



06 February 2017

The Manager

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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



First half results and capital allocation feedback

6 February 2017

Dear Shareholder,

Telstra will report on its financial results for the half year ending 31 December 2016 on Thursday 16 February. We would like to invite you to view a live broadcast of these results where Telstra's Chief Financial Officer Warwick Bray and I will discuss our progress and performance for the six month period.

Please visit <https://www.telstra.com.au/aboutus/investors/financial-information/financial-results> from 9:15am AEDT on 16 February 2017.

In November 2016 we informed our shareholders that we would review our capital allocation strategy over the next 6-12 months. This review would take into consideration the long term business and financial profile of Telstra.

We are considering the best use of nbn payments and the most effective way of maximising long term shareholder value from these cashflows.

In the next four to five years Telstra will receive one-off payments and recurring payments associated with the migration to nbn. Specifically we will be reviewing how we allocate and structure both sets of receipts to determine how we can enhance shareholder value from them.

The review will also cover long term capital expenditure post nbn, and investment decisions including our mergers and acquisition criteria and take into consideration shareholder returns including dividends, buy-backs and other forms of return.

We always welcome and consider the views of our shareholders and in November 2016 we said that we would seek feedback from all of our stakeholders specifically on our capital allocation strategy. We appreciate the feedback received to date and would now like to remind shareholders who are yet to provide feedback that there is an opportunity to share your views and priorities.

Feedback can be provided directly by emailing investor.relations@team.telstra.com or by visiting our website and completing the webform available at <https://www.telstra.com.au/aboutus/investors>.

Please note leading up to the release of the half year financial results, we are unable to discuss our financial performance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Penn', is written over a light blue circular background.

Andrew Penn
Chief Executive Officer