial year to 30.5 cents per share, thereby distributing \$3.7 billion to shareholders.

This strong performance reflects Telstra's continuing focus on its three strategic pillars: improving customer advocacy, driving value from the core and building new growth businesses.

Our customers remain our highest priority and we continue to improve the way we interact with them every day. We are providing more personalised service for both our consumer and business customers, offering new products and services as well as better value.

Our overall Net Promoter System score improved by five points over the 2015 financial year, building on the improvements we saw last year. While we have made significant progress, we know we have more to achieve.

We continued to attract new customers with the net addition of 664,000 retail mobile customer services and 189,000 retail fixed broadband customers during FY15.

We will resolutely maintain our network leadership in Australia, with a continued significant investment in our networks, offering superior experiences in what matters most to customers.

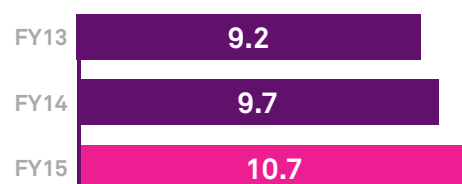
We are committed to providing our customers with the best mobile coverage and reliability, with fewer dropouts and faster downloads in more places. We recently announced we would increase our investment in our mobile network, providing an additional half a billion dollars for mobiles over the next two years. In total, over three years to June 2017, we expect to have invested more than \$5 billion into Telstra's mobile network. We will continue to expand our 4G coverage to service 99 per cent of the population.

Key outcomes:

- On a reported basis total income (excluding finance income) increased 1.2 per cent to \$26.6 billion and earnings before interest, tax, depreciation and amortisation (EBITDA) decreased 3.5 per cent to \$10.7 billion.
- On a guidance basis¹ total income increased 2.3 per cent to \$26.3 billion and EBITDA increased 2.0 per cent to \$10.8 billion, consistent with FY15 guidance.
- Net profit after tax decreased by 5.8 per cent reflecting the growth in the business less the CSL operating results and one off profit from the sale of CSL in 2014.
- Earnings per share increased 0.3 per cent to 34.5 cents.
- Final dividend increased to 15.5 cents per share taking total dividend for FY15 to 30.5 cents per share

1. Guidance basis assumed wholesale product price stability, no impairments to investments, excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The FY15 guidance excluded the FY14 CSL profit on sale of \$561 m from FY14 income and EBITDA.

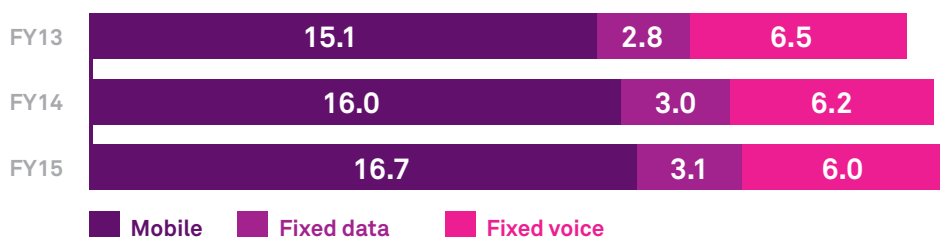
Mobile revenue (\$b)



Network Applications and Services revenue (\$b)



Domestic retail customer services (millions)



In November 2014 we launched our new 4GX service, offering customers in over 1,200 suburbs and towns some of the fastest mobile data speeds in the world, with top speeds on compatible devices up to twice as fast as 4G. In June 2015, we were selected to participate in one of the largest ever expansions of mobile coverage in regional and remote Australia, through the Federal Government's Mobile Black Spot Programme.

We also switched on Australia's largest Wi-Fi access network, Telstra Air, in June 2015, with hotspots already provided in more than 250 cities and towns. We aspire to offer Australians access to two million hotspots across the nation by 2020, and we already provide access to more than 16 million international hotspots through our partnership with Fon Wireless Ltd.

We have a strategic growth plan designed to transition Telstra into a global technology company that empowers people to connect, and we continued to invest in new businesses to grow our coverage and capability outside of Australia.

We have made a number of acquisitions, including Pacnet Limited, a provider of connectivity, managed services and data centres in the Asia Pacific region. This acquisition increased the scale and capability of our fixed infrastructure, network density and coverage across the region, as well as our customer base and operational capability.

We announced our joint venture (JV) with Telkom Indonesia in the first half of the year. The JV launched a suite of network applications and services in the second half for domestic enterprises and multinationals operating in Indonesia.

In the last 18 months Telstra Health has completed 15 acquisitions, investments and distribution agreements and built capabilities across the health system including electronic prescription and dispensing, residential,

aged and community care software, hospital information systems, telemedicine, health analytics and other solutions to help patients, providers and health professionals connect more efficiently.

During the year, we also finalised revised NBN Definitive Agreements with NBN Co and the Commonwealth, preserving value for shareholders, as we maintained the overall value of the original agreements. These agreements became effective in June 2015. As with the original agreements, the estimated value of the revised agreements is based on a range of dependencies and assumptions over the long term life of the agreements.

Telstra continued to create shareholder value through capital and portfolio management actions undertaken during FY15.

Our \$1 billion share buyback was substantially oversubscribed, a sign of the strong market support for this as an efficient way of returning capital to shareholders.

Shareholders can also elect to participate in our Dividend Reinvestment Plan, which we have introduced for the FY15 final dividend. Shareholders have until 28 August 2015 to lodge their election to participate.

Outlook

In 2016 Telstra expects to deliver mid-single digit income growth and low-single digit EBITDA growth. Free cashflow is expected to be between \$4.6 billion and \$5.1 billion and capital expenditure to be around 15 per cent of sales to fund increased mobile network investment.

This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex.

The Australian Competition and Consumer Commission is consulting on new Access Determinations including a draft determination on Fixed Line Services. While Telstra disagrees with the draft decision on fixed line services, the EBITDA reduction in FY16 would be up to \$90 million if implemented from October.

Retail shareholder information meetings

In September, we are pleased to again host a series of retail shareholder information meetings around the country with our senior executives. This year, meetings will be held in Brisbane, Perth, Adelaide and Sydney. Further details can be found in the attached flyer.

Our Annual General Meeting will be held on Tuesday 13 October 2015 in Melbourne and we look forward to sending you our Notice of Meeting in the coming weeks.

We thank you for your loyalty as a shareholder and welcome your comments and feedback. These can be provided to investor.relations@team.telstra.com, via phone on 1800 880 679, or in the mail to the Investor Relations Department, Telstra, Level 25, 242 Exhibition Street, Melbourne, VIC 3000.

Catherine Livingstone AO
Chairman

Andrew Penn
Chief Executive Officer



TELSTRA RETAIL SHAREHOLDER INFORMATION MEETINGS

Date	Time	Location	Presenters
Monday 21 September	1.00pm	Hilton Hotel 190 Elizabeth Street Brisbane	Andrew Penn, Chief Executive Officer Warwick Bray, Chief Financial Officer
Tuesday 22 September	10.00am	Four Points Sheraton 707 Wellington Street Perth	Warwick Bray, Chief Financial Officer Guy Champion, Area General Manager
Monday 28 September	10.00am	Crowne Plaza 16 Hindmarsh Square Adelaide	Kate McKenzie, Chief Operations Officer Will Irving, GMD Telstra Business
Tuesday 29 September	10.30am	Wesley Conference Centre 220 Pitt Street Sydney	Andrew Penn, Chief Executive Officer Karsten Wildberger, GMD Telstra Consumer

For those shareholders unable to attend a meeting, the Brisbane event will be webcast live. There is no need to register for the webcast. Please visit the following link prior to 1pm on Monday 21 September at www.telstra.com.au/shareholdermeetings

Please register at your location:

☎ Dial 1800 131 011 and follow the prompts or

✉ Email shareholder.meetings@team.telstra.com

🌐 Visit our website for more information at www.telstra.com.au/shareholdermeetings

This is a retail shareholder information session and an opportunity for shareholders to ask questions of management. It is not open to the media. We expect the sessions to last approximately two hours.