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The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Shareholder letter

In accordance with the Listing Rules, I attach a letter to shareholders for release to the market.

Authorised for lodgement by:

Sue Laver
Company Secretary

Letter to Shareholders

Dear Shareholder

Responding to COVID-19 and planning for the future

With COVID-19 creating a period of great global uncertainty and disruption we wanted to update you on how Telstra has responded to the crisis so far, and detail how we are adapting our plans for the future.

In these extraordinary circumstances we continue to look beyond our role in keeping people and things connected, to what more we can do for our people, for our customers and for the Australian economy.

To support our people our first step was to provide certainty and security. As you are aware, we have been on a major and necessary transformation as we had been responding to the changes in our industry structure with the NBN. One of the challenging aspects of that transformation has been a significant but necessary reduction in our workforce. However, given the current environment, we have put on hold any further job reductions over the next six months to give our people certainty at a time when they need it most. In fact, to help manage call centre volumes we announced three weeks ago that we would be temporarily recruiting another 1,000 temporary roles in Australia and last week we increased that by another 2,500, to a total of 3,500 joining us or our partners.

Many of these people have been laid off from other companies and we are really pleased to be able to offer them an opportunity at a critical time.

In addition to employment, we were the first major company to introduce a new global epidemic and pandemic leave policy for our people in Australia, including paid leave for our casual employees. To support our more than 25,000 people now working from home we have provided additional mobile data to assist if at any stage they needed to use their own data to stay connected.

These are challenging circumstances and we are conscious some customers unfortunately may be having significant issues contacting us. As well as bringing on more people we continue to look at ways to address these issues including redeploying internal employees to help with this demand as well as offering self-service options. While continuing to prioritise the health and safety of our people, partners and customers, we continue to work around the clock to improve our customer services to keep Australia connected.

To support our customers, we are providing unlimited data for home and small business broadband customers, extra data for consumer and small business mobile customers and free unlimited local, national and 13/1300 calls and calls to Australian mobiles for pensioners on landlines.

For our small business customers, we are providing free or heavily discounted access to specialist online digital business tools and discounted mobile broadband plans to help them rapidly move their business online. We have also launched our new My Telstra App to allow customers to increasingly self-serve rather than calling us. For those consumer and small business customers unable to pay their bills at this time we have suspended late payment fees until the end of June.

Last week we announced a range of additional support measures to help keep people connected at this challenging time.

For those on the JobSeeker benefit, we will offer a discount on their existing services to relieve some of the burden. Those with a fixed connection or multiple mobile services can receive \$20 off their bill, while others with a single mobile service can receive \$10 off their bill. The offer will be available from 20 April for a period of six months. We have also launched a new \$30/month mobile offer for anybody with a valid Healthcare card. The offer includes unlimited national calls and texts, no excess data charges and peace of mind data shaped after 2GB.

We are offering small businesses who have had to cease trading the option to suspend their fixed business services until they need them reinstated. We will also divert their affected fixed business phone services to another fixed or mobile service of their choice, regardless of the carrier, at no cost for the period the suspension is active.

We have also launched a [bill assistance hub](#) so customers can get information on the support measures and apply for relief if they are doing it tough because of COVID-19.

This helps customers access our digital self-serve billing options to cater for any scenario they may be in, including:

- Entering into a payment plan with Telstra.
- Entering into an agreement to pay at a later agreed date.
- Suspending any or all services for up to 90 days, and reconnecting free of charge at the end of that period or beforehand if they're ready to do so.
- Downsizing their plan if they can no longer afford the plan they are on.

Last week we also announced we would be helping to bridge the gap by providing 20,000 disadvantaged students and teachers across the country with internet access to educational content to support their online learning through the Department of Education and Catholic Education.

To support the economy we have brought forward \$500 million of capex from the second half of FY21 into this calendar year providing the economy with much needed investment at this time. We will be deploying this capex to increase capacity in our network and accelerate further the roll out of 5G among other key projects supporting the digital enablement of our customers' businesses and operations. Other measures include extending all our sponsorships expiring this year for another 12 months and accelerating payment terms for small businesses in the short term as we move to 20-day payment terms by 30 June 2020.

Re-focussing our work, effort and resources

Since the start of COVID-19 Telstra's primary focus has been on protecting the health and safety of our employees, helping our customers stay connected, and playing a role in contributing to the national response.

The prospect of expanded and ongoing restrictions means we must now accept we are in a new reality and we have to pivot our operational approach from crisis management to a more sustainable model that retains the flexibility to respond to the dynamic environment we are currently operating in.

Our T22 strategy was launched two years ago and we have made good progress against it. At its heart the strategy is premised on radically simplifying our business and removing customer pain points, digitising and moving customers to digital channels, simplifying our structure, introducing new ways of working, establishing InfraCo and leaving our legacy behind.

Since the beginning of the program we have reduced the number of Consumer & Small Business fixed and mobile plans in market from over 1800 plans to just 20, while eliminating excess data charges on new plans and other fees. We have built new digital technology stacks enabling a more than doubling of digital interactions with our customers. We have introduced new technology solutions for our small business and enterprise customers enabling them to operate online at scale. We have removed three layers of management and moved 10,000 people to agile ways of working. We were the first telco to launch 5G here in Australia and one of the first globally, and we have continued to maintain our clear technology and 5G leadership with 5G coverage in selected areas in 32 cities and regional areas across the country.

The principles and initiatives that sit at the heart of our T22 strategy are exactly those that are helping us respond to this crisis. Indeed, they are exactly those that we will need to support our customers and to be successful in this new reality.

Notwithstanding this we are also now looking at how we focus our work, effort and resources, particularly over the next 3-6 months, in response to the challenges COVID-19 presents. In so doing there are five key priorities that are driving all of these decisions.

Firstly, protecting our people's health, safety and wellbeing – ensuring we support the parts of our workforce working from home and those still on the front line both practically and emotionally;

Secondly, keeping our customers connected and prioritising essential services;

Thirdly, building more capacity and flexibility into our network to manage demand from home-based working and education to meet the changing connectivity needs of our customers and leveraging our mobile leadership;

Fourthly, securing our financial stability so we are future ready – while we have a role to play in supporting our people, our customers and the economy we also have a responsibility to ensure Telstra stays strong. We remain focussed on creating long term shareholder value; and,

Fifthly, ensuring that we emerge from COVID-19 with strong growth potential from our core business. This includes new opportunities such as Telstra Health where we are providing additional funding to leverage our existing investments in digital technologies that support electronic prescriptioning, electronic medical records in hospitals and aged care, telemedicine where our volumes have tripled over recent weeks, and national registries which can play a crucial role in disease management.

In line with these priorities, work is now underway to realign our T22 strategic roadmap and other planning mechanisms and to make decisions about what we maintain, what we pause and what we accelerate, to ensure that we emerge from this crisis in a strong position.

Ultimately, and until a long-term solution to COVID-19 is found, we expect continued disruptions across the economy and to our business but the groundwork we have already achieved through T22 means we are better positioned to be flexible and adapt while not ever losing sight of our ultimate purpose - to build a connected future so everyone can thrive.

Financial strength

Today we announced we have priced a €500 million (approximately AUD \$860 million) bond issue, which will further strengthen our balance sheet. We will use these proceeds for general corporate purposes including pre-funding of future debt maturities.

Since mid-March we have also secured an additional \$940 million in bank facilities, and we now have a total of \$3.6 billion of committed bank facilities. The bond issue and the additional bank facilities are both well below our current average cost of funds.

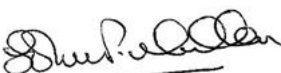
In addition, on 1 April 2020 credit rating agency S&P reaffirmed our A- (stable) credit rating and on 2 April 2020 Moody's reaffirmed the company's A2 (stable) credit rating.

We believe that Telstra's continued access to low-cost capital and A-band credit rating demonstrates the strength of the business and attractiveness to global capital markets during this very volatile time.

On behalf of the board and management, we would like to thank you for your loyalty as a Telstra shareholder. This is challenging and uncertain period but we remain confident of the long-term outlook for our company and believe the changes we are making will help ensure Telstra's success in the future.

As always, we welcome your feedback which can be given through our Investor Relations Department who can be reached via email at investor.relations@team.telstra.com, via the phone on 1800 880 679 or by writing to Level 28, 242 Exhibition Street, Melbourne VIC 3000.

Sincerely



John Mullen, Chairman



Andrew Penn, CEO