

## Directors' Report

### Financial Outlook

Telstra expects growth to continue in fiscal year 2013 and forecasts 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.

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.

The company expects to incur significant costs in fiscal year 2013 for the renewal of existing spectrum and potential licensing of new spectrum.

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.

### Dividends, investor returns and other key ratios

Our basic earnings per share increased 5.4% from 26.1 cents per share to 27.5 cents per share in fiscal 2012. Other relevant measures of return include the following:

- return on average assets - 16.7% (2011: 15.9%); and
- return on average equity - 28.9% (2011: 26.1%).

Return on average assets and return on average equity are higher in fiscal 2012 primarily due to the increase in profit.

On 9 August 2012, the Directors resolved to pay a final fully franked dividend of 14 cents per ordinary share (\$1,738 million), bringing dividends per share for fiscal 2012 to 28 cents per share. The record date for the final dividend will be 24 August 2012 with payment being made on 21 September 2012. Shares will trade excluding entitlement to the dividend on 20 August 2012.

Dividends paid during the year were as follows:

Dividend	Date resolved	Date paid	Fully Franked Dividend per share	Total dividend (\$ million)
Final dividend for the year ended 30 June 2011	11 Aug 2011	23 Sep 2011	14 cents	1,738
Interim dividend for the year ended 30 June 2012	9 Feb 2012	23 March 2012	14 cents	1,737

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of our company during the financial year ended 30 June 2012.

### Business strategies, likely developments and prospects

The Directors believe, on reasonable grounds, that we would be likely to be unreasonably prejudiced if the Directors were to provide more information than there is in this report, the Financial Highlights accompanying this report or the Financial Report about:

- the business strategies, likely developments and future prospects of our operations; or
- the expected results of those operations in the future.

### Events occurring after the end of the financial year

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future years, Telstra's operations, the results of those operations or the state of Telstra's affairs, other than the following:

- On 12 July 2012, we signed an agreement to dispose of our 100% shareholding in TelstraClear Limited and its controlled entity (TelstraClear). In accordance with AASB 5: "Non-current Assets Held for Sale and Discontinued Operations" as at 30 June 2012 the carrying value of assets and liabilities of TelstraClear have been classified as held for sale, with the exception of cash balances which are excluded from the sale agreement, and measured at the lower of carrying amount and fair value less costs to sell.

### Details of Directors and executives

Changes to the Directors of Telstra Corporation Limited during the financial year and up to the date of this report were:

- John V Stanhope retired as an executive Director, Chief Financial Officer and Group Managing Director, Finance effective 30 December 2011;
- John M Stewart retired as a non-executive Director effective 18 October 2011;
- Timothy Y Chen was appointed as a non-executive Director effective 1 April 2012; and
- Margaret L Seale was appointed as a non-executive Director effective 7 May 2012.

Information about our Directors and senior executives is provided as follows and forms part of this report:

- names of Directors and details of their qualifications, experience, special responsibilities and directorships of other listed companies are given on pages 44 to 48;
- number of Board and Committee meetings and attendance by Directors at these meetings is provided on page 49;