





IT'S HOW WE CONNECT
TELSTRA 2012 ANNUAL REVIEW





ANNUAL REVIEW

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Becoming an e-Shareholder

Telstra encourages shareholders to elect to receive their communications electronically. By providing your email address you will receive your dividend statements, Notice of the Annual General Meeting and Shareholder Updates (including summary financial information) by email notification. This is also important if we want to communicate with you at short notice in relation to current issues.

Please refer to the Managing my Telstra Shareholding online section for instructions on how to do this.

Please contact our share registry on 1300 88 66 77 or email telstra@linkmarketservices.com.au should you require any further information relating to your shareholding.

Managing my Telstra Shareholding Online

1. Go to www.linkmarketservices.com.au/telstra
2. Enter your SRN/HIN (this can be found on your latest dividend statement), your post code, the security code displayed and read and accept the terms and conditions.

Use the following sections to help you locate information about your Telstra holding(s):

Holdings – here you can access your transaction history, holding balance, holding value and see the last closing share price.

Payment & Tax – here you can access your dividend payment history, payment instructions and your TFN. Shareholders can update bank details here.

Communication – use this section to become an e-Shareholder. You can update your postal address, email address and communication elections here.

Annual Report

Telstra's 2012 Annual Report is available to all shareholders on our Investor Website at www.telstra.com.au/annualreports. To receive a hardcopy of the statutory Annual Report (free of charge) you can call our Share Registry on 1300 88 66 77 and request the report be sent to you. You may also update your communication election online to receive future copies of the Annual Report. Please refer to the Managing my Telstra Shareholding online section for instructions on how to do this.

Communicating With Our Shareholders

Our online Investor Centre www.telstra.com/investor is an important tool for our shareholders where you can access all the latest news, information and shareholder communications faster. If you are an e-shareholder, we will let you know when there is something important for you to view or download.

Additional Sustainability Reporting

Selected graphs and data presented in this report are included in our Bigger Picture sustainability reporting series. This series provides detailed information and analysis for our stakeholders on Telstra's sustainability performance. We develop our reporting with reference to industry and sustainability standards including the United Nations Global Compact Communication on Progress, Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and Telecommunications Sector Supplement (pilot). The GRI Index and Bigger Picture series can be found online at www.telstra.com.au/sustainability.

2012 KEY HIGHLIGHTS

1.6M

NEW MOBILE
CUSTOMERS
IN AUSTRALIA

36%

REDUCTION IN
CARBON EMISSIONS
INTENSITY

NBN

AGREEMENTS
FINALISED

28¢

FULLY-FRANKED
DIVIDEND PER
SHARE

\$240M

SOCIAL AND
COMMUNITY
INVESTMENT

7M

CALLS HANDLED
OUT OF HOURS

OVER
30%

GROWTH IN
BUNDLED
CUSTOMERS



FINANCIAL RESULTS

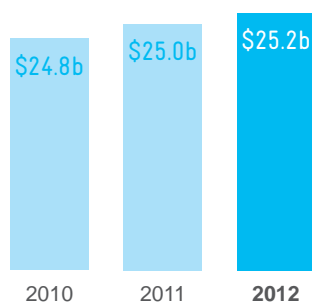
FIVE YEAR SUMMARY

	2012 \$m	2011 \$m	2010 \$m	2009 \$m	2008 \$m
Sales revenue	25,232	24,983	24,813	25,371	24,657
EBITDA ⁽¹⁾	10,234	10,151	10,847	10,948	10,416
EBIT ⁽²⁾	5,822	5,692	6,501	6,558	6,226
Profit after tax	3,424	3,250	3,940	4,076	3,711
Dividends declared per share (cents)	28	28	28	28	28
Total assets	39,525	37,913	39,282	39,962	37,922
Gross debt	17,222	16,232	16,031	17,036	16,285
Net debt	13,277	13,595	13,926	15,655	15,385
Total equity	11,689	12,292	13,008	12,681	12,245
Accrued capital expenditure	3,591	3,410	3,471	4,598	4,897
Free cashflow	5,197	5,477	6,225	4,365	3,855

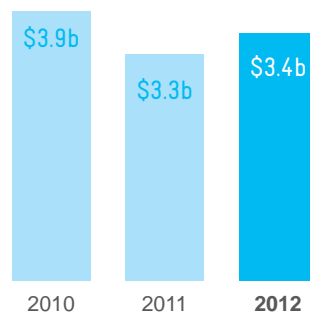
(1) Operating profit before interest, depreciation and amortisation and income tax expense. EBITDA is used as a measure of financial performance by excluding certain variables that affect operating profits but which may not be directly related to all financial aspects of the operations of the company. EBITDA is not a measure of operating income, operating performance or liquidity under A-IFRS. Other companies may calculate EBITDA in a different manner to us.

(2) EBITDA less depreciation and amortisation.

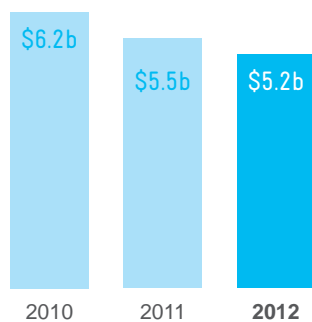
SALES REVENUE



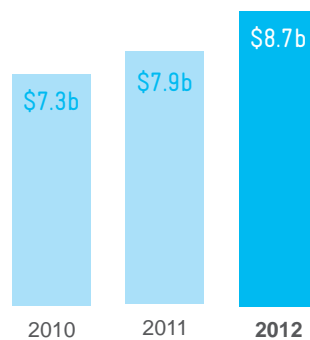
PROFIT FOR THE YEAR



FREE CASHFLOW



MOBILE REVENUE



NON-FINANCIAL RESULTS

KEY PERFORMANCE INDICATORS

OUR CUSTOMERS

	2012 Objective	2012	2011	2010
Customer satisfaction <i>Score</i>	7.2	7.3	6.9	6.8
TIO complaints <i>Level 1 Complaints per month per 10,000 SIOs</i>	No more than 2.0	1.9	3.1	-
Disability Action Plan <i>Percentage of commitments completed</i>	66%	75%	-	-

OUR PEOPLE

Employee engagement <i>Survey score</i>	77%	77%	75%	75%
Health and safety <i>Lost Time Injury Frequency Rate (LTIFR)</i>	1.5	1.32	1.30	2.32
Gender diversity <i>Women in executive management</i>	25%	25.0%	22.7%	22.4%
Volunteering during Telstra time <i>Number of days</i>	1,500	1,375	-	-
Payroll Giving <i>Participation rate</i>	3.0%	2.7%	3.5%	-

OUR COMMUNITY

Social and community investment <i>Total (millions of dollars)</i>	Ongoing investment	\$239.8m	\$248.0m	\$262.1m
Everyone Connected (targeted programmes) <i>People impacted</i>	Establish baseline	101,500	-	-

OUR ENVIRONMENT

Carbon emissions <i>Tonnes of carbon dioxide equivalent (tCO₂e)</i>	Minimise our impact	1,676,925	1,659,714	1,687,777
Carbon emissions intensity <i>tCO₂e per terabyte of data</i>	15% reduction to 1.64	1.24	1.93	-
e-waste (MobileMuster) <i>Tonnes collected</i>	14.5 tonnes collected	14.3	17.3	18.9

OUR GOAL IS TO BRING THE SOCIAL AND THE ENVIRONMENTAL INTO THE HEART OF THE ORGANISATION IN WAYS THAT CREATE VALUE.



CHAIRMAN AND CEO MESSAGE

WE CONTINUE TO FOCUS ON THE STRATEGIC PRIORITIES OF IMPROVING CUSTOMER SATISFACTION; RETAINING AND GROWING CUSTOMER NUMBERS; SIMPLIFYING THE BUSINESS AND DEVELOPING NEW GROWTH BUSINESSES. THESE PRIORITIES ARE DELIVERING POSITIVE RESULTS.

Dear Shareholders,

We are pleased to present you with a review of Telstra's operations and sustainability initiatives over the 2012 fiscal year. This year we have brought together our annual and sustainability reports because we believe these two topics are interwoven. We believe that, as a business, our ability to prosper over the longer term hinges on our response to the changing social and environmental expectations of employees, customers, investors, regulators and the wider public.

KEY OUTCOMES

In fiscal year 2012, Telstra continued to deliver on its commitments to shareholders. Telstra achieved growth in sales and profit; increased market share and grew profitability in key growth products; and was able to offset declines in legacy products with growth in businesses such as mobiles and network applications and services.

This year we also announced a clear framework for capital management and how we will look at the use of cash and shareholder returns in the future. Telstra also paid a fully franked total dividend of 28 cents per share for the 2012 fiscal year which returned \$3.4 billion to shareholders.

NATIONAL BROADBAND NETWORK (NBN)

The finalisation of the National Broadband Network Agreements with the Commonwealth and NBN Co was another highlight for the year.

This followed on from the shareholder vote at our 2011 Annual General Meeting which was overwhelmingly in favour of Telstra's participation in the roll out of the NBN. The NBN Agreements are now in place and we are working closely with NBN Co in implementing them. Telstra has also launched retail and wholesale services over the NBN following successful trials in the early release sites.

2012 HIGHLIGHTS

Total revenue for the 2012 fiscal year increased by 1.1 per cent to \$25.4 billion while net profit after tax increased by 5.4 per cent to \$3.4 billion. There are a number of highlights that contributed to this result:

We recorded one of our best ever years in mobiles. We added 1.6 million domestic mobile customers, and mobile revenue grew 8.5 per cent to \$8.7 billion.

We are also changing the way that we interact with our customers. While there is more work to do in this area, the positive response to the many new customer service initiatives we have introduced shows we are making progress.

We have continued to look for ways to improve and simplify our business. Initiatives like our online and electronic bill services allow us to save costs while improving customer satisfaction.

Our growth initiatives of Network Application and Services, Media and International continue to build on our core business.

SUSTAINABILITY

This fiscal year, Telstra established a Chief Sustainability Office to support the company in responding to the community's changing expectations. We are pleased with the progress we have made on our sustainability agenda. Our ambition is to bring social and environmental considerations into the heart of our business in ways that create value for shareholders while benefitting all stakeholders.

Our Chief Sustainability Office is focussed on three key challenges: helping our most vulnerable customers and communities to interact safely and connect in the digital world; engaging and equipping our employees to build sustainability thinking, behaviour and practices into their everyday work; and developing an enterprise-wide environmental strategy and customer value proposition as part of our commitment to demonstrate environmental leadership.

This year we celebrated 10 years of the Telstra Foundation, with over \$40 million donated in support of 7,000 projects across Australia over the past decade.

During 2012, through our *Access for Everyone* programme, we worked with over 2,000 community organisations across Australia to deliver \$179.8 million of products and services that help disadvantaged Australians remain connected. We increased our Telstra Group employee engagement score from 75 per cent to 77 per cent, and we reduced our carbon emissions intensity by 36 per cent.

OUTLOOK*

Looking ahead, we expect the business will continue to grow in fiscal 2013. We are forecasting low single digit total income and EBITDA growth, with free cashflow between \$4.75 and \$5.25 billion.

Telstra expects capital expenditure to be around 15% of sales over the next two years as we plan to invest in our mobile network and in the delivery of infrastructure to NBN Co in order to bring forward benefits from the NBN agreements.

As announced in October 2011, it is the company's intention to maintain a 28 cent fully franked dividend for fiscal 2013. This is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

We are confident we have the right strategy in place and we are committed to delivering on it.

C B Livingstone

Catherine B Livingstone AO
Chairman

David Thodey

David Thodey
Chief Executive Officer



* Guidance assumes wholesale product price stability, no impairments to investments and excludes any proceeds on the sale of businesses and the cost of spectrum purchases. The foreign exchange impairment on TelstraClear expected on completion is also excluded.

BOARD OF DIRECTORS

CATHERINE B LIVINGSTONE

AO, BA (Hons), Hon DSc (Murdoch),
Hon DBus (Macquarie), FCA, FTSE, FAICD

Ms Livingstone joined Telstra as a non-executive Director in November 2000 and was appointed as Chairman in May 2009. She is the Chairman of the Nomination Committee and a member of the Audit, Remuneration and Technology Committees. She was a member of the NBN Due Diligence Committee whilst it was operative.

DAVID I THODEY

BA, FAICD

Mr Thodey became Chief Executive Officer and an executive Director in May 2009.

TIMOTHY Y CHEN

BSc (Applied Mathematics), MSc
(Computer Science, Mathematics), MBA

Mr Chen joined the Telstra Board as a non-executive Director in April 2012. He is a member of the Audit Committee.

GEOFFREY A COUSINS

Mr Cousins joined Telstra as a non-executive Director in November 2006. He is a member of the Nomination and Remuneration Committees.

RUSSELL A HIGGINS

AO, BEc, FAICD

Mr Higgins joined the Telstra Board as a non-executive Director in September 2009. He is a member of the Audit Committee. He was a member of the NBN Due Diligence Committee whilst it was operative.

JOHN P MULLEN

Mr Mullen joined Telstra as a non-executive Director in July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee.

NORA L SCHEINKESTEL

LLB(Hons), PhD, FAICD

Dr Scheinkestel joined Telstra as a non-executive Director in August 2010. She is Chairman of the Audit Committee and was Chairman of the NBN Due Diligence Committee whilst it was operative.

MARGARET L SEALE

BA, GAICD

Ms Seale joined the Telstra Board as a non-executive Director in May 2012.

JOHN W STOCKER

AO, MB BS, BMedSc, PhD, FRACP, FTSE

Dr Stocker joined Telstra as a non-executive Director in October 1996. He is a member of the Audit and Technology Committees, and served as Chairman of the Audit Committee from December 2001 until June 2012. He was a member of the NBN Due Diligence Committee whilst it was operative.

STEVEN M VAMOS

BEng (Hons)

Mr Vamos joined the Telstra Board as a non-executive Director in September 2009. He is also a member of the Nomination and Remuneration Committees.

JOHN D ZEGLIS

BSc Finance, JD Law

Mr Zeglis joined Telstra as a non-executive Director in May 2006. He is Chairman of the Technology Committee.



Pictured left to right: Timothy Chen, John Mullen, Nora Scheinkestel, John Zeglis, John Stocker AO, Catherine Livingstone AO, David Thodey, Russell Higgins AO, Geoffrey Cousins, Margaret Seale, Steven Vamos.

OUR BUSINESS

WHO WE ARE

TELSTRA IS A COMPANY OF CONNECTIONS. EVERY DAY WE HELP MILLIONS OF AUSTRALIANS CONNECT TO THE PEOPLE AND THINGS THAT MATTER MOST TO THEM.

We believe the more connected people are the more opportunities they have. That's why we build technology and content solutions that are simple and easy to use – including Australia's largest fully integrated IP network and Australia's largest and fastest national mobile broadband network.

As Australia's leading telecommunications and information services company, Telstra is proud to be helping our customers improve the ways in which they live and work through connection.

INDUSTRY CONTEXT

CONNECTIVITY IS DRIVING AN EXPLOSION IN DEMAND ON OUR NETWORKS.

Trends such as the growth in the internet, digitisation of content and our insatiable need to communicate every day are changing our lives and the industry.

We will continue to build on the strengths of our network, offering new products and services and putting the needs of our customers first. We are confident we have the right strategy and we are delivering on that strategy.

STRATEGIC OVERVIEW AND PRIORITIES

OUR VISION IS TO IMPROVE THE WAY PEOPLE LIVE AND WORK.

We aim to be one of the most admired, respected and trusted telecommunication companies in the world. Telstra is changing. We are building a new company from the inside out based on four

strategic priorities of improving customer satisfaction, retaining and growing our customer numbers, simplifying the business, and developing new growth businesses.



IMPROVE
CUSTOMER
SATISFACTION



RETAIN
AND GROW
CUSTOMER
NUMBERS



SIMPLIFY
THE
BUSINESS



DEVELOP
NEW GROWTH
BUSINESSES

SUSTAINABILITY

SUSTAINABILITY IS EMBEDDED IN OUR APPROACH TO OUR CUSTOMERS, OUR PEOPLE, OUR COMMUNITIES, AND OUR ENVIRONMENT.

At Telstra, sustainability is a business approach that creates long-term value by embracing the opportunities and managing the risks derived from economic, environmental, social and

technological developments. Sustainability is an important part of how we will achieve our vision to improve the way people live and work.



OUR
APPROACH



OUR
CUSTOMERS



OUR
PEOPLE



OUR
COMMUNITY



OUR
ENVIRONMENT

IMPROVE CUSTOMER SATISFACTION

OUR GOAL: TO DELIVER OUR CUSTOMERS A GREAT SERVICE EXPERIENCE. TO CONTINUE TO WORK HARD TO MAKE SURE THAT OUR CUSTOMERS ARE AT THE CENTRE OF EVERYTHING WE DO



WE WANT OUR CUSTOMERS TO BECOME OUR GREATEST ADVOCATES. TO ACHIEVE THAT, WE HAVE TO WIN AND RETAIN THE TRUST OF OUR CUSTOMERS – ONE CUSTOMER AT A TIME.

Putting the customer at the centre of everything we do at Telstra has become critical to the way we work and the decisions we make. As part of this journey, we have been looking at ways we can make life better and simpler for our customers - and we are making progress.

Over the past twelve months, we have introduced usage alerts to help consumer customers better manage their mobile spend. Customers can now get online service support, 24 hours a day, seven days a week through the use of social media services including Facebook and LiveChat.

Customers can also connect with us online via one of thirteen applications we have developed for iPad[®], iPhone[®] and Android devices.

As a result of these and other service improvements, we have seen a 6 per cent improvement in customer satisfaction surveys, fewer calls are being made to our call centres and we have seen a reduction in Level 1 complaints to the Telecommunications Industry Ombudsman.

There still remains a lot to do but each day we continue to change how we interact with our customers.

TELSTRA HAS RECENTLY INTRODUCED THE NET PROMOTER SYSTEM (NPS) WHICH IS THE NEXT STAGE IN IMPROVING CUSTOMER SATISFACTION.

NPS will help drive innovation, continuous improvement and behaviour changes, all aimed at enhancing the customer experience. Our aim is to delight our customers and turn them into advocates.

ONLINE SERVICES ARE NOW AVAILABLE TO OUR CUSTOMERS 24 HOURS A DAY, SEVEN DAYS A WEEK.

Last year, 30 per cent of Telstra's customer service transactions were completed online following the launch of several key online service capabilities.

FACEBOOK 24x7



Customers can interact with customer service consultants by posting on the Facebook wall or by using the LiveChat feature to chat to a consultant online. We aim to respond to all Facebook posts within the hour.

CROWDSUPPORT



We have launched CrowdSupport, an online community forum aimed at extending the range of customer service options.

Linking from telstra.com, it's a place where consumer and business customers can help each other with information about Telstra's products and services, share tips and experiences or discuss new and upcoming releases.

APPLICATIONS



iPad[^], iPhone[^] and Android customers now have the ability to monitor, control and modify their account from their device, a service which was previously only offered through a desktop computer.

www.telstra.com/apps

NET PROMOTER SYSTEM

Telstra has introduced the Net Promoter System as the next stage in improving customer satisfaction. We want to turn customers into advocates by giving them the best possible service. Every day we receive around 20,000 pieces of feedback from our customers that our staff and partners listen to and learn from.

This is one of the biggest change programmes ever undertaken by Telstra. We have asked every Telstra employee to treat our customers the way they would like to be treated themselves.



RETAIN AND GROW CUSTOMER NUMBERS

OUR GOAL: RETAIN AND GROW
OUR CUSTOMER NUMBERS
TO DRIVE REVENUE GROWTH
AND LONG TERM VALUE FOR
OUR SHAREHOLDERS



WE ARE GRATEFUL FOR THE MANY CUSTOMERS WHO CHOSE TELSTRA THIS YEAR. THE QUALITY OF OUR NETWORKS AND SERVICE IS A KEY DIFFERENTIATOR AND IS CONTINUING TO DRIVE GROWTH IN OUR BUSINESS.

Telstra's product offers and network investments continued to attract new customers during the year.

We recorded one of our best ever years in mobiles with 1.6 million domestic mobile customers added. Over the past two years we have acquired over three million domestic mobile customers.

The breadth and quality of service our customers enjoy when using our Next G[®] mobile network continues to provide us with an important competitive advantage. Our competitive bundled plans have also seen an increase in our fixed retail broadband customer base with 203,000 customers added last fiscal year. We now have more than 1.4 million customers on a bundled plan.

AUSTRALIANS NOW HAVE ACCESS TO ONE OF THE WORLD'S MOST ADVANCED MOBILE NETWORKS DELIVERING SOME OF THE FASTEST MOBILE SPEEDS AVAILABLE.

In September 2011, we were the first Australian company to launch a commercial 4G LTE mobile network. 4G mobile broadband provides super-fast, truly mobile internet access giving you the freedom to visit more places and keep in touch.

Our 4G network now covers more than 40 per cent of the Australian population. Over the next two years we will be making an additional investment to accelerate the roll out of our 4G network.

TELSTRA HAS ALSO STARTED TO PROVIDE SERVICES TO OUR CUSTOMERS ON THE NATIONAL BROADBAND NETWORK (NBN).

Townsville mum Julie Boxsell is completely sold on the high-speed fibre optic network.

"It's like the Wright brothers compared to the jumbo jet. It's so much better, so much more stable and so much faster. It's wonderful," said Julie.

Julie says she had become a prolific user of Telstra's services on the NBN ranging from downloading recipes on her T-Hub® to using the T-Box® as a video juke box for her husband's 50th birthday party.

"These days, I have three young children and two computers upstairs and a T-Box®. It's not uncommon for my husband to be watching a horse racing channel on T-Box®, for me surfing the net and for the kids to be on the computer watching Club Penguin and there's never a hitch.

There was no way I could do that before," she said.

Julie uses the T-Box® as the primary entertainment remote control.

"It's absolutely brilliant. The TV gets turned on and it all comes through the T-Box®. The remote control is intuitive and it is so easy and simple. It has taken over my DVD, my hard drive and everything else.

"I love all the stuff I can do with it. I love being able to rent movies and a minute later I can be watching it. I love that I can get YouTube. In the old days when we had ADSL, I gave up on YouTube because I couldn't watch a video because of all the stops and starts. But now I can watch things instantly," she said.

When Julie and her family celebrated her husband's 50th birthday, they spent the evening downloading songs and watching live performances on YouTube via their T-Box®.

"It was so fast. There was never a hiccup. We didn't have to wait at all," she said.

Julie is also sold on Telstra's customer service and customer support.

"I've tried elsewhere but I have always come back to Telstra. I can trust the product. They stand behind it. If I have an issue with the hardware, they help me with it. It just seems natural to me to have that continue and just have one bill," she said.



Pictured: Julie Boxsell using Telstra's T-Hub®. Julie Boxsell received Telstra services on the NBN on Telstra's fastest plans for free during the trial.

SIMPLIFY THE BUSINESS

OUR GOAL: SIMPLIFY
THE BUSINESS, IMPROVE
CUSTOMER SERVICE AND
SAVE UNNECESSARY COSTS



SIMPLIFYING THE BUSINESS
IS A COMPANY-WIDE PROJECT
THAT HAS HELPED CHANGE
TELSTRA'S CULTURE.

We are creating a new Telstra – a Telstra that is about simplicity and service. If the business is simpler, then we are focusing on the right things, not wasting time on the things that do not matter to our customers.

Our people now understand the need to focus on simplifying the way we operate, improving the way that we serve our customers, and finding ways to save time and money.

We see significant opportunity to provide innovative support to our customers using new digital technology and services.

In addition to the improvements we have made online, we have centralised our marketing, pricing, product management and product innovation businesses. We have also rationalised and streamlined corporate centre functions.

The end result is greater efficiency for our company and our customers.



ONLINE

This year we revamped our website, enhancing navigation and search functions to deliver an overall improvement in the customer experience.

As part of this revamp we have launched a new online shopping experience. The cornerstone of this shop is the interactive mobile plan selector, which helps customers choose a plan that suits them and is one component of the overall strategy to make the online shopping experience as simple and user friendly as possible. Combined with an innovative design, the shop has been well received as an industry leading online experience. The online shop has exclusive offers, free delivery for mobiles, provides 24x7 support to customers and helps provide a safe and secure experience.



T-ANALYST

For our business and enterprise customers we have launched T-Analyst. T-Analyst is an online billing and reporting tool developed to make organising and managing Telstra invoices easier.

T-Analyst allows customers greater control while saving time as they can now review historical bill information (once accrued), generate reports that summarise billing data across multiple invoices and billing periods and view trend reports on historical telecommunication costs.

T-Analyst has been well received by customers and is an initiative aligned to our continued focus on simplification and customer satisfaction.



DIGITAL BILL

We now have over 1.6 million customers receiving their bill in a digital format.

Customers can receive their bill via an emailed PDF, online through My Account or using one of the Telstra apps through an iPad[®], iPhone[®] or Android device. From any of the digital bill formats customers are easily able to navigate through to payment.

We also offer a dual bill programme for those customers who are planning a move to digital bills so they can become familiar with receiving their bill digitally before switching off their paper bills.

DEVELOP NEW GROWTH BUSINESSES

OUR GOAL: TO DEVELOP GROWTH BUSINESSES IN THE AREAS OF NETWORK APPLICATIONS AND SERVICES, MEDIA AND INTERNATIONAL



WE ARE LOOKING TO GROW THE TELSTRA BUSINESS, NOT JUST PROTECT OUR CURRENT MARKET SHARE.

Developing the growth businesses of Network Applications and Services, Media and International is a key pillar of Telstra's strategy.

Network Applications and Services (NAS) is growing because it can make an enormous difference to businesses – increasing productivity, lowering costs, reducing risk and creating new platforms for innovation.

Telstra Media was established to drive growth from our media assets and manage the transition to digital at our Sensis directories business. This group is responsible for the management and growth of the domestic directories and advertising business and includes the management of leading information brands including Yellow Pages®, White Pages®, and our investment in Digital Media content and the FOXTEL partnership.

We recently announced an exclusive arrangement with MOG, a next generation music subscription service. MOG gives subscribers access to 16 million

music tracks. The high-quality streaming music service is available through compatible PCs, digital music players, Apple and Android smartphones, tablets and wireless HiFi systems. Partnering with companies such as MOG allows us to offer customers compelling content to suit their needs.

Telstra International encompasses our international assets outside Australia and New Zealand. It includes leading Hong Kong mobile operator, CSL; our mainland China businesses which provide digital media services in auto, IT and consumer electronics; and Telstra Global, our global connectivity business.

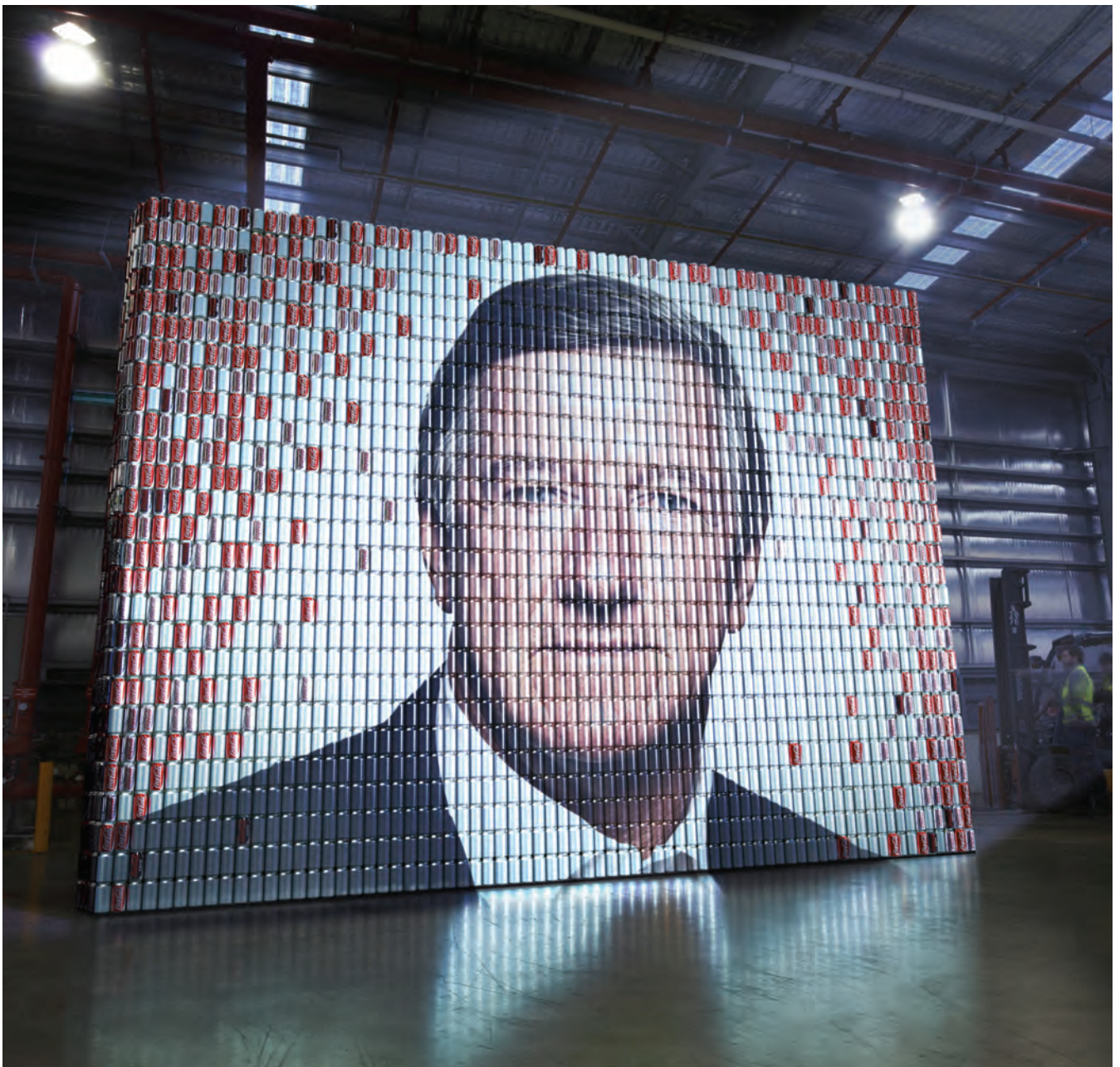
Our international businesses continue to perform well. Our Hong Kong subsidiary, CSL, added 475,000 new mobile customers last fiscal year and grew revenue by 10 per cent in local currency.

COCA-COLA AMATIL AND NAS

COCA-COLA AMATIL (CCA), ONE OF THE WORLD'S TOP FIVE COCA-COLA BOTTLERS, IS A TRUE NAS CUSTOMER.

Since signing a ten year agreement with Telstra in 2009, CCA has gone on to deploy such innovations as Cashless Payments via Telstra's Machine to Machine solution and, most recently, a Digital Media Strategy that has delivered revenue increases upwards of 50 per cent in some venues.

Underpinning this is the reliability of Telstra's network, as well as its end-to-end management. This combination of Network, Applications and Services has contributed much to CCA's goal of using ICT to become a more productive and thus more profitable business, whilst also delivering great customer service.



Terry Davis, Group Managing Director of Coca-Cola Amatil currently features in Telstra's *The Clever Australian* campaign. For more information, visit www.telstra.com/thecleveraustralian/cca

SUSTAINABILITY – CONDUCTING OUR BUSINESS RESPONSIBLY

OUR GOAL: TO BRING THE SOCIAL AND THE ENVIRONMENTAL INTO THE HEART OF THE ORGANISATION IN WAYS THAT CREATE VALUE



FOR TELSTRA, SUSTAINABILITY IS A BUSINESS APPROACH THAT CREATES LONG-TERM VALUE BY EMBRACING THE OPPORTUNITIES AND MANAGING THE RISKS DERIVED FROM ECONOMIC, ENVIRONMENTAL, SOCIAL AND TECHNOLOGICAL DEVELOPMENTS. SUSTAINABILITY IS AN IMPORTANT PART OF HOW WE WILL ACHIEVE OUR VISION TO IMPROVE THE WAY PEOPLE LIVE AND WORK.

SUSTAINABILITY GOVERNANCE

The Telstra Sustainability Council is the key governing body for sustainability at Telstra. It is chaired by our Chief Executive Officer, David Thodey, and comprises the Group's Executive Leadership Team. The Council is responsible for the review and monitoring of Telstra's sustainability approach and performance, and normally meets three times a year. Regular reports on progress are provided to the Chief Executive Officer and the Telstra Board.

Telstra's Chief Sustainability Officer provides the strategic leadership for sustainability at Telstra, manages the Chief Sustainability Office (CSO), which was established in late 2011, and is responsible for the implementation of our approach and programmes. During 2012, we integrated key functions from across Telstra into the CSO, recruited and appointed key executives, and developed Telstra's first integrated sustainability approach and performance scorecard.

UNITED NATIONS GLOBAL COMPACT

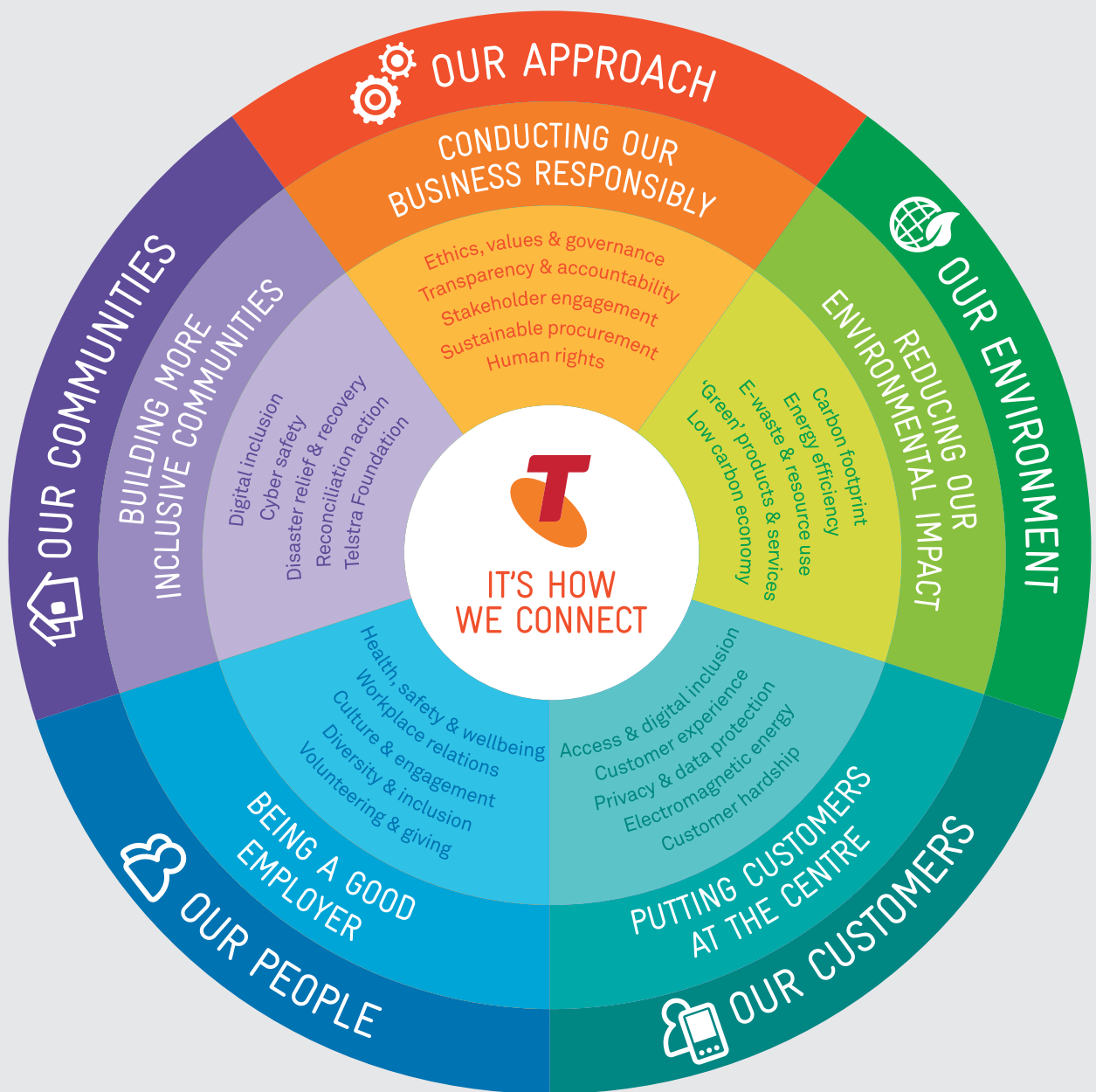
In December 2011, Telstra became a signatory to the United Nations (UN) Global Compact, signalling our commitment to the highest levels of responsible business practice in the markets in which we operate. We are committed to aligning our operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Our commitment to these principles and our communication on progress is reflected in our sustainability reporting.

Find out more:

www.telstra.com.au/sustainability

TELSTRA SUSTAINABILITY FRAMEWORK

TELSTRA'S SUSTAINABILITY FRAMEWORK IS BUILT AROUND FIVE KEY PILLARS AND INDICATES OUR BROAD GOALS AND KEY SUSTAINABILITY ISSUES.



SUSTAINABILITY – PUTTING CUSTOMERS AT THE CENTRE

OUR GOAL: TO ENSURE THAT ALL AUSTRALIANS ENJOY THE EVERYDAY BENEFITS OF BEING CONNECTED TO MODERN COMMUNICATION TECHNOLOGIES



AS AUSTRALIA'S LARGEST TELCO, WE ARE COMMITTED TO KEEPING THE CUSTOMER AT THE CENTRE OF EVERYTHING WE DO.

EVERYONE CONNECTED

We recognise the fundamental role Telstra plays in promoting economic and social inclusion. Our *Everyone Connected* customer programmes support around 1.3 million Australians each year and utilise Telstra's core capabilities, assets, expertise and national presence to support access, skills development and safety for those Australians and communities most in need. Programme effectiveness is enhanced through an independent advisory committee – The Low Income Measure Assessment Committee (LIMAC) – comprising representatives from national community organisations and the Federal Government. LIMAC annually assesses the effectiveness of Telstra's low income programmes and reports to the Minister for Communications.

Customers experiencing disadvantage

In 2012, the Centre for Social Impact conducted a social impact study of three of our *Access for Everyone* services. It showed that while emergency relief services such as *Bill Assistance* have a significant positive social impact, there is a gap in services for people on a low income who rely on a pre-paid mobile. Research conducted by LIMAC also identified the need

for a pre-paid recharge emergency relief service and an affordable broadband internet service for low income families with children in school. Next year, we will respond to these findings by expanding our *Access for Everyone* offering.

Customers with disability

This year, we conducted a mid-term review of our fifth *Disability Action Plan 2010-2012*. The Plan recognises the benefits that modern information and communications technologies bring to people with disability and communications challenges, and incorporates actions to provide a better experience for our customers with disability and their carers.

Customers in remote Indigenous communities

In 2012, we completed the ADSL2+ (high speed internet) upgrades in four remote Indigenous communities and partnered with the Torres Strait Island Regional Council to deliver ADSL2+ to 15 islands in the Torres Strait. We developed simplified calling cards for use in payphones in remote communities, and calls to the hotline for Indigenous customers increased by six per cent from 2011.

CYBER SAFETY

We work with industry, government, law enforcement and community organisations to help our customers understand and manage the risks associated with the online world. This year, we released new research into the key cyber safety concerns for parents and provided advice on how to manage the risks through public announcements, our social media channels and on our website.

PRIVACY PROTECTION

Protecting our customers' privacy is a core priority, and we know that we have to do better. While this year's privacy complaints remained relatively stable, there were a number of regrettable privacy incidents involving customer data. Our response to these incidents was to immediately contain the breach, identify the source, notify impacted customers and put in place remedial actions.

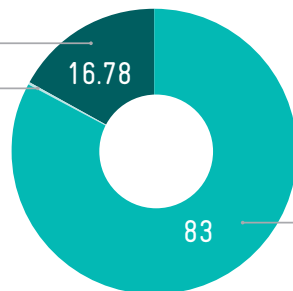
We have since reviewed product and technology development and deployment processes, and committed to improving staff training to ensure that privacy and security controls are properly implemented. We continue to take a strong, proactive approach to prevent such incidents from happening again.

EVERYONE CONNECTED – CUSTOMER PROGRAMMES

% OF TOTAL INVESTMENT

CHARITY AND
NON-PROFIT
DISCOUNT

DISABILITY
SUPPORT
0.22



ACCESS FOR EVERYONE

- **Disability Equipment Hotline:** 32,000 calls
- **Disability Equipment programme:** supplied 9,600 products

- **Pensioner discounts:** 1.154m households
- **Free home phone service:** 80,000 customers
- **Rebate certificates for payment of Telstra bills:** 2,600 customers per month
- **Secure phone services:** 1,500 community crisis accommodation providers



CELEBRATING TEN YEARS OF ACCESS FOR EVERYONE

This year marks the tenth anniversary of our *Access for Everyone* programmes, which assist people on a low income or facing financial hardship to stay connected. Since 2002, we have provided benefits to the value of two billion dollars as part of these programmes. To deliver *Access for Everyone*, Telstra works with over 2,000 community organisations across Australia – from large national organisations such as The Salvation Army to smaller local community agencies like the Tangentyere Council in Alice Springs (NT).

In 2012, we added the Cancer Council to the list of agencies we support, helping them to ease the financial burden experienced by many people after the news of a cancer diagnosis. Telstra's bill assistance certificates will increase the impact of the Cancer Council's Financial Assistance Programme, helping people affected by cancer stay connected and reducing their financial burdens during a time of need.

SUSTAINABILITY – BEING A GOOD EMPLOYER

OUR GOAL: TO ATTRACT AND BUILD A WORLD-CLASS TALENT BASE AND CREATE A HIGH-PERFORMING, CUSTOMER-CENTRIC CULTURE



OUR AIM IS TO CREATE A WORKPLACE CULTURE THAT SUPPORTS OUR TRANSFORMATION TO A MORE EFFICIENT, INNOVATIVE AND CUSTOMER-CENTRIC BUSINESS.

CULTURE & EMPLOYEE ENGAGEMENT

This year, we achieved an engagement score of 77 per cent, a two percentage point increase on the previous year. This score puts us two percentage points above the Australian National Norm and five percentage points below the Global High Performing Norm. Results show that employees now have more clarity and confidence in Telstra's vision and great belief in the quality of our customer service.

HEALTH, SAFETY & WELLBEING

This year, early intervention initiatives have helped us to meet our targets for lost time injury frequency rates (LTIFR) and serious injury rates. We also achieved significant reductions in the number of days lost due to workplace injury or illness, and in average days lost per 'lost time' injury.

GENDER DIVERSITY

In 2012, we increased female representation among Non-Executive Directors to 30 per cent and achieved our objective for 25 per cent representation of women in Executive management. We also saw positive trends in promotion rates for women in the majority of business units, and a rise in the engagement level of women compared to last year. Overall female representation across Telstra and Sensis remained steady at 31 per cent. In the coming year, we will continue a proactive company-wide education programme to improve the use and application of Telstra's flexible work and careers policies, and inclusion will remain a key priority for all Telstra leaders.

EMPLOYEE VOLUNTEERING & GIVING

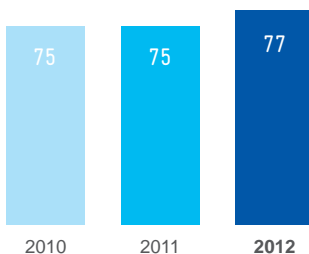
In December 2011, we introduced paid volunteer leave for Telstra employees and established a small number of strategic community partnerships to help drive high volume volunteering. We achieved a total of 1,375 employee volunteering days (including Sensis) for the year and have set a target of 5,000 days for next year.

This year, 2.7 per cent of Telstra employees made a donation through payroll giving, contributing more than \$221,000 to 16 charities. At Sensis, 6.6 per cent of employees contributed around \$59,000 to 20 charities via payroll giving donations, which were matched by Sensis dollar for dollar.

Next year, with funding support from the Telstra Foundation, we will introduce dollar for dollar matched payroll giving and enable employees to give to any registered charity in Australia, providing an additional incentive for our people to participate.

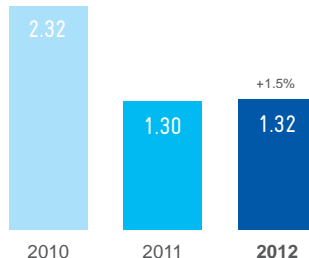
EMPLOYEE ENGAGEMENT

EMPLOYEE ENGAGEMENT SURVEY SCORE – TELSTRA GROUP (%)



LOST TIME INJURY FREQUENCY RATE

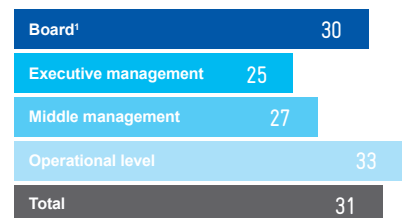
RATE OF OCCURRENCES OF LOST TIME (LTIFR)



notes:
An LTIFR is the reported number of occurrences of lost time arising from work-related injury or disease for each million hours worked.

REPRESENTATION OF WOMEN BY EMPLOYMENT LEVEL

TELSTRA-PAID AND SENSIS – BY % OF WORKFORCE



notes:
1 – Non-Executive Directors



TELSTRA VOLUNTEERS LEND A HAND TO THE RED CROSS

Lasily Thomas and his team from Telstra Operations took advantage of Telstra's new paid volunteer leave, heading to the Australian Red Cross distribution centre in Altona (VIC), to sort and pack donated clothing. Thanks to our volunteers, donated items were prepared for distribution to Australian Red Cross stores across the country.

The day provided an opportunity for the team to bond outside of its usual work environment, while contributing to a community cause. According to Telstra

volunteer, Irene Law, "it was a humbling experience volunteering at Red Cross Australia. Understanding the contribution of the Red Cross in reaching out to those who are coping with really significant issues simply reinforced how fortunate most of us are, and how important it is to give back in some way to those doing it tough".

This year, almost 100 Telstra employees from 13 teams participated in volunteering opportunities with the Australian Red Cross.

SUSTAINABILITY – BUILDING MORE INCLUSIVE COMMUNITIES

OUR GOAL: TO ENSURE THAT EVERYONE IN OUR COMMUNITIES ENJOYS THE BENEFITS OF COMMUNICATION TECHNOLOGIES AND THE SOCIAL AND ECONOMIC BENEFITS THEY BRING



WE ARE TARGETING PROJECTS THAT CONNECT PEOPLE TO THE INTERNET, BUILD THEIR ONLINE SKILLS, AND PROMOTE CYBER SAFETY.

In 2012, our objective was to bring strategic alignment to our social and community investment, with a stronger focus on digital inclusion and a 'shared value' approach to community investment.

TELSTRA FOUNDATION

Over 2012, the Telstra Foundation invested more than \$4 million into community organisations that share our vision of making a positive and lasting difference to the lives of Australia's children and young people. In May 2012, the Telstra Foundation launched the *Everyone Connected* grants programme, which provides one million dollars in the form of one hundred \$10,000 grants to support the digital inclusion initiatives of local community organisations. We are targeting projects that connect disadvantaged children and young people to the internet, build their online skills or promote cyber safety. In addition to the grants, this year the Telstra Foundation supported eight ongoing community digital inclusion projects with more than \$890,000 in funding.

The Telstra Foundation established a six-year partnership with The Alannah and Madeline Foundation to deliver eSmart Libraries to all public libraries in Australia. The initiative will assist 1,500 public libraries across the country to be safe and responsible in the online world. The program will commence next year.

TELSTRA CONNECTED SENIORS

Telstra Connected Seniors[®] helps to address the 'digital divide' experienced by many older Australians. It provides grants to community organisations to deliver training courses and hold events to help senior Australians master new mobile and internet technology. In 2012, almost 52,500 senior Australians received training through events, face-to-face sessions and DVDs loaned through libraries across Australia. Around 45,000 seniors accessed online content through our dedicated website.

RECONCILIATION ACTION

This year, the Telstra Foundation supported five Indigenous community projects with \$1.4 million in funding. This included support for the Cathy Freeman Foundation's *Palm Island Early Learning Program*, which is making a positive impact on early childhood literacy. We also provided \$300,000 to continue our support of One Laptop Per Child (OLPC) Australia, which provides remote primary school students

with a purpose built XO laptop and connects them to the rest of the world. Since May 2009, OLPC Australia has deployed more than 6,000 laptops in more than 100 communities. This year also marks our 21st year as the major sponsor of the National Aboriginal and Torres Strait Islander Art Award, the longest running, most prestigious Indigenous art award in Australia.

DISASTER RELIEF & RECOVERY

In times of disaster, Telstra provides telecommunications services to evacuation centres, where we establish temporary internet services, and provide free loan handsets with SIM cards and free phone cards. We also provide relief assistance packages to affected residential and small business customers. In 2012, Telstra provided assistance packages following nine natural disasters across the country.

SOCIAL AND COMMUNITY INVESTMENT BY FOCUS

DOLLAR INVESTMENT (MILLIONS) AND PERCENTAGE OF TOTAL

Issue	Amount invested	% of total investment
Digital inclusion	\$221.16	92.2%
Employee community involvement	\$2.35	1.0%
Sponsorship	\$13.02	5.4%
Environment	\$0.61	0.3%
Disaster relief	\$0.06	<0.1%
Management costs	\$2.59	1.1%
TOTAL	\$239.8	

description:
 Customer: *Everyone Connected* programmes: *Access for Everyone* package for low-income customers, charity discounts on fixed lines and disability support. \$216.42m – 90.2%

 Community: *Everyone Connected* programmes: sponsorships, education and training and long-term Telstra Foundation partnerships. \$4.75m – 2.0%



TELSTRA FOUNDATION CELEBRATES A DECADE OF SUPPORTING COMMUNITIES

In 2012, we celebrate the tenth anniversary of the Telstra Foundation. With a mission to make a positive and lasting difference to the lives of children and young people, the Telstra Foundation has supported the Australian community with more than 7,000 grants and \$40 million over the past decade.

The iModelling project is one example of the difference the Foundation's funding has made. Autism SA developed an application to assist children with Autism Spectrum Disorder to develop and improve social skills. The application makes particular use of videos to model constructive social interactions such as initiating a conversation or waiting in line.

The University of Adelaide conducted a "social skills score" assessment which showed that children using the application improved their social skills and established friendship groups - something that is very difficult for kids with autism to do.

The Telstra Foundation also provided funding support to the Orygen Youth Health Research Centre to develop HORYZONS, a world-first online platform that helps young psychosis sufferers stay connected and prevent relapse. Combining expert support, social networking with peers and individually tailored modules, HORYZONS will make currently limited psychosis treatment widely available.

These are just two terrific examples of the potential of modern communications technologies to transform lives.

SUSTAINABILITY – REDUCING OUR ENVIRONMENTAL IMPACT

OUR GOAL: TO DO MORE FOR OUR CUSTOMERS WHILE ACTIVELY MANAGING AND MINIMISING OUR ENVIRONMENTAL IMPACTS AND RESOURCE INTENSITY



WE ACTIVELY MINIMISE THE ENVIRONMENTAL IMPACTS OF OUR OPERATIONS AND SUPPORT OUR CUSTOMERS TO ENHANCE THEIR ENVIRONMENTAL PERFORMANCE.

This year, we developed an Environment White Paper to provide strategic direction for Telstra's environmental activities for the next three to five years. The paper identifies short, medium and long term environmental risks and opportunities for our business. In the coming year, we will use the insights provided by this paper to develop a whole of company environment strategy.

ENERGY EFFICIENCY & CARBON EMISSIONS

In 2012, we set a target for a 15 per cent reduction in emissions intensity – tonnes of carbon dioxide equivalent per terabyte (tCO₂e/TB). We surpassed this, reducing carbon emissions intensity by 36 per cent. We expect continued improvements in our carbon emissions efficiency due to better utilisation of network equipment and a continued dedicated investment in energy and carbon efficiency projects, and have set a 15 per cent reduction target for emissions intensity for next year.

Total energy consumption increased by 2.4 per cent, and total carbon emissions (Scope 1, 2 and 3) increased by one per cent since last year, driven primarily by increasing data loads carried over our networks. Since 2010, energy consumption and carbon emissions have remained relatively stable, despite this continued growth in data load. This is the result of better utilisation of infrastructure and the energy efficiency measures we have implemented. Next year, we have committed \$14 million to improve the energy efficiency and carbon intensity of network facilities.

HELPING OUR CUSTOMERS TO REDUCE THEIR CARBON EMISSIONS

This year, we developed our first customer Green ICT Management Plan. It describes how we will identify, manage, monitor and minimise the environmental impacts of our services for one of our largest enterprise customers. The plan follows a life-cycle approach to environmental management and outlines specific actions from service design through to procurement, construction, operation and end-of-life management.

PAPER USE – SENSIS PRINT DIRECTORIES

Sensis has been a member of the Forest Stewardship Council (FSC) since June 2009. Since then we have been increasing the percentage of telephone directory paper (excluding coverboard) that is FSC certified. FSC certification offers a guarantee that paper comes from responsible sources that support the conservation of forests and wildlife, and help local communities lead better lives. From 2013, we will have 100 per cent of telephone directory paper FSC certified, and our coverboard will transition to FSC certified stock. We also have started to use biodegradable bags for the distribution of directories in place of plastic bags.

E-WASTE

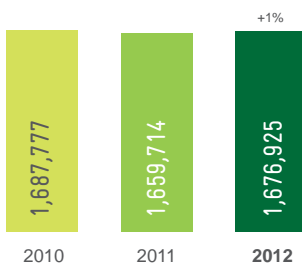
E-waste is a fast growing waste type in Australia and overseas. We define e-waste as any type of electronic components, rental telephones, payphone parts, batteries, telephone power supplies and other miscellaneous electronic items. In 2011/12, we reused or sent to recycling facilities approximately 99 per cent of our own e-waste, which is predominantly end-of-life network equipment and batteries.

We are also working to help our customers dispose of e-waste more effectively.

Throughout 2012, we collected 14.3 tonnes of mobile phone components from Telstra retail stores, offices and repair centres through the MobileMuster programme. This is a 17.5 per cent decrease from 2011, which we attribute to consumers recycling directly with MobileMuster and a decrease in the average weight of components that are being recycled. Our target for next year is to collect 14.3 tonnes.

TOTAL CARBON EMISSIONS AND INTENSITY (SCOPE 1, 2 & 3)

TONNES OF CARBON DIOXIDE EQUIVALENT (tCO₂e)



CARBON EMISSIONS INTENSITY

TONNES OF CARBON DIOXIDE EQUIVALENT PER TERABYTE (tCO₂e/TB)

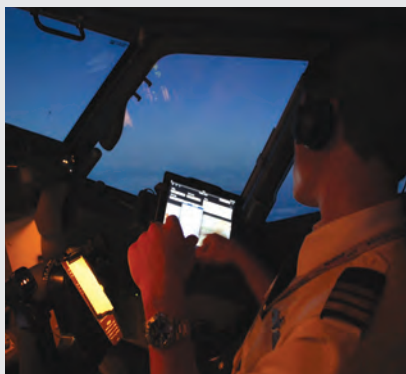
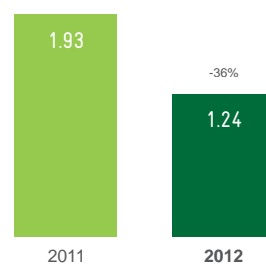


Photo source: Qantas

TELSTRA GETS QANTAS PILOTS OFF THE GROUND WITH IPADS^

Telstra is helping our customers reduce their environmental impacts and improve their productivity through the use of new communications technologies. In a partnership with Qantas, Telstra will be providing pilots with iPads^ for use on the flight deck. Beginning with Qantas' Boeing 737 fleet, pilots will be able to access a wide range of operational information via iPads^ rather than

using bulky paper documents. Qantas currently prints 18,000 pages of paper for flight operations every day. The full introduction of iPads^ will see this reduced to just 3,000 pages. By the end of 2012, more than 2,000 64GB iPads^ will be distributed to all domestic and international Qantas pilots on all fleet types.

UNLOCK AMAZING NATIONAL BROADBAND NETWORK

ON FEBRUARY 28 WE LAUNCHED TELSTRA'S POPULAR NATIONAL BUNDLES FOR CONSUMER CUSTOMERS ON THE NBN IN THE FIVE FIRST RELEASE SITES IN ARMIDALE AND KIAMA IN NSW, WILLUNGA IN SA, TOWNSVILLE AND MELBOURNE'S INNER CITY SUBURB OF BRUNSWICK. IN JUNE, WE WELCOMED OUR FIRST TASMANIAN CUSTOMERS ON THE NBN IN TRIABUNNA AND SORELL.

Customers have shown a lot of interest in our services on the NBN, and naturally they have many questions about the new service and the connection process. Our extensive customer education program provides information and reassurance to our customers, and we have made a special investment in giving people the chance to have their questions answered face to face, and see how the network operates first hand.

Our Telstra Fibre Experience Centre is visiting each site to provide a hands-on experience of Telstra services on the NBN, and answer locals' questions, and will continue round the country as the rollout progresses.

Telstra's team of 5,000 highly skilled technicians around the country take the time to help customers understand how Telstra products work on the NBN as part of our professional installation process.

We also have 24/7 technical support over the phone or online support on Twitter, the option of Telstra Plus which provides an extra level of help for customers who need a hand getting the most out of their new fibre service and we have opened our new "Store on Wheels" and other temporary retail outlets in areas where we don't have a permanent retail presence.

www.telstra.com/unlockamazing



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TELSTRA CORPORATION LIMITED

ABN 33 051 775 556
Incorporated in the Australian Capital Territory
Telstra is listed on Stock Exchanges in
Australia and in New Zealand (Wellington)

WEBSITES

Telstra's Investor Relations home page:
www.telstra.com.au/investor

Telstra's Sustainability home page:
www.telstra.com.au/sustainability

INDICATIVE FINANCIAL CALENDAR*

Final dividend paid	Friday 21 September 2012
Annual General Meeting	Tuesday 16 October 2012
Half Year Results announcement	Thursday 7 February 2013
Ex-dividend share trading commences	Monday 18 February 2013
Record date for interim dividend	Friday 22 February 2013
Interim dividend paid	Friday 22 March 2013
Annual Results announcement	Thursday 8 August 2013
Ex-dividend share trading commences	Monday 19 August 2013
Record date for final dividend	Friday 23 August 2013
Final dividend paid	Friday 20 September 2013
Annual General Meeting	Tuesday 15 October 2013

* Timing of events may be subject to change. Any change will be notified to the Australian Securities Exchange (ASX).

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