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Office of the Company Secretary

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

General Enquiries 08 8308 1721
Facsimile 03 9632 3215

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

Chairman and Chief Executive Officer - Annual General Meeting presentations

In accordance with Listing Rule 3.13.3, I enclose the presentations of the Chairman and Chief Executive Officer (including the Chief Financial Officer in relation to NBN), which will be delivered today at the Telstra Corporation Limited 2010 Annual General Meeting.

Regards

Carmel Mulhern
Company Secretary

Telstra AGM, Chairman presentation
Catherine Livingstone, Chairman

Good morning ladies and gentlemen.

I'm Catherine Livingstone, the Chairman of your company, and on behalf of my fellow directors, I am pleased to welcome you to the 2010 Telstra Annual General Meeting.

I also welcome shareholders viewing today's proceedings on our Investor Relations website and via BigPond Live TV, either on the internet or the T-Box.

A quorum is present and I declare this Meeting open. A Notice of Meeting has been distributed and will be taken as read.

Let me first outline the process of today's Meeting.

There are 5 items of business on the agenda:

1. Presentations by myself; your Chief Executive Officer, David Thodey; and your Chief Financial Officer, John Stanhope.
2. Discussion of financial statements and reports.
3. Election of a Director.
4. Adoption of the Remuneration Report.
5. Approval of updates to Telstra's Constitution.

The Board has received approximately 600 questions in advance from shareholders, with the main themes being the company's strategy, its share price, remuneration, the Board, the National Broadband Network, customer service and billing issues.

David Thodey, John Stanhope and I will respond to these themes as follows.

I will address the future direction of the industry and its implications for Telstra's strategy, the share price performance, remuneration, and governance.

David will comment further on changes in the industry, and the impact on Telstra, including an analysis of the 2010 financial year results, and a discussion of progress in relation to customer service.

He will then address Telstra's strategy execution and forward outlook.

John Stanhope will then provide more detail with regard to the status of the NBN, following on from the non-binding Financial Heads of Agreement announced in June.

After the NBN update from John, I will take questions from the floor regarding Telstra's business, and the financial statements.

Reflecting a change of procedure introduced this year, we will then move to the specific resolutions relating to the Election of a Director, the Remuneration Report, and the new Constitution.

Could I ask all shareholders to hold any questions they may have regarding these three matters until we consider the specific individual resolutions.

Progress with customer service initiatives will be detailed by David in his address, and we acknowledge that there is more work to be done. Nonetheless, the AGM is not a helpful forum in which to resolve individual customer issues.

Could I therefore ask that any questions relating to individual customer service problems be raised with staff at the customer service desk, or with customer service representatives here in the auditorium.

As indicated in the Notice of Meeting, to ensure we can represent the views of as many shareholders as possible, I will call a poll in relation to agenda items 3, 4 and 5. No resolution is required in relation to item 2.

I will now open the poll, so that those of you who need to leave early, can take the opportunity to vote, by completing the voting section on the reverse of your yellow shareholder card and placing it in one of the ballot boxes near the exits.

For the comfort of shareholders, we will have light lunch available in the foyer from 12 noon.

Now, allow me to introduce Telstra's auditors. Joining us today we have Sean Van Gorp and his colleagues from Ernst & Young.

We also have members of Telstra's Executive Leadership Team seated here in the front row.

Joining me on stage are,

Carmel Mulhern, our Company Secretary; and

The Telstra Board, including our newest Director, Dr Nora Scheinkestel, who is up for Election at this meeting, having been appointed as a non-executive Director on 12 August.

I will now ask each of your directors to introduce themselves individually.

I would like to take this opportunity to thank all my fellow Directors for their individual and collective contributions to the Board, and to thank the Senior Executive Team, and all of Telstra's staff, for their efforts and dedication during the past year.

Turning now to the question of strategy:

Shareholders, let me put Telstra's current position into an industry context.

Modern telecommunications can be roughly broken into three eras: Places, People and Things.

The era of connecting places, through telegraph lines and phone lines, took a century – and created 1 billion connections.

The era of connecting people, through mobile phones and the internet, has taken the past 15 years – and created 5 billion connections.

And the era of connecting things, through smart networks and smart devices, is now underway.

By 2020, this new era of connecting machine to machine will create 50 billion connections globally to the mobile Internet alone, and up to 1 trillion connections across fixed and mobile networks by 2030.

These connections will make the digital home and digital business possible.

Everything that can be connected will be connected – not just at home and at work, but in between as well.

Everything, from phones to cars, to fridges to televisions will be connected.

Telecommunications equipment company, Ericsson, has predicted that this explosion in devices will see data traffic on networks such as Next G and Next IP grow 1,000 fold by 2020.

We are already experiencing this, with data traffic on Telstra's mobile networks doubling every 12 months.

In the medium to long term, this demand is good news for Telstra – because there is an enormous need for our wireless and IP networks, which are widely considered to be the world's best in the global telecommunications industry.

In the short-term, however, this new demand is a challenge.

It is a challenge, because no telecommunications company in the world – including Telstra – has yet created the business model to fully monetise that new demand.

Traditionally, fixed line voice traffic – or PSTN revenue – has been the core business model for telecoms.

Increasingly, though, our core business is becoming data.

The reason for this Industry Transition is simple: people are moving away from the fixed telephone and instead communicating via mobiles, the mobile internet and social media.

That is why PSTN revenue is falling around the world.

Since 2005, Telstra's PSTN revenue has fallen by $1.9 billion – from $7.7 billion to $5.8 billion, in spite of the fact that Telstra has done better than most of its global peers in arresting this decline.

Nevertheless, the fundamental move to mobility for voice has occurred.

In the same period since 2005, Telstra's mobile voice revenues have risen and there has been an explosion in the use of phones for everything from text messaging to social media to Web browsing.

That is why total mobile revenues have increased by $2.6 billion – from $4.7 billion to $7.3 billion and now exceed PSTN revenue.

What this demonstrates is that the voice-led business model is being superseded by the new data-led business model, driven by phenomena such as smart phones.

This Industry Transition is a major challenge for telecommunications companies globally.

It means they have to:

> Transform their networks and systems to keep up with the demand for data;
>
> Simplify their operations to improve processes and customer service <u>and</u> reduce costs;
>
> And evolve their product and service offerings to secure profitable revenue from the explosion in the use of devices, and demand for data.

Telstra is well placed to make this Industry Transition, because – as reported to you over the past several AGMs – we have invested in a network and systems Transformation program between 2005 and 2010.

The Transformation has delivered some of the best wireless and IP networks in the world, and reconfigured our IT system architecture.

We are still taking advantage of the Transformation, with recent initiatives like the doubling of Next G's peak downlink speed from 21 Mbps to 42Mbps in many areas.

As announced in August, we are now building on the capabilities of our Transformed Networks by investing in Industry Transition.

The aim of the strategy is to ensure Telstra maintains its position as market leader while ...

> Simplifying our business processes, delivering better service to our customers, and reducing operating costs,
>
> And bringing innovative products and services to the market, including the T-Box IPTV product and our enterprise cloud computing services.

While part of our Industry Transition strategy is self funding – that is, we will save on operating costs, which will pay for the simplification and service initiatives – the investment in market position and new products is a cost in the current year.

However, it is a cost which will underpin the performance of the business in future years, and, as a Board, we must have regard to the long term interests of shareholders.

We did have a choice – we could have resiled from the Industry Transition challenge, but, in so doing, we would have eroded the benefit of our transformed network assets, and, while we could have delivered more profit in the short-term, we would have damaged the long-term health of the business, particularly in the context of an imminent NBN world.

The point I am making is this. Telstra is in a strong position: we have the strategy and networks, people and capabilities to lead the industry as it transitions to a data-led, internet dominated, multi-device and connected world – and, in Australia, an NBN world – where product and service differentiation will be essential.

However, in the short-term we need to do more to protect shareholder value, because your Board is very concerned by Telstra's undervalued share price.

We believe there are several factors putting pressure on the share price:

1. Telstra's lack of growth during the past year in total sales revenues and profits,
2. Uncertainty surrounding the ongoing NBN negotiations,
3. Uncertainty about Telstra's future strategy,
4. The Future Fund shareholding overhang,
5. Concern as to the sustainability of the dividend,
6. And a devaluation of incumbent telecom stocks globally, reflecting concern at the magnitude of the Industry Transition underway.

Let me deal with each of these issues in turn.

1. Results: In relation to the performance of the past financial year, David will provide a more detailed analysis, but it was a year of two halves, with momentum in the market place regained in the second half and continuing into the current year.

2. NBN: John Stanhope will shortly provide more detail on the question of the progress following on from our NBN announcement in June. We remain focused on ensuring that we turn the non-binding Financial Heads of Agreement into Definitive Agreements with NBN Co. and, as appropriate, with the Government.

   We believe that the terms we have negotiated are in the best interests of shareholders, and the Government has indicated that implementing the NBN policy is one of its highest priorities. In that regard, our interests are aligned.

3. Strategy: In terms of Telstra's strategy, I have outlined the changing industry context and the strategic initiatives Telstra has taken, and will take, to ensure that it leads and adapts to the future world of telecommunications.

4. Future Fund: The Future Fund has stated that it is not a long term holder of Telstra's stock at its current portfolio weighting, and has signalled an intention to sell down over time. In fact the Future Fund informed the market last month that it had recently reduced its holding by approximately 1 per cent. We believe this has put pressure on Telstra's share price.

5. Dividend: Telstra has maintained a 28 cent fully franked dividend for the past four financial years. Your Board's position has not changed since our full year results in August, and our Investor Day in September.

   Let me reiterate. It is the Board's intention to maintain this 28c fully-franked dividend for this year and for next year.

   This is, of course, subject to the Board's normal process for the declaration of dividend at each half year, and there being no unexpected material events.

In view of the factors I have noted, and notwithstanding the measures being taken to reduce the level of uncertainty, your Board is of the view that the shares are currently materially undervalued.

Your Board is confident that Telstra has the right strategy and is resolute in ensuring its execution.

As I have said, NBN discussions are progressing well and it is important we finalise them as soon as possible. When this occurs the Board will consider capital management options.

Moving now to the Remuneration Report.

At last year's Meeting I stated that aspirational targets needed to be met for at-risk remuneration to be fully earned.

Telstra did not achieve several of its financial objectives in 2010 – and this had a considerable impact on remuneration levels for our Senior Management team.

As confirmed in the Remuneration Report, short term incentive payments for Senior Executives averaged 22.7% [*per cent*] of their maximum potential – by far the lowest payment level in our recent history.

The fiscal 2007 Long Term Incentive plan also reached its final testing point in June this year. Despite having met many of the performance measures in the plan, all options from the grant have lapsed due to Telstra not meeting the plan's overall Total Shareholder Return gateway hurdle.

The proportion of the 2008 and 2009 LTI plans tested in June also resulted in nil vesting.

I will talk in more detail about the Remuneration Report when we come to that item in the agenda.

Turning now to Governance.

During the year your Board undertook a rigorous performance self-assessment, conducted by an external Board performance expert, and involving feedback from peers as well as management.

The review addressed the performance of the Board as a whole, as well as of each individual director, and a separate review of my performance as Chairman.

The Review concluded that the Board has a good mix of skills and is operating effectively as a group. Areas for ongoing strengthening were identified for both the Board and each individual.

As noted earlier, we have appointed Dr Nora Scheinkestel to the Board to strengthen its financial and analytical skills, and enhance diversity.

The topic of diversity has had increased prominence in corporate Australia recently.

Your Board strongly believes in the benefits which accrue to the company from promoting diversity in its many forms throughout the organisation.

In fact, Telstra's diversity policy initiatives have been in place for several years and have now been formally adopted as part of our Diversity Policy Framework.

In conclusion, the Board's primary concern is the creation of value for shareholders.

Telstra is part of an industry that, globally, is in the midst of a fundamental Transition that is creating both challenges and opportunities.

The challenge is to manage the shift from a fixed line voice-focused business model to a multi-device, data-focused business model.

The opportunity is to capitalise on the Industry Transition which is driving an explosion in demand that will place telecommunications at the heart of every industry and community.

Telstra has a strong set of assets which are key enablers in this digital world.

Our strategy has been set to ensure that Telstra secures value from these assets by playing a significant role in Australia's future as a digital economy.

I will now hand over to Telstra's Chief Executive, Mr David Thodey.

Thank you.

Telstra AGM, CEO presentation
David Thodey, CEO

Thank you Catherine and good morning.

Over the past 12/15 months we have made substantial progress in achieving a number of important milestones......

- It began with us re-establishing a dialog with the Government and achieving a draft NBN heads of agreement - $11 billion in consideration for shareholders.
- We gained operational stability in our IT systems,
- We have regained momentum in the market,
- We have begun the re-orientation of the company so that the customer will be at the heart of everything we do,
- We have embarked on a complete review of every process in the business to simplify how we work, reduce our cost structure and improve customer service,
- We are responding to the changing industry dynamics – as Catherine has just mentioned.

I am pleased to report that we are starting to see the early signs of our strategy working – with strong growth in our customer base and some early data that indicates our customers are experiencing an improvement in service levels...though we still have a long way to go!

We are absolutely committed to finishing each of these initiatives – making your Company truly customer centric and improving our financial results.

This morning I would like to discuss three major areas.....

1. Firstly, I will talk about some of the fundamental changes facing this industry, not just in Australia but across the world.........and how this represents a great opportunity for us to leverage our world-class networks ....and the incredibly diverse range of products and services we offer in the market;
2. Secondly, I will discuss our 2010 results and the success we had in controlling our costs.....
3. Finally, I will touch on our 3 year strategy..... and I will also talk about some of the early momentum we have seen from our investment in customer growth.

Our very clear objectives are....

- improve our financial results, and
- successfully complete the NBN negotiations and
- improve customer service

so that the market can correctly value your company.

This is an exciting and growing industry.....

Think for a moment about how your communications experience has changed over the last 10 years. If you think that you are communicating electronically more than ever before – you are right!

We have seen a 5-fold increase in the growth of electronic communications over the last 10 years.

- While the number of phone calls you make each year has not changed (roughly 1500 calls per person each year) – around 50% of our phone calls are now on a mobile and we talk 50% longer on the phone.
- We have seen a 30-fold increase in the number of text messages we send.
- We have seen email traffic increase exponentially
- There has been a 20-fold increase in the amount of time we spend on the internet watching videos and retrieving information…and increasingly we are doing this over wireless networks. Sensis now has 8M users visiting their website every week.
- …and now new social media services like Twitter, MySpace, Facebook, and YouTube have more users than the population of the United States. It is hard to imagine another industry that is experiencing the same exponential growth in demand for their products and services.

This unprecedented change in the way we communicate is impacting the way we live and work…and Telstra is right at the heart of this change.

Also, we are seeing new innovative products that are stimulating demand:

- the Apple iPhone, Google Android phones and the iPad;
- the new Telstra T-Touch Tab;
- the new first next-generation home phone, the Telstra T-Hub, and
- our innovative new way to watch TV over the internet – the Telstra T-box.

There is more innovation coming from our industry than the rest of the ICT sector.
These are exciting innovations.

However, these innovations are resulting in a change in the structure of our industry. The revenue and sources of profit for our company are shifting…so we must continually adapt to these market dynamics and we must continue to change and evolve every year.
Let me give you some examples:

- Fixed line telephony (or PSTN) usage continues to decline and therefore the revenue and profit from this product portfolio is less;
- Mobile revenues continue to grow but only partially offset the PSTN revenue declines – and our mobile business is not as profitable as our legacy fixed line business;

- We have seen an enormous growth in the use of Broadband over the last five years. We now have 2.3M Retail Fixed Broadband customers and 1.9M wireless broadband customers. However, the growth rate of wireless Broadband is far faster than fixed Broadband – stimulated by our world class NextG network.

- The final example of the changing industry and revenue mix is the non-consumer part of our business – this is the transition from legacy data products to modern IP access and all the benefits that brings. Our transformation investment in the NextIP network supported this transition and has been critical is allowing us to compete effectively in new enterprise services such as cloud computing.

These are not just trends we are seeing in Australia – these are global trends.

Every major telecommunications company in the world is battling with this unprecedented demand.....and this changing revenue and profit mix.

An additional consideration for Telstra has been the decline in our wholesale revenues due to regulatory change.

While the number of wholesale services we provide to resellers has remained constant over the last 5 years.....our wholesale revenues have declined by 20%.

This has been a direct result of the reduction in wholesale prices by the Regulator.

We have seen an acceleration in this decline in wholesale revenues over the last 18 months as Telstra Wholesale customers have accelerated the shift of their product mix to significantly lower cost regulated wholesale services (called ULL and LSS).

These regulatory changes makes it difficult to forecast the future revenues of this business.

One of the very important benefits of concluding the NBN negotiations is that we will be able to operate in an environment with greater regulatory certainty – in fact, this is a pre-condition of concluding this transaction.

To summarise the industry trends:

- This is a dynamic and rapidly evolving industry;

- We are communicating more than we have ever done and in new ways;

- There is incredible demand for our products and services, with the amount of information carried on our mobile network doubling every 12 months and on our fixed network doubling every 20 months. This puts pressure on our networks;

- We are seeing a changes in our revenue and profit pools;

- We are seeing pressure from changes in regulation.

It is against this backdrop that our 2010 result needs to be considered.

As I mentioned, over the last 12 months we have made some significant progress:

- We wrapped up a 5-year technological transformation, which included the nextG and NextIP networks

- We started up a 3-year renewal of our operations and service,

- We launched a raft of new bundles and products – including T-Box and T-Hub,

- We negotiated with the Commonwealth and NBN Co. over the National Broadband Network and reached the non-binding financial heads of agreement,

- And we started to regain some momentum in the market.

But it really was a year of two halves.

We exited 2009 with disappointing results as we were constrained by IT systems changes that limited our ability to bring new products and offerings to market in the first half of 2010.

As you can see from this chart – the momentum definitely lifted in the second half of last year and we emerged leaner and more competitive as we came into this year.

In the second half of last year we also delivered some stronger results in key product areas.

Mobile services grew 7.1% in the second half against less than 5% in the first half.

We added 11K Fixed broadband customers in the second half, after declining 30k in the first half.

However, PSTN fixed line declines remain a concern in line with global trends.

We finished the year with renewed momentum but we lost market share.

2010 was also about delivering on our transformation promise from 2005……… to reduce cost in the business and grow FCF.

This is very important because it is often overlooked. In 2010 we generated free cashflow of $6.2B and paid down $1.7b of debt.

To get to these targets, we showed our ability to attack the cost base of the company, with nearly $500M million dollars reduction in operating expenses and more that $1B reduction in capital expenditure.

But one year is not enough.

We must continue to re-invent this business to ensure that this strong performance is sustainable in the long-term.

Our challenge is how to respond to these opportunities and drive sustainable, profitable growth.

The most important strategic challenge we face is how to monetise this change in demand for our products and services.

As we looked at our business last Christmas....we had three concerns....

- our loss of market share,
- the pressure on our operating costs and
- our declining customer satisfaction.

As Catherine mentioned, we had a difficult choice to make as we looked at our 3-year strategy....

1. Should we manage the business for short-term cash, rather than addressing the cost structures of the business and the loss of customers?
2. OR, should we manage this business for long-term returns....... by investing to retain market share, improving customer service and embarking on a continuing transition process to drive a lower-cost operating model?

We choose option 2, because we could not ignore the fundamental changes that are underway in this industry, and we are committed to serving the long-term interests of you......our shareholders..

To address these challenges we have embarked on a 3-year strategy through implementing 4 strategic initiatives.

1. Improve our customer service – we must do the basics right.

2. Retain and grow our customers.

3. Simplify and restructure the business.

4. Develop new businesses to grow the company and shareholder value – with a focus on organic growth.

These 4 initiatives will build a stronger Telstra with a new business model.

Improving customer satisfaction is central to this new business model – and, ultimately, beneficial to shareholders. I will touch on our progress in this area later.

The remaining initiatives are focussed on driving improved profit and cash-flow outcomes in 2012 and beyond are:

Project New is the umbrella term we have for the end-to-end programme that is looking at restructuring and simplifying our business.

This is not another quick cost cutting programme focussing on low-hanging fruit – it is a cross-company program that will review every process in the business.

We have already made several announcements around the restructuring of Telstra Consumer and Countrywide........and the Chief Marketing Office and there are many still to come.

It is essential that this company must change its cost base and become a sales and marketing-led business.

We are pleased with the early results of our strategy. As you can see from this chart, we are seeing strong customer growth across our key product categories and we are winning customer market share..

The combination of product bundles offering enhanced value to customers, more competitive price points, our superior Next G network and new products like the T-Box and T-Hub are all contributing to improved sales volumes.

For example, when we compare the June quarter to this last quarter we have seen strong customer growth across all product areas:

- Bundled customer growth has increased from 141K to 220K, up 56%;
- T-Hub and T-Box growth has increased from 23K to 93K;
- 41K new Prepaid mobile unique users;
- 116k new Postpaid mobile handheld customers, 197% increase;
- 59k new FBB customers; and
- 251k new WBB customers, a 67% increase.

These trends have continued in October and we are expecting a strong Christmas period.
I want to stress an important point – these numbers do not automatically translate into improved financial performance.

Sustained momentum is necessary to produce improved revenue and EBITDA. We are managing this very closely.

But we are well on the way. To continue the momentum we must win in the consumer market.

Before I conclude with a brief discussion on the outlook for the business, I want to touch on our progress around improving customer service and satisfaction.

I am sure many of you here today will have interacted with us in some way over the last 12 months, and I have received many letters from our shareholders…some with specific issues and others kindly offering help and advice.

I do honestly appreciate hearing from you and I do read the vast majority of letters.

While we are making progress – we still have a long way to go. It will take us at least 3 years to deliver the level of customer service we believe we should provide to our customers.

We have made a number of significant changes this year…and the company is now moving to make the customer the centre of everything we do…but this is a journey

All staff and executives in the company now have 40% of their at-risk pay based on achieving a company-wide target of a 6% increase in customer satisfaction…as measured by the voice of our customers.

There are some early leading indicators that suggest things are slowly but surely travelling in the right direction.

Some examples for you:

- We have case managed more than 230,000 customer premise moves with our dedicated team;

- We have serviced more than 11,000 weekend technician appointments;
- We have received more than 1 million calls after hours since introducing 24 x 7 sales and service;
- Reduced TIO complaints by a third across FY10.

We have much to do…but we have begun this journey.

In conclusion I want to make a brief comment on the outlook.

I want to reiterate the guidance for fiscal 2011 provided to the market in August that you can see behind me.

I currently expect our half-year results.... will show higher customer numbers, a low double digit decline in EBITDA as a result of increased redundancy costs in the first half and a change in the recognition of revenue from the Sydney Yellow Pages from the first half to the second half.

We are focused on making sure that we generate value from the investments we are making this year. While this is a significant investment of nearly a billion dollars, we have made clear that we will see the benefits in terms of improved financial performance from 2012.

I think you will understand from Catherine's comments and the announcement around our dividend policy, we have confidence in the strength of this company.

It has been an active 18 months – we have addressed many of the outstanding issues that confronted us 15 months ago………we have taken some aggressive actions to respond to the changing market conditions………. we are clear about our strategy and our focus is now on execution.

We still have much to do – especially around improving customer service.

It is a privilege to lead this company, which has so many hard working and gifted staff and executives. I do want to thank them for their commitment and dedication.

The company remains strong and in an excellent position to capitalise on the emerging market opportunities.

The NBN negotiations also remain critically important.

We are keen to see the negotiations move forward as quickly as possible with the Government and NBN. We are very clear on what is required to conclude these negotiations so that we can bring this proposal back to you for a decision.

I would now like to hand over to our CFO and my fellow Executive Director, John Stanhope to provide you with a quick update on NBN.

Thank you

Telstra AGM – National Broadband Network Update

John Stanhope, CFO and Executive Director

Thank you, and good morning.

I would like to give you an update on the National Broadband Network negotiations.

Let me start by explaining the very important cornerstones of the agreement that we are working on.

Firstly, there are what we call “conditions precedent”.

What that means is that a number of things need to happen before we can even consider recommending a deal to you, our shareholders.

These pre-conditions include a number of pieces of legislation, some of which have been introduced to Parliament.

Regulated pricing stability is also an important pre-condition. And the negotiations and valuation have as a base that price stability remains.

Then there are the components of the approximately $11b we receive under the non-binding financial heads of agreement we signed with NBN Co back in June.

This $11b is after tax and in today’s money.

Of the $11b of valuation, around $9b relates to fair consideration for decommissioning our copper and cable broadband network, and agreement for NBN Co to pay for access to Telstra’s infrastructure over a 30 year period.

It is important to remember that this consideration will not be received upfront, but over the course of many years.

The remaining $2 billion is the value to Telstra of the Government’s commitments to policy changes which will reduce certain costs, primarily for the Universal Service Obligation.

Other measures are included – such as the responsibility for new estate developments passing to NBN Co and a commitment by the Government to fund the retraining of our workforce.

Finally, there are a number of things that need to happen once all of this is lined up.

We need to get ACCC approval, which will provide us with more regulatory certainty in this business.

We also need to get an independent expert to review any agreements and ensure that the value to our shareholders of this arrangement is fair value. Only then will our shareholders have the information to finally vote on these agreements at an EGM.

I also want to talk to you for a moment about timing since we get a lot of questions about this. In particular, how we hope to get from the Heads of Agreement announced last June to a potential EGM in mid 2011.

With so many factors still to be resolved, timing remains uncertain, but the first step is the continued work towards finalising the draft Definitive Agreements with NBN Co by Christmas.

In order to do this, a number of Government decisions around the Universal Service Obligation and how and where the industry will connect to NBN Co are required to provide certainty as we work towards an agreement.

Yesterday, the Minister, Senator Stephen Conroy, indicated that the Government would be making these decisions in the coming weeks.

The next stage is for the required legislation to progress through parliament.

I cannot second guess the political process, and this may take many months, but as you will have seen, debate on the first Bill commenced in Parliament this week and may be debated in the Senate next week.

With draft Definitive Agreements finalised and Legislation passed we can then work towards the final two key components of the deal - ACCC approval and an independent expert review of any agreement.

With the required 28 days notice to shareholders, we still believe we could bring this to a shareholder vote by the middle of next year.

NBN Co is also committed to this objective.

And, yesterday, the Minister expressed the Government’s support for this mid 2011 timeline for conclusion.

We are committed to keeping you well informed – providing you with all the information you require to make a decision.

I want to cover one final important issue.

We hear a number of observers suggesting that the $11b number is still open to negotiation.

So, let me be clear. As a Board, the approximately $11b is the value we believe is necessary for us to recommend our shareholders vote for our participation in the NBN in preference to other alternatives.

Both the Government and NBN Co acknowledge this position and yesterday the Minister told Parliament:

> “I am confident that the independent expert will confirm full value for Telstra when the full NBN deal proposal is put to shareholders in mid 2011.”

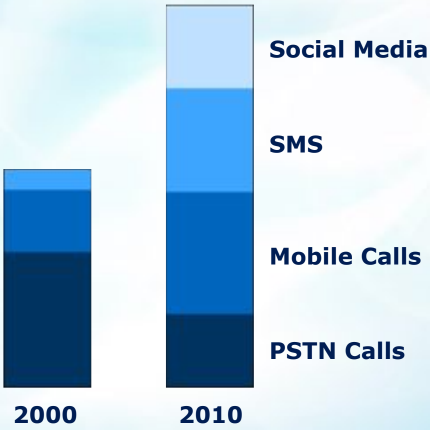
Given the complexity of the negotiation and the implementation details and the importance of the outcome, we owe it to you, our shareholders, to make sure that we have not left any stone unturned. We will not compromise on the best interests of our shareholders.

Thank you, and I will now hand back to the Chairman

David Thodey

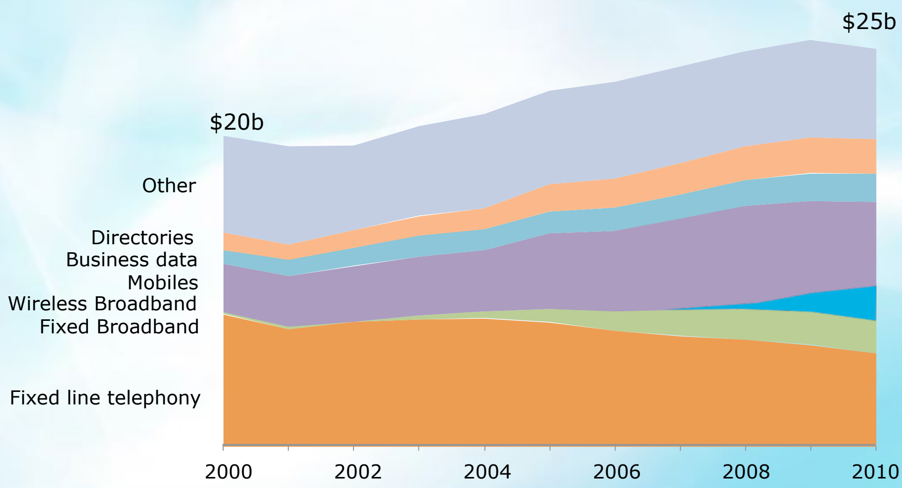
CEO

Changing the way we communicate

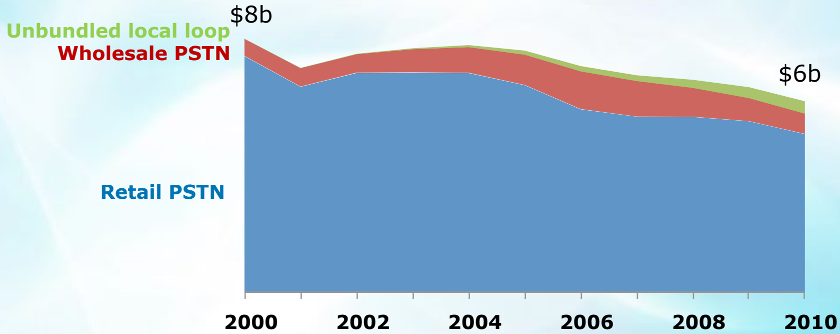


New products to stimulate demand

Long-term Telstra revenue trends

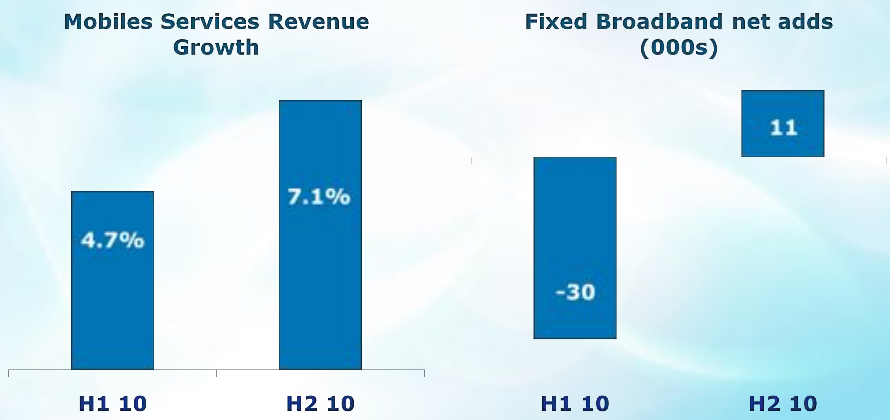


Impact of changing regulatory environment on fixed revenue base

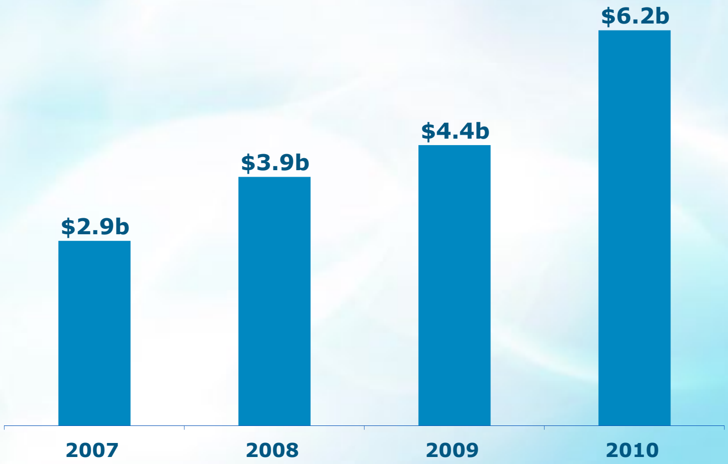


2010 milestones – a year of two halves

Second half of FY10 – improved operating momentum



2010 in review – cash and costs



Four strategic initiatives

TRANSITION

1. IMPROVING CUSTOMER SERVICE
2. RETAIN AND GROW CUSTOMERS
3. SIMPLIFYING THE BUSINESS

GROWTH

4. NEW GROWTH BUSINESSES

Early results of our strategy – strong customer growth

Product	Apr-June 2010 net adds ('000)	Jul-Sept 2010 net adds ('000)	QoQ change
Bundles	141	220	56%
T-Box and T-Hub	23	93	n/m
Prepaid handheld unique users	-45	41	n/m
Postpaid mobile handheld	39	116	197%
Wireless broadband	150	251	67%
Total mobile SIOs	100	364	264%
Retail Fixed Broadband	14	59	321%

Customer service metrics

- 230,000 customer premise moves with our dedicated team
- 11,000 weekend technician appointments
- 1 million calls after hours since introducing 24 x 7 sales and service
- Reduced TIO complaints by a third

Conclusion, guidance and NBN opportunity

Measure	Guidance*
Sales Revenue	Flattish
EBITDA	High single digit percentage decline
Capex	14% of sales
Free cashflow	$4.5 - $5.0 billion

* Guidance assumes wholesale product price stability, no additional impairments to investments and excludes proceeds from the sale of businesses