IT'S HOW WE CONNECT

14 August 2014

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Full Year 2014 Financial Results – CEO/CFO Analyst Briefing Presentation

In accordance with the Listing Rules, I enclose:

a) a presentation;

b) CEO and CFO speeches;

c) the Operating and Financial Review (including financial and statistical tables)

for release to the market.

This Announcement has been released simultaneously to the New Zealand Stock Exchange.

Yours faithfully

Damien Coleman
Company Secretary

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TELSTRA FULL YEAR RESULTS ANNOUNCEMENT 2014

DAVID THODEY, CHIEF EXECUTIVE OFFICER

DISCLAIMER

- These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in Telstra's Annual Report dated 14 August 2014 and 2013 Debt Offering Circular lodged with the ASX and available on Telstra's Investor Centre website www.telstra.com/investor.
- Nothing in this presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction. In particular, no indications of interest in the buy-back described in this presentation are being sought. Certain shareholders are not eligible to participate, directly or indirectly, in the buy-back described in this presentation, including: (i) any person who is located or resident in the United States, (ii) any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended), and (iii) any agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal giving instructions from within the United States.
- All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences. All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.
- All amounts are in Australian Dollars unless otherwise stated.
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HIGHLIGHTS[1]

WE ARE DELIVERING AGAINST OUR STRATEGY

STRONG KEY FINANCIALS

TOTAL INCOME	6.1%	↑
EBITDA	9.5%	↑
NPAT	14.6%	↑
EPS	14.3%	↑
DPS	5.4%	↑

IMPROVED PRODUCT REVENUE

MOBILES	5.1%	↑
FIXED VOICE	-7.5%	↓
FIXED DATA	6.3%	↑
NAS	27.8%	↑

CONTINUED CUSTOMER FOCUS

- CUSTOMER ADVOCACY (NPS) IMPROVEMENT +3 POINTS
- DOMESTIC RETAIL CUSTOMER GROWTH: MOBILES +937K TO 16M, FIXED DATA +183K TO 3M, LOW CHURN

INVESTING IN LONG-TERM GROWTH

- 4G NETWORK LEADERSHIP
- NATIONAL WI-FI NETWORK ANNOUNCED
- NEW GLOBAL ENTERPRISE & SERVICES BUSINESS ESTABLISHED
- DISCIPLINED PORTFOLIO AND CAPITAL MANAGEMENT

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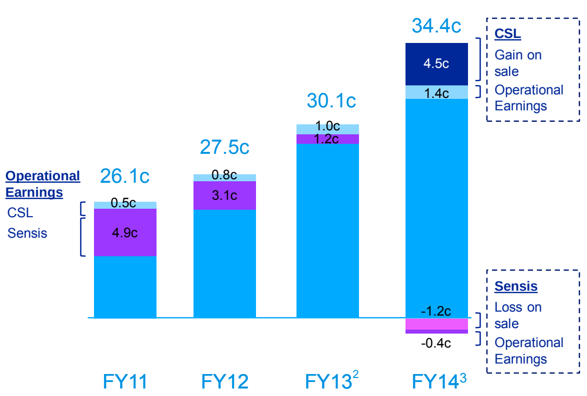
1. Total income and EBITDA excludes finance income and discontinued operations. The Sensis Group has been classified as a discontinued operation. NPAT and EPS are continuing and discontinued operations.

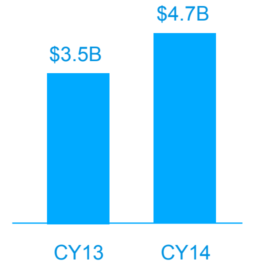
INCREASING EARNINGS AND SHAREHOLDER RETURNS

EPS[1] INCREASED BY 14% IN FY14



- $4.7B[4] RETURNED TO SHAREHOLDERS FROM FY14 OPERATIONS VIA:
  - INCREASED DIVIDEND
  - OFF-MARKET BUY-BACK

SHAREHOLDER RETURNS



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1. EPS is based on Telstra's profit which includes the impact of divestments of: i) 70% of the Sensis directories business; and ii) our 76.4% share of Hong Kong mobiles business CSL.
2. 2013 EPS includes 1.2 cents per share attributable to the $151 million profit from discontinued operations in relation to Sensis.
3. 2014 EPS includes negative 1.6 cents per share attributable to Sensis, reflecting the $204 million loss from discontinued operations for the eight months to 28 February 2014. The 2014 EPS includes 4.5 cents per share for the $561 million gain on sale of CSL.
4. Includes off-market buy-back of $1 billion

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TELSTRA FULL YEAR RESULTS ANNOUNCEMENT 2014

ANDREW PENN

CHIEF FINANCIAL OFFICER & GROUP EXECUTIVE INTERNATIONAL

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AGENDA

1. GROUP RESULTS
2. PRODUCT AND BUSINESS LINE PERFORMANCE
3. PRODUCTIVITY
4. CAPITAL AND PORTFOLIO MANAGEMENT
5. GUIDANCE

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GROUP RESULTS – INCOME STATEMENT

	FY13[1]	FY14	GROWTH (reported basis)	GROWTH (guidance basis[2])
Sales Revenue	$24.3b	$25.1b	3.4%	
Total Income[3]	**$24.8b**	**$26.3b**	**6.1%**	**3.5%**
Operating Expenses	$14.6b	$15.2b	4.0%	
EBITDA	**$10.2b**	**$11.1b**	**9.5%**	**4.7%**
Depreciation and amortisation	$4.1b	$4.0b	-3.1%	
EBIT	$6.1b	$7.2b	18.0%	
Net finance costs	$0.9b	$1.0b	2.6%	
Income tax expense	$1.5b	$1.7b	10.7%	
NPAT from continuing operations	$3.6b	$4.5b	25.0%	
Profit/(Loss) from discontinued operations	$0.2b	-$0.2b	nm	
NPAT[4]	$3.8b	$4.3b	14.6%	
Basic earnings per share[4] (cents)	30.1	34.4	14.3%	

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1. Comparatives have been restated due to the retrospective adoption of AASB119: Employee Entitlements.
2. Income and EBITDA growth rates on a guidance basis have been adjusted for FY14 M&A impacts and calculations exclude Sensis from both FY13 and FY14.
3. Total income excludes finance income.
4. NPAT and Basic Earnings per Share from continuing and discontinued operations.

GROUP RESULTS – FINANCIAL MEASURES

	FY13	FY14	GROWTH (reported basis)
Capex[1]	$3.7b	**$3.7b**	-0.8%
Free Cashflow[2]	$5.0b	**$7.5b**	48.9%
Ordinary DPS (cents)	28.0	**29.5**	+5.4%
Ratios			
Capex to Sales	15.2%	**14.6%**	-0.6pp
Payout Ratio	93%	**86%**	-7pp
ROE	31.0%	**32.3%**	+1.3pp
ROIC[3]	14.9%	**17.2%**	+2.3pp
Gearing	50.5%	**43.0%**	-7.5pp

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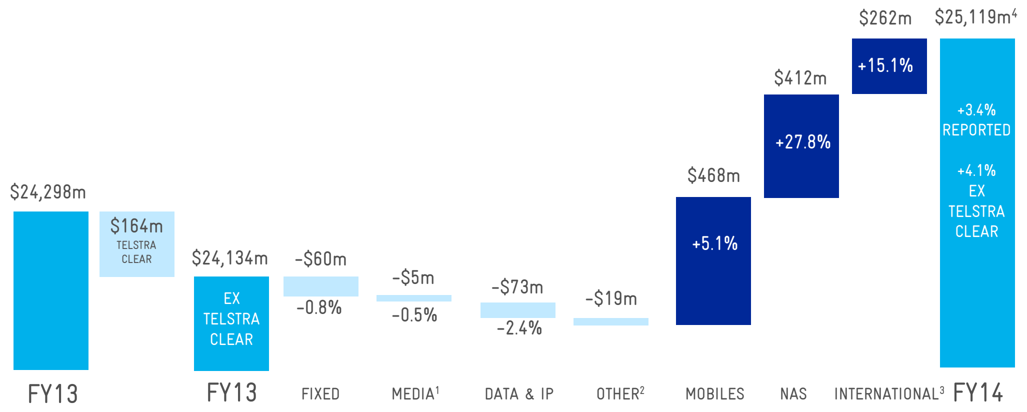
1. Capex is defined as additions to property, equipment and intangible assets, including capital lease additions measured on an accrued basis. Capex is calculated for continuing operations.
2. Cashflows from continuing and discontinued operations. Free cashflow in FY13 includes $671m proceeds for the sale of Telstra Clear. Cashflow in FY14 includes $2.4b from the sale of Sensis and CSL.
3. ROIC is calculated as NPAT as a percentage of total capital (average net equity + average net debt).

PRODUCT PERFORMANCE
SALES REVENUE GROWTH MAINTAINED



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1. Excludes Sensis discontinued operations.
2. Other net movement of -$19m includes NBN Residual Deed (-$80m), HealthCare M&A (+40m) and miscellaneous sales revenue (+$21m).
3. International includes FX gains of $179m.
4. Sales Revenue includes $101m from FY14 M&A activity including $61m NAS and $40m eHealth.

PRODUCT PERFORMANCE: FIXED
REDUCED RATE OF DECLINE IN FIXED

FIXED	FY13	FY14	GROWTH
Revenue	$7,305m	**$7,245m**	-0.8%
- Fixed Voice[1]	$4,359m	**$4,034m**	-7.5%
- Fixed Data[2]	$2,087m	**$2,218m**	6.3%
- Other Fixed[3]	$859m	**$993m**	15.6%
EBITDA Margin – Fixed Voice[4]	62%	**60%**	-2 pp
EBITDA Margin – Fixed Data[4]	41%	**44%**	+3 pp
Fixed Voice Customers – retail	6.5m	**6.2m**	-0.3m
Fixed Data Customers – retail	2.8m	**3.0m**	+0.2m

- Fixed products revenue decline has slowed as growth in fixed data revenue and NBN infrastructure payments offset PSTN revenue decline.
- Retail fixed voice customer line loss has slowed (278,000 in FY14 vs. 353,000 in FY13), assisted by improved marketing activity and loyalty offers.
- Retail fixed data customers increased by 183,000 to 3.0m and ARPU up 0.8% to $54.98.
- Fixed data margin improved 3pp due to retail revenue growth and reduced service delivery costs.
- Bundled customers up 259,000 to 1.9m (63% of our fixed data customer base) driven by success of entertainer bundles.

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1. Fixed voice includes PSTN and voice revenue.
2. Fixed data includes fixed broadband and data revenue.
3. Other fixed includes customer premises equipment; inter-carrier access services including ULL, payphones and $250m revenue from NBN Infrastructure Services Agreement.
4. Fixed voice and fixed data margins exclude NBN voice and data revenue.

PRODUCT PERFORMANCE: MOBILES
SERVICE REVENUE GROWTH IN ALL CATEGORIES

MOBILES	FY13	FY14	GROWTH
Revenue	$9,200m	**$9,668m**	5.1%
- Postpaid Handheld	$4,804m	**$5,006m**	4.2%
- Prepaid Handheld	$727m	**$879m**	20.9%
- Mobile Broadband	$1,196m	**$1,287m**	7.6%
- Machine to Machine	$90m	**$101m**	12.2%
- Hardware	$1,497m	**$1,493m**	-0.3%
- Other[1]	$886m	**$902m**	1.8%
EBITDA Margin	38%	**40%**	2pp
Customers	15.1m	**16.0m**	6.2%
Postpaid Handheld ARPU ex. MRO	$65.33	**$65.80**	+0.7%
Postpaid Handheld ARPU inc. MRO	$58.80	**$58.70**	-0.2%
Postpaid Handheld Churn	**10.8%**	**10.3%**	-0.5pp

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1. Other includes satellite, wholesale and interconnect.

- Postpaid handheld revenue growth driven by customer growth, low churn and strong ARPU.
- Prepaid handheld revenue growth driven by:
  - Popularity of Cap Encore plans; and
  - Growth in data usage driven by increased smartphone penetration.
- Domestic mobile retail customer services up 937,000 to 16.0m. This includes 5.2m mobile devices on 4G: 3.8m handsets and 1.4m mobile broadband devices.
- Postpaid handheld ARPU (ex-MRO) up 0.7% to $65.80 driven by data usage offset by international roaming price reductions.
- EBITDA margin improved 2pp due to operational leverage based on revenue growth and improving ARPU

PRODUCT PERFORMANCE: DATA & IP
CONTINUED TRANSITION FROM LEGACY PRODUCTS TO IP

DATA & IP	FY13	FY14	GROWTH
Revenue	$3,041m	**$2,968m**	-2.4%
- IP Access	$1,129m	**$1,166m**	3.3%
- Other Data & Calling Products[1]	$1,135m	**$1,090m**	-4.0%
- ISDN	$777m	**$712m**	-8.4%
EBITDA Margin	65%	**65%**	-
IP MAN SIOs	31k	**33k**	6.8%
IP WAN SIOs	109k	**110k**	0.9%

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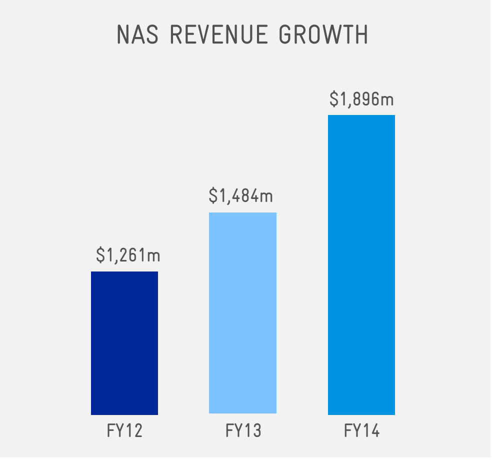
1. Includes specialised data, wholesale data and inbound products (13, 1300 and 1800).

- Data & IP revenue decline is driven by customer migration from legacy products onto IP solutions where we are seeing price competition.
- IP Access revenue growth is driven by IP MAN SIOs +7%, increasing market share of IP access customers.
- Market leading network intelligence services; and continued investment in IP value added services.
- EBITDA margins maintained through improved productivity.
- ISDN decline due to line loss of 4.7% and decrease in call revenue of 15.0% as a result of migration to unified communications products

PRODUCT PERFORMANCE: NAS[1]
STRONG GROWTH IN NAS – UP 27.8%



- Strong new business signings and pull through revenue from existing large contracts including the Department of Defence.
- Acquisitions of North Shore Connections and O2 Networks.
- Revenue grew across all major product categories:
  - Cloud +32%;
  - Unified Communications +21%; and
  - Managed Network Services +56%.
- Improved service delivery capability and quality, including expansion of dedicated delivery to top 100 customers.
- Strong focus on cost and margin management has driven improved profitability in 2H14 from transition of large contracts.

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1. Network Applications and Services domestic.

PRODUCT PERFORMANCE: MEDIA – FOXTEL
CUSTOMER GROWTH AND COST CONTROL

FOXTEL	FY13[1]	FY14	GROWTH
Revenue	$3,094m	**$3,138m**	1.4%
EBITDA[2]	$924m	**$970m**	5.0%
EBIT[2]	$497m	**$576m**	15.9%
Total subscribers	2,481k	**2,620k**	5.6%
Churn	14.2%	**12.5%**	-1.7pp
Receipts in Telstra's books			
Distribution received	$155m	**$165m**	6.5%
Cable Access Revenue	$120m	**$120m**	-

- Revenue and EBITDA growth driven by customer growth, ARPU growth and cost control.
- Strong support from Telstra entertainer bundles.
- EBIT growth driven by lower amortisation of intangibles recognised for the Austar acquisition.
- Customer growth underpinned by reduced broadcast churn and growth in IP customers.
- Launch of Presto SVOD service in March with management focus on roll out of iQ3 and Triple Play offerings in FY15.

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1. FY13 results have been restated to present on an underlying like for like basis and exclude a one off adjustment of $22m for Deferred Installation revenue resulting from accounting policy change, and an $8m loss on disposal of Assets.
2. Excludes share of profits from associates FY14 $6m, FY13 $5m.

PRODUCT PERFORMANCE: MEDIA – OTHER MEDIA ASSETS
PAY TV REVENUE GROWING STEADILY

MEDIA ENTERTAINMENT SERVICES AND CONTENT	FY13	FY14	GROWTH
Revenue	$735m	**$759m**	3.3%
PayTV	$666m	**$699m**	5.0%
Premium[1]	$595m	**$605m**	1.7%
Paylite[2]	$71m	**$94m**	32.4%
Digital Content Services[3]	$69m	**$60m**	-13.0%
Premium Subscribers	500k	**526k**	5.2%
Paylite Subscribers (Foxtel on T Box)	74k	**185k**	150.3%
Movie Downloads	4.2m	**4.8m**	14.9%
T Box Sales	563k	**761k**	35.2%

- PayTV revenue and customer growth was driven by Paylite services which include Foxtel on T-Box and BigPond movie downloads.
- Digital Content services continued to decline driven by decline of legacy mobile download products, offset by the growth of subscription sports and music services.
- Subscription services which include MOG and AFL and NRL apps, grew by 76% in FY14 (88,000 to 155,000).
- Foxtel on T-Box customers grew by 111k driven by demand for entertainer bundles.

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1. Premium Pay TV revenue comprises Foxtel from Telstra sales.
2. Paylite revenue comprises sales from T-Box, Foxtel on T-Box and BigPond Movies services.
3. Digital Content Services revenue excludes Advertising and Classified.

PRODUCT PERFORMANCE: INTERNATIONAL
15.1% REVENUE GROWTH

INTERNATIONAL ($AUD)	FY13	FY14	GROWTH	GROWTH IN LOCAL CURRENCY
Revenue	$1,739m	**$2,001m**	15.1%	5.1%
- Hong Kong (CSL)[1]	$1,011m	**$1,045m**	3.4%	-7.8%
- China digital media	$162m	**$278m[2]**	71.6%	52.5%
- Global connectivity & NAS[3]	$566m	**$678m**	19.8%	14.5%

- International revenue growth of 15.1% includes $179m of FX gains.
- CSL was divested in May 2014 for US $2.425b (Telstra share 76.4%). CSL revenue has been recognised until 30 April 2014.
- China Digital Media growth driven by Autohome (refer following slide).
- Global connectivity and NAS revenue increase driven by:
  - Customer growth from both enterprise and carrier customers; and
  - Broadened product portfolio - IP exchange and managed network services.

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1. CSL results have been consolidated until April 2014.
2. $278m comprise of $250m Autohome and $28m Sequel Media Inc.
3. Includes various local currencies therefore calculated on weighted average growth for the significant contributing entities.

PRODUCT PERFORMANCE: AUTOHOME
RAPID RATE OF GROWTH

AUTOHOME ($AUD)	FY13	FY14	GROWTH	GROWTH IN LOCAL CURRENCY
Revenue	$134m	**$250m**	86.6%	65.1%
EBITDA	$72m	**$129m**	79.2%	60.3%
Dealer subscription services[1]	7,351	**13,693**	86.3%	
Average daily unique visitors[1]	5.66m	**6.75m**	14.4%	
Average daily time spent per user (mins)[1]	15.4	**16.3**	5.8%	

- Autohome was listed on the NYSE in December 2013. Telstra's post listing ownership is 63.2% of Autohome.
- Strong revenue growth was driven by an increase in the number of dealer subscribers (+86.3%)
- Ranked first in China[2] for automotive websites for average unique visitors and average daily time spent per user.
- Exclusive 12-month partnership with leading Chinese search engine Baidu commenced in July 2014.

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1. Quarter ended 30 June 2014 vs. quarter ended 30 June 2013.
2. Based on data released by iResearch.

BUSINESS LINE RESULTS
INCOME GROWTH ACROSS ALL SEGMENTS

BUSINESS UNIT	FY13	FY14	GROWTH
Telstra Retail	**$15.8b**	**$16.4b**	**3.6%**
Consumer	$10.8b	$11.3b	4.6%
Business	$4.7b	$4.8b	0.8%
Global Enterprise and Services	**$5.1b**	**$5.3b**	**4.1%**
Enterprise and Government	$4.4b	$4.4b	1.9%
Telstra Global	$0.7b	$0.9b	17.9%
Telstra Wholesale	**$2.1b**	**$2.3b**	**10.1%**

- Consumer growth driven by mobile +13.6% and fixed data +7.2% offsetting fixed voice decline
- Business growth driven by NAS +44.0% offsetting fixed voice decline.
- Enterprise and Government growth driven by NAS +23.4%, offsetting weaker mobile service revenue from lower international roaming rates.
- Telstra Wholesale up +10.1% as a result of NBN Infrastructure Service Agreement revenue and growing prepaid 3G mobile business.

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NBN

NBN INCOME OF $640m

NBN	FY13	FY14
Income	**$399m**	**$640m**
- Commonwealth agreements and other Govt. policy commitments	**$303m**	**$259m**
- Retraining[1]	$11m	$14m
- Information Campaign and Migration Deed[2]	$168m	$87m
- TUSMA[3]	$124m	$157m
- Infrastructure Services Agreement[4]	**$89m**	**$316m**
- PSAA[5]	**$7m**	**$66m**

- NBN revenue has increased as network build has completed and in line with the rollout.
- Income from Commonwealth agreements has reduced as payments from the Information campaign and migration deed were fully amortised.
- Income from Infrastructure Services Agreement has increased, driven by:
  - Completion of the transit network build including exchange rack and dark fibre revenues; and
  - Duct rental and income from sale of lead-in conduits driven by NBN Co's rollout.
- PSAA income has increased in line with NBN Co's rollout.

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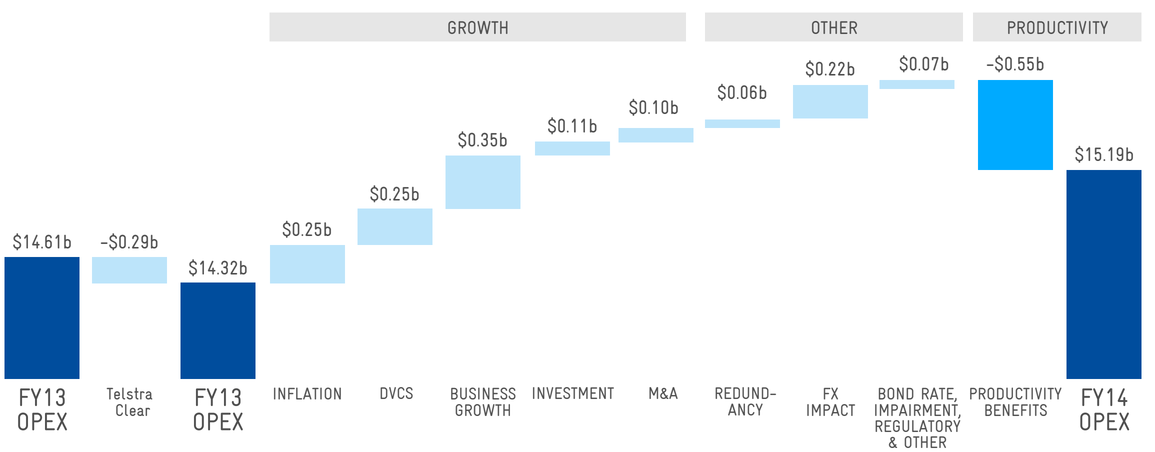
1. Retraining booked as other income.
2. Information and Migration Deed booked as other sales revenue.
3. TUSMA booked as other income, recognised in income statement in fiscal year before receipts and payments flow through. TUSMA income is net of the levy paid.
4. Infrastructure Services Agreement in fixed revenue ($250m) and other income ($66m).
5. PSAA (Per Subscriber Address Amount) booked as other income.

PRODUCTIVITY[1]

$0.55B IN EXPENSE PRODUCTIVITY BENEFITS DELIVERED



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1. Excludes Sensis discontinued operations.

CAPITAL AND PORTFOLIO MANAGEMENT
STRATEGIC FRAMEWORK

FISCAL DISCIPLINE

OBJECTIVES

1. MAXIMISING RETURNS FOR SHAREHOLDERS
2. MAINTAINING FINANCIAL STRENGTH
3. RETAIN FINANCIAL FLEXIBILITY

PRINCIPLES

1. Maintain balance sheet settings consistent with a single-A credit rating
2. Ensure dividend remains fully-franked and seek to increase it over time.[1]
3. Target medium-term capex/sales ratio ~14% subject to NBN roll-out, excluding spectrum payments
4. Over a full year we will not borrow to pay the dividend or fund capital returns
5. Maintain flexibility for portfolio management and to make strategic investments

Cumulative Excess Free Cashflow: $4.7b as at 30 June 2014

1. Any dividend is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events

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CAPITAL AND PORTFOLIO MANAGEMENT
STRATEGIC ACQUISITIONS AND PARTNERSHIPS[1]

1. Announced or completed during FY14

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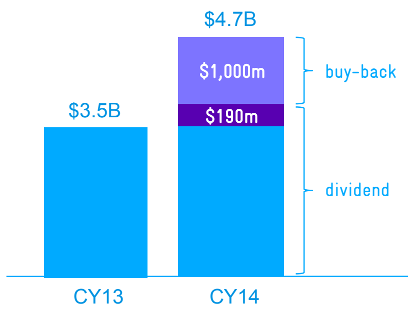
CAPITAL AND PORTFOLIO MANAGEMENT
$4.7B OF SHAREHOLDER RETURNS[1]

SHAREHOLDER RETURNS



DIVIDEND +$190M

- Ordinary Dividend of 29.5 cents (+5.4% to $3.7b).

OFF-MARKET BUY-BACK $1B

- Tender discount range of 6% to 14% to the Market Price[2].
- Closing date for tenders is 3 October[3] and Buy-Back date is 6 October.
- For Australian tax purposes, the Buy-Back price will have two components:
  - Capital component $2.33 per share.
  - Fully-franked dividend component equal to the difference between the buy-back price and the capital component.

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1. From Telstra's FY14 operations.
2. Market Price means the weighted average price of Telstra ordinary shares on the ASX over the five trading days leading up to and including the Closing Date, calculated to four decimal places as determined by Telstra on Friday 3 October 2014.
3. The Buy-Back is not being made in the United States or to: (i) any person who is located or resident in the United States; (ii) any U.S. Person; (iii) any agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal giving instructions from within the United States; or (iv) any person who has a registered address in Canada.

CAPITAL AND PORTFOLIO MANAGEMENT
CLOSE MANAGEMENT OF CAPITAL POSITION

	FY13	FY14	GROWTH
Capex	$3.7b	**$3.7b**	-0.8%
Free Cashflow	$5.0b	**$7.5b**	48.9%
Gross Debt[1]	$15.6b	**$16.0b**	2.7%
Liquidity	$2.5b	**$5.5b**	123.0%
Net Debt	$13.1b	**$10.5b**	-20.0%
Avg Borrowing Costs[2]	6.4%	**6.2%**	-0.2pp
Avg Debt Maturity (years)	5.5	**4.7**	-0.8yrs

FINANCIAL PARAMETERS	TARGET ZONES	ACTUAL
Debt Servicing	1.3 – 1.8x	0.9x
Gearing	50% to 70%	43.0%
Interest Cover	>7x	13.8x

- Capex remained flat at $3.7b, though reduced as a percentage of sales revenue (14.6%).
- Free cashflow increased 48.9% driven by the sale of Sensis and CSL. This flowed into liquidity at year end with cash at $5.5bn.
- The impact of the higher liquidity is reflected in the reduction in our net debt and gearing ratio from 50.5% at 30 June 2013 to 43.0% at 30 June 2014.
- Liquidity will be reduced in the first quarter to fund planned cash outflows such as spectrum licence payments, capital management and dividend payments.
- Average debt maturity has reduced with minimal new borrowings of $500m in FY14

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1. Represents position after hedging based on the accounting carrying values. Gross debt comprises borrowings and derivatives.
2. Represents net interest cost on our net interest bearing liabilities.

2015 GUIDANCE[1]

MEASURE	FY14 BASELINE	FY15 GUIDANCE
Total Income	$25.7b	Broadly flat
EBITDA	$10.6b	Broadly flat
Capex to Sales	14.6%	14.0%
Free Cashflow	$5.1b	$4.6b - $5.1b

- Continued low single-digit income and EBITDA growth offsets CSL revenue and EBITDA (FY14 revenue $1,045m and EBITDA $261m).
- Income and EBITDA growth in FY15 will be broadly flat excluding the impact of the profit on sale of CSL of $561m in FY14.

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1. Guidance assumes wholesale product price stability, no impairments to investments, excludes any proceeds on the sale of businesses, M&A and purchase of spectrum. The baseline for guidance excludes the FY14 gain on sale of CSL ($561m).

TELSTRA FULL YEAR RESULTS ANNOUNCEMENT 2014

DAVID THODEY, CHIEF EXECUTIVE OFFICER

IT'S HOW WE CONNECT

STRATEGIC PRIORITIES

- IMPROVE CUSTOMER ADVOCACY
- DRIVE VALUE FROM THE CORE
- BUILD NEW GROWTH BUSINESSES

IT'S HOW WE CONNECT

IMPROVE CUSTOMER ADVOCACY

OUR CUSTOMERS ARE OUR NUMBER ONE PRIORITY

IMPROVE CUSTOMER SERVICE	• MORE PERSONALISED SERVICE • SIGNIFICANT IMPROVEMENT ACROSS ALL CUSTOMER INTERACTIONS AND EPISODES • A NEW LOYALTY PROGRAM
DELIVER BETTER PRODUCTS	
EASIER TO DO BUSINESS WITH	

IT'S HOW WE CONNECT

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IMPROVE CUSTOMER ADVOCACY
OUR CUSTOMERS ARE OUR NUMBER ONE PRIORITY
IMPROVE CUSTOMER SERVICE
DELIVER BETTER PRODUCTS
EASIER TO DO BUSINESS WITH
• WORLD CLASS IP PRODUCTS
• NEW MOBILE PLAN FEATURES
• REFRESHED ENTERTAINER BUNDLES AND IPTV
• NEW FBB SUPPORT PRODUCTS
IT'S HOW WE CONNECT
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IMPROVE CUSTOMER ADVOCACY
OUR CUSTOMERS ARE OUR NUMBER ONE PRIORITY
IMPROVE CUSTOMER SERVICE
DELIVER BETTER PRODUCTS
EASIER TO DO BUSINESS WITH
• ENHANCED SERVICE LEVELS (E.G. MOVES)
• NEW VIDEO BILL EXPLAINER
• INDUSTRY LEADING DIGITAL SUPPORT E.G. 24x7 APP, CROWDSUPPORT, FACEBOOK
IT'S HOW WE CONNECT
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IMPROVE CUSTOMER ADVOCACY

OUR CUSTOMERS ARE OUR NUMBER ONE PRIORITY

	RESULTS
IMPROVE CUSTOMER SERVICE	• IMPROVED NPS IN ALL SEGMENTS • MAJORITY OF CORE PRODUCTS RECORDED IMPROVED NPS • CHURN RATES CONTINUE AT HISTORIC LOWS • MULTI-PRODUCT HOLDING INCREASED, BUNDLES +259K INCL. +75K TRIPLE PLAY
DELIVER BETTER PRODUCTS	
EASIER TO DO BUSINESS WITH	

LOWER CHURN, MORE CUSTOMERS, INCREASED REVENUE & PROFIT

DRIVE VALUE FROM THE CORE

- CUSTOMER AND REVENUE GROWTH
- NETWORK LEADERSHIP
- PRODUCTIVITY

- REVENUE GROWTH IN KEY SEGMENTS: CONSUMER +4.6%, BUSINESS +0.8%, GES +4.1%, INCLUDING:
  - ENTERPRISE REVENUE +1.9%
  - GLOBAL CONNECTIVITY & NAS +19.8%
- MOBILE REV +5.1%; FIXED DATA REV +6.3%

IT'S HOW WE CONNECT

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Telstra Corporation: investor.relations@team.telstra.com

DRIVE VALUE FROM THE CORE

CUSTOMER AND REVENUE GROWTH

NETWORK LEADERSHIP

PRODUCTIVITY

- 87% OF POPULATION COVERED BY 4G
- $100M WI-FI INVESTMENT PLAN
- CONTINUED INVESTMENT IN THE IP NETWORK
- NETWORK UPGRADES IMPROVED THE FBB EXPERIENCE FOR ~1M CUSTOMERS

IT'S HOW WE CONNECT

DRIVE VALUE FROM THE CORE

CUSTOMER AND REVENUE GROWTH

NETWORK LEADERSHIP

PRODUCTIVITY

- $1B IN GROSS PRODUCTIVITY BENEFITS
- PROCESS IMPROVEMENTS
- EFFICIENT MANAGEMENT OF CAPITAL EXPENDITURE

IT'S HOW WE CONNECT

DRIVE VALUE FROM THE CORE

	RESULTS
CUSTOMER AND REVENUE GROWTH	• NEW DOMESTIC RETAIL CUSTOMERS: MOBILES +937K, +183K FBB ; IP +3K • AWARD WINNING MOBILE AND DATA & IP NETWORKS • 17.2% RETURN ON INVESTED CAPITAL
NETWORK LEADERSHIP	
PRODUCTIVITY	

OUR BUSINESS PROVIDES ENORMOUS OPPORTUNITY FOR CONTINUED GROWTH

BUILD NEW GROWTH BUSINESSES

NAS	• ORGANIC REVENUE GROWTH • FOCUS ON PROFITABILITY • BUILDING MORE CAPABILITY
ASIA	• CREATION OF GLOBAL ENTERPRISE AND SERVICES • NEW MANAGEMENT TEAM IN ASIA
DIGITAL MEDIA	• AUTOHOME IPO • IPTV LEADERSHIP WITH FOXTEL ON T BOX CUST. +111K
GLOBAL APPLICATIONS AND PLATFORMS (GAP)	• LAUNCHED muru-D START UP INCUBATOR • FIRST ACQUISITION: OOYALA
eHEALTH	• ACQUISITIONS: FRED IT, DCA HEALTH • INVESTMENTS: MEDINEXUS, HEALTHENGINE

IT'S HOW WE CONNECT

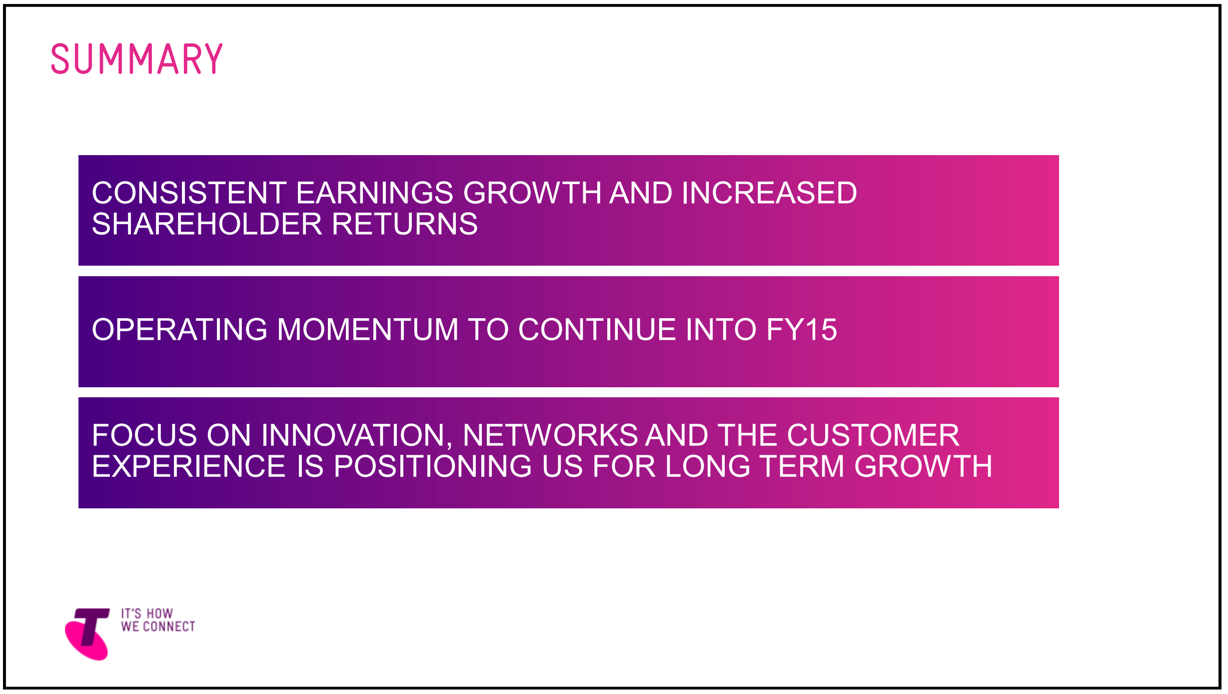
BUILD NEW GROWTH BUSINESSES

	RESULTS
NAS	• NAS REVENUE GROWTH +28% • IMPROVED NAS PROFITABILITY IN 2H14 • INTERNATIONAL REVENUE GROWTH +15% • AUTOHOME REVENUE +87%, EBIT +79% • STRONG IPTV CUSTOMER GROWTH, STRONG GROWTH IN MOVIE AND APP DOWNLOADS • ESTABLISHMENT OF eHEALTH BUSINESS • INVESTING IN CAPABILITY
ASIA	
DIGITAL MEDIA	
GLOBAL APPLICATIONS AND PLATFORMS (GAP)	
eHEALTH	

WE ARE INVESTING FOR FUTURE GROWTH

NATIONAL BROADBAND NETWORK

IT'S HOW WE CONNECT


SUMMARY
CONSISTENT EARNINGS GROWTH AND INCREASED SHAREHOLDER RETURNS
OPERATING MOMENTUM TO CONTINUE INTO FY15
FOCUS ON INNOVATION, NETWORKS AND THE CUSTOMER EXPERIENCE IS POSITIONING US FOR LONG TERM GROWTH
IT'S HOW WE CONNECT

CEO AND CFO SPEECH NOTES
TELSTRA ANNUAL RESULTS
14 AUGUST 2014

DAVID THODEY - CEO

SLIDE 1: OPENING SLIDE

Good morning and welcome to Telstra's financial results for the full the year ended 30 June 2014.

Consistent with previous results, the format of this morning will be:

- I will talk briefly about some of our highlights;
- Andy Penn will take you through the numbers in more detail;
- I will then give you an update on our strategic priorities before we take your questions.

SLIDE 3: HIGHLIGHTS

First to the results.

We have delivered a strong set of financial results, consistent earnings growth and increased shareholder returns. We are delivering results consistent with our strategy.

On a reported basis:

- Total income increased by 6.1% to $26.3 billion;
- EBITDA grew by 9.5% to $11.1 billion;
- Net profit after tax increased by 14.6% to $4.3 billion; and

- Earnings per share increased by 14.3% to 34.4 cents per share.

The underlying demand for our products and services remains strong. You have heard me speak many times about the rapid growth in connectivity and data usage and these trends have continued over the past year.

Our product results were also encouraging:

- Revenue in our mobiles business grew by 5.1% - our wireless business remains a benchmark across developed markets for service revenue growth and network innovation;
- Revenue in fixed voice pleasingly only declined by 7.5% and fixed data revenue increased 6.3%. These are our strongest fixed results for five years; and
- Revenue in Network Applications and Services (or NAS) grew by 27.8%.

Our focus on the customer has seen our customer base grow with an improvement in our customer advocacy across all customer segments. The aggregated improvement as measured by the Net Promoter System was +3 points.

We have also seen good growth in customer numbers and we now have:

- Over 16 million domestic retail mobile customer services with growth of 937,000 customers in 2014; and
- 3 million fixed retail data customers after growth of 183,000 customers. 63% or 1.9 million of these customers are on bundled plans.

- And churn is at record lows.

We have also invested in establishing new platforms for future growth. We continue to invest in innovation, networks and improving the customer experience.

- We spent $1.1 billion in mobile capex during the year extending our wireless leadership position. We have 5.2 million 4G customers connected to our 4G network which covers 87% of the population and is 4 times the geographical coverage area of any other 4G network in Australia;
- Our network leadership position will be further enhanced by our strategy to create one of the world's largest Wi-Fi networks;
- We established our GES business and have invested in acquiring additional capability for our enterprise customers. We continue to extend our NAS business into Asia and we have also increased our resources focused on growth opportunities in the region;
- We have continued to invest in our longer term growth opportunities in health and our Global Applications and Platforms group (GAP). I will provide more detail about these later.
- We have been disciplined in our approach to capital and portfolio management over the past twelve months, in particular with the sale of CSL, the sale of a 70% stake in the Sensis directories business and our increased stake in Ooyala. Our reported free cash flow is $7.5 billion which has provided us greater flexibility with our portfolio and capital management.

I would like to make some important points about shareholder returns.

After increasing our interim dividend by half a cent in February 2014, I am pleased to announce the Board has declared a final dividend of 15 cents bringing the full year dividend to 29.5 cents. This is an increase of 5.4% or one and a half cents from last year. It is our second consecutive dividend increase.

SLIDE 4: INCREASED SHAREHOLDER RETURNS.

Pleasingly, EPS generated from our underlying business has also continued to grow. After taking into account the moves from portfolio management we have delivered EPS growth of 14.3%.

This is the third consecutive year of EPS growth and the fourth consecutive year of revenue growth.

I am also pleased to announce today a $1 billion off-market buy-back which Andy will discuss in more detail. After significant analysis, the Board considers this the most effective way to return additional value to shareholders at this time.

With our increased dividend and the $1 billion buy-back, we will return $4.7 billion to shareholders this year from Telstra's FY14 operations.

We have a clear strategy that we are focused on implementing – we have delivered strong financial performance, we continue to take a disciplined approach to portfolio and capital management and we are carefully investing to provide sustainable long term growth.

I will now hand over to Andy Penn who will take you through the results in more detail.

ANDY PENN – CFO & GROUP EXECUTIVE INTERNATIONAL

SLIDE 5

Thank you David and good morning.

SLIDE 6: AGENDA

In my presentation this morning I will firstly take you through the overall results and comment on how we tracked against guidance.

Secondly, I will take you through our product and business line performance.

Thirdly, I will comment on our expenses and productivity.

Fourthly, I will provide you with an update in relation to our key balance sheet movements, capital position and portfolio management activity which has been significant during 2014; and

Finally, I will conclude with some comments on guidance for 2015.

Before I take you through the results, a couple of clarifying points in terms of accounting treatments.

During the year, we sold 70% of our interest in Sensis. We are required to treat this business as a discontinued operation. The effect of this is that it has been deconsolidated from the current period and also from the prior comparative period for both the operating results and the loss on sale of $150m.

In the case of CSL we completed the sale of our 76.4% interest in May. We have included in our consolidated results, both the revenue and EBITDA of CSL for the first 10 months of the year and the profit on sale of $561m.

Finally, following the liquidation of Sharp Point in China, we have recognised a negative foreign currency translation reserve, related to that asset of $98m.

With those clarifying points, I will now move to the results.

SLIDE 7: GROUP RESULTS - INCOME STATEMENT

Sales revenue for the year was up 3.4% to $25.1b.

Total income was up 6.1% to $26.3b. EBITDA was up 9.5% to $11.1b.

On a guidance basis, excluding the impacts of M&A activity, total income and EBITDA were up 3.5% and 4.7% respectively.

We have reported a small decrease in depreciation and amortisation of 3.1%, reflecting some minor changes to asset service lives.

EBIT was up 18% to $7.2b and net profit after tax was up 14.6% to $4.3b.

Earnings per share grew strongly, up 14.3% to 34.4 cents per share.

SLIDE 8: GROUP RESULS – FINANCIAL MEASURES

Commenting further on some of our key financial measures, accrued capex was flat year on year at $3.7b. The capex to sales ratio was 14.6%, under our guidance of 15%.

Free cash flow grew very strongly, up 48.9% to $7.5b including the proceeds from the sale of Sensis and CSL.

As David mentioned, the Board has declared a fully franked final dividend of 15 cents, up 7.1% on the 2013 final dividend. And this brings the total dividend for the year to 29.5c per share, up 5.4%.

Return on equity and return on invested capital both grew in line with our strong performance, up 1.3 percentage points and 2.3 percentage points respectively.

Gearing fell 7½ percentage points to 43% recognising the very strong liquidity position we have at the end of the year.

SLIDE 9 – PRODUCT PERFORMANCE

Turning to sales.

We saw continued growth in 2014 with sales revenue up 3.4% to $25.1b.

We saw small declines in fixed, media, data and IP which I will comment on in a moment. These were more than offset by continued strong growth in mobiles up 5.1%, in NAS up 27.8%, and in International up 15.1%.

Sales revenue was supported by foreign currency translation gains of $179m and acquisitions of around $100m.

SLIDE 10: PRODUCT PERFORMANCE: FIXED

I will now walk you through our product and business line performance.

Our fixed products performed particularly well with revenues down less than 1% for the year.

Overall fixed voice revenue was down only 7.5% our lowest rate of decline in over 5 years. Retail fixed voice customer line loss slowed to 278,000 compared to 353,000 in FY13 and PSTN ARPU declined only 4.1%. This was assisted by improved marketing activity and loyalty offers aimed at retaining customers.

We saw strong growth in fixed data revenue up 6.3% with retail fixed data up 7.5%.

Retail fixed data customers increased by 183,000 to 3 million and ARPU was up just under 1% to $55.

The fixed voice margin fell 2 points due to lower revenues while the fixed data margin improved 3 points due to continued revenue growth and improved productivity.

Finally, we continued to see strong growth in bundles with customers up 259,000 to 1.9 million, 63% of our fixed data customer base. Our entertainer bundle, which continued to attract high customer demand, during the year was a key driver.

SLIDE 11: PRODUCT PERFORMANCE: MOBILES

Our Mobiles business also had another strong year.

Overall, revenue was up 5.1% with mobile services revenue up 6.1%.

Postpaid handheld revenue grew, up 4.2% due to customer growth, low churn and strong ARPU.

Prepaid handheld revenue grew very strongly, up 20.9% driven by the popularity of our “Cap Encore plans” and growth in data usage driven by the increase in smart phone penetration.

During the year we added a further 937,000 domestic retail mobile services to bring our total subscriber base to 16 million. This included 5.2 million mobile devices on our 4G network - 3.8 million handsets and 1.4 million mobile broadband services.

Our continued growth in Mobiles led to a further 2 point increase in the margin to 40%.

Postpaid handheld ARPU, excl MRO was up 0.7% to $65.80 driven by increases in domestic data usage which more than offset the price reductions in international roaming.

SLIDE 12: PRODUCT PERFORMANCE: DATA & IP

In data and IP we saw a decline of 2.4% as customer migration from legacy products onto IP solutions continued.

Whilst we are achieving volume growth in IP access we are still seeing some price competition.

IP access revenue nonetheless grew 3.3%, driven by IP MAN SIOs, up 6.8%. Also, we continued to increase our market share in IP access, due to strong network differentiation including our market leading network intelligence services and continued investment in IP value added services.

The ISDN decline of 8.4% was due to a line loss of 4.7% and a decrease in call revenues of 15%. This was as a result of customer migration to unified communications products.

Finally, across the portfolio we maintained our EBITDA margins of 65% as a consequence of strong productivity.

SLIDE 13: PRODUCT PERFORMANCE: NAS

In NAS we saw strong growth with revenue up 27.8% to $1.9b.

We have seen further new business signings and pull through revenue from existing large contracts including the Department of Defence. During the year we also acquired North Shore Connections and 02 Networks which added to our capabilities.

Within NAS we grew revenue across all major product categories with Cloud up 32%, Unified Communications up 21% and Managed Network Services up 56%.

As we continue to grow the NAS portfolio, we are also focussing on improving profitability.

As we bring on new customers there are start up costs associated with this business, but as they mature we are able to strengthen the profitability of these contracts. We have also focussed on customer management across the portfolio and as a consequence we improved profitability in the second half of 2014.

SLIDE 14: PRODUCT PERFORMANCE: MEDIA - FOXTEL

Turning now to media and firstly FOXTEL.

FOXTEL's revenue was up 1.4% whilst EBITDA was up 5%, both driven by customer growth, ARPU growth and strong cost control.

Total subscriber numbers were up 5.6% to 2.6m. This was supported by strong sales from Telstra.

Customer growth was also assisted by further improvements in churn which was down 1.7 percentage points to 12.5%.

EBIT growth of 15.9% was driven by lower amortisation of intangibles recognised for the Austar acquisition.

FOXTEL management has been busy during 2014, building further IP based offerings. These have included further enhancements to the Foxtel play product, which offers Foxtel's cable and satellite service over IP and in March we launched "Presto" a subscription video on demand service.

Plans are also well developed for the launch of the new set top box IQ3 and a triple play offering during FY15.

In terms of financial results consolidated into Telstra's books, the distribution received was up 6.5% to $165m whilst cable access revenue was flat at $120m.

SLIDE 15: PRODUCT PERFORMANCE: MEDIA - OTHER

We have seen a strong turn around in the performance of our other media assets.

Overall revenue was up 3.3%. PayTV revenue and customer growth was driven by Paylite services which included FOXTEL on T-Box.

Digital content services continued to decline driven by a decline in legacy mobile products, offset by growth in subscription sports and music services.

MOG, AFL and NRL apps all grew strongly, up 76% to 155,000 subscribers.

Foxtel on T-Box customers grew by 111,000 driven by continued strong demand for the 'Entertainer' bundle.

Finally, we saw a 14.9% increase in the number of movie downloads through BigPond.

SLIDE 16: PRODUCT PERFORMANCE: INTERNATIONAL

Turning now to International.

International revenue grew 15.1% including $179m of foreign exchange gains.

We divested our 76.4% interest in CSL in May for US$1.99b. CSL revenue and EBITDA has been recognised for the 10 months to the end of April.

China Digital Media growth was driven by Autohome, which I will comment on separately in a moment.

GES international revenues grew 19.8% or 14.5% in local currency to $678m.

This includes global connectivity and NAS revenue and was driven by customer growth from both enterprise and carrier customer business. We have broadened our product portfolio, including IP exchange and managed network services.

SLIDE 17: PRODUCT PERFORMANCE: AUTOHOME

We listed our China based online car market service Autohome, on the New York Stock Exchange in December.

Whilst Telstra did not sell any shares into the offering, our post listing shareholding was reduced to 63.2% as a consequence of the dilution effect of bringing on new shareholders.

Autohome has continued to perform very strongly with revenues for the year in local currency up 65.1% while EBITDA grew 60.3%. In A$ terms revenue was $250m and EBITDA $129m.

Two key leading indicators of business activity include dealer subscription services and the number of monthly unique users. These were both up strongly with dealer subs up 86.3% to approximately 14,000 and average daily unique visitors, up 14.4% to 6.75 million.

We also saw an increase in the average amount of time our customers spend on the site, up from 15.4 to 16.3 minutes.

SLIDE 18: BUSINESS LINE RESULTS

Looking at the results from a channel perspective, Telstra retail was up 3.6% to $16.4b.

Consumer growth was driven by strong performance in mobile, up 13.6%, and fixed data up 7.2%, offsetting the decline in fixed voice.

Business was up 0.8%, driven by strong growth in NAS, up 44%, also offsetting declines in fixed voice.

Revenues in the newly formed Global Enterprise Services Group were up 4.1%. Enterprise and Government was up 1.9% and we saw growth in NAS, up 23.4% offsetting weaker mobile service revenue from lower international roaming rates.

Telstra Global was up 17.9%.

Finally, Telstra Wholesale performed very strongly, up 10.1% as a result of NBN service revenues and growing prepaid mobile wholesale services.

<u>SLIDE 19: NBN</u>

During the year we recognised NBN related income of $640m. This revenue has increased as we have completed the transit network build and in line with the NBN roll out.

Income from the Commonwealth Government agreements reduced as the payments for the information campaign and migration deed were fully amortised during the year.

The retraining deed revenues of approximately $14m will continue to be amortised over the next 4 – 5 years.

Income from the Infrastructure Services Agreement increased to $316m. This was driven by the completion of the transit network, and included exchange rack and dark fibre revenues, revenue from duct rental as well as income from the sale of lead-in conduits which increased in conjunction with the NBN roll out. Similarly the PSAA payments also increased in line with the NBN roll out.

SLIDE 20: PRODUCTIVITY

Let me now turn to our expenses.

Total expenses grew 4% to $15.2b.

In the period our additional investments in DVCs and business growth were $250m and $350m respectively. We also invested a further $110m in new business initiatives and another $100m in new businesses acquired through M&A.

Against these increases, our productivity and simplification program delivered a further $550m in expense benefits for the full year.

SLIDE 21: CAPITAL AND PORTFOLIO MANAGEMENT

Turning now to capital and portfolio management where we have had a busy year.

Firstly, I would like to take you back to the strategic framework for capital management which we presented to the market more than two years ago.

This remains the key benchmark against which we make all capital decisions.

The framework has the joint objectives of maximising returns for shareholders, maintaining our financial strength and retaining financial flexibility, particularly for investment in future growth.

In this regard, we continue to manage the balance sheet consistent with a single A credit rating.

As we have just announced, the Board has declared a further increase to our dividend to bring the total dividend for the year to 29.5 cents fully franked, up 5.4%.

As previously mentioned, our capex to sales ratio was 14.6% as we applied additional investments to rolling out our LTE network.

With a very strong operating performance and proceeds from the sales of CSL and Sensis, we ended the year with cumulative excess free cash flow of $4.7b.

Consistent with the last principle of our framework, this clearly provides us with flexibility for continued portfolio management and strategic investments. In addition we are strongly positioned to support the off market buyback of $1b announced today about which I will speak more in a moment.

<u>SLIDE 22: CAPITAL AND PORTFOLIO MANAGEMENT</u>

Before I do though, I would first like to comment on a number of important strategic investments we have made this year to support longer term growth.

This is in addition to the significant activity on portfolio management, which included the sale of 70% of Sensis, our interest in CSL and the listing of Autohome.

In terms of new investments I have already mentioned NSC Group and O2 Networks, in our NAS business.

We also acquired 51% of SNP Security in May which will be particularly important in the small business sector, and in January we entered into an MOU to establish a NAS business with Telkom Indonesia.

On Tuesday we announced the acquisition of Ooyala which will be the foundation of our intelligent video platform which David will speak on further in a moment.

We have made a number of investments in eHealth, including FRED IT and DCA eHealth Solutions.

Finally we have also made a number of smaller minority investments through our Telstra Ventures activities.

SLIDE 23: CAPITAL AND PORTFOLIO MANAGEMENT

Let me now make some specific comments in relation to the buy back.

We continue to take a very disciplined and considered approach to capital management consistent with our framework.

The Government's decision to move to a monthly payment system for company tax resulted in an additional one off increase in 2014 to our franking balance of $258m. We are very conscious of the value of these franking credits. The off market buy back provides a mechanism to distribute these quickly, particularly ahead of the proposed reduction next year in the company tax rate and associated franking to 28.5%.

We have received a ruling from the Tax Office that for Australian tax purposes the buy-back price will be treated as having a $2.33 per share capital component, with the balance being a fully franked dividend.

We will be issuing the booklet on the buy-back in a fortnight to eligible shareholders. The buy-back is not being made, directly or indirectly, to any person located or resident in the United States. Eligible shareholders will be invited to offer their shares to Telstra at a discount between 6% to 14%. The offer will be open until 3rd October with the buy back price to be set on the 6th.

We believe this is an approximate and value adding capital management initiative for our shareholders.

SLIDE 24: CAPITAL AND PORTFOLIO MANAGEMENT

Finally, in relation to some of the more detailed capital and balance sheet movements in 2014.

Our accrued capex for the year was $3.7b, broadly flat on 2013.

Free cash flow was up 48.9% to 7.5bn. This flowed into increased liquidity with cash on hand at the end of the year of $5.5b.

Net debt reduced 20% to $10.5b and we have reduced our average borrowing cost to 6.2%.

The impact of the high liquidity is reflected in the reduction of our net debt and gearing ratio which reduced from 50.5% to 43.0%.

Liquidity will be reduced in the first quarter to fund planned cash outflows, such as Spectrum licence payments of $1.3b, the buy back of $1bn and the increased dividend of $1.8b.

We also have debt repayments in FY15 of $2.2b. Of this amount, we have already repaid two bonds totalling approximately $1.5b with the balance of $700m due over the balance of the year.

Finally, our average debt maturity reduced to 4.7 years as a consequence of the two bond repayments in FY14 and the new Australian debt issued of $500m at 5 years.

SLIDE 25: 2015 GUIDANCE

Before handing back to David I will make some comments on guidance for 2015.

We expect to continue to deliver low single digit income and EBITDA growth, although in 2015 this will be offset the loss of revenue and EBITDA from CSL. In FY14 this was just over $1b and just under $300m respectively.

As a consequence, for guidance purposes, income and EBITDA growth in FY15 will be broadly flat when one excludes the impact of the profit on the sale of CSL in FY14 of 561m.

We expect the capex sales ratio to be approximately 14% and free cash flow to be in the range of $4.6b – $5.1b.

Thank you and I will now hand back to David.

DAVID THODEY - CEO

SLIDE 27: OUR STRATEGIC PRIORITIES

Thank you Andy. I would now like to spend a few minutes reviewing our progress on implementing our strategy.

Our strategy centres around three priorities:

- Improving customer advocacy;
- Driving value from our core business; and
- Building new growth businesses.

I would like to update you on each of these priorities in the context of our results.

SLIDE 28: IMPROVING CUSTOMER ADVOCACY

Firstly customer advocacy.

Five years ago we made a decision to change – to put the customer at the centre of everything we do. Customer advocacy remains our number one strategic imperative.

Customer advocacy is about:

- Improving customer service;
- Delivering better products for our customers; and
- Making it easier for our customers to do business with us.

Customer service

We have implemented some changes over the past year as we continue to improve the customer experience:

- We have created a more personalised service so that customers who call our contact centres are given the name and contact details of the person they spoke to. New postpaid mobile customers receive a call from the consultant who served them in-store within 48 hours of their purchase and we have started providing personalised business cards to in-store customers.

Pleasingly there has been a significant improvement across all customer interactions and episodes as we provide targeted customer service and product initiatives into all customer segments.

Over the year we improved the customer experience from interacting with our contact centres and our engineers in the field. The NPS measured from contact centre interactions improved by 12 points and the NPS from field engineer interactions improved by 13 points.

Other initiatives we have implemented include:

- Our Telstra Platinum service, where consumer customers can access end-to-end technical support from a Telstra technician in your home, over the phone or online.

- For business customers we refreshed our DOT - digital office technology solution. DOT integrates digital telephony, mobile and fixed data services on an IP platform. This is a leading edge innovative product for small and medium sized businesses.
- For our Enterprise customers we recently extended our consulting capabilities. We now provide an integrated end-to-end consultancy approach to cloud, security, collaboration and customer contact and managed network & integrated services.

Our loyalty program called Telstra THANKS is also one year old. In this time 1.6 million customers have purchased over 2 million discounted movie, music and sporting event tickets. We are very grateful for the loyalty of our customers.

SLIDE 29: IMPROVING CUSTOMER ADVOCACY cont.

Better products

We are also aiming to deliver better products.

- Our IP network is world class. It is the foundation for differentiated IP offerings like Application Assured Networking which is becoming more important for business and enterprise customers needing scalable bandwidth and monitoring capability.

In mobiles we introduced new plan features and differentiated offers such as:

- New Phone Feeling which allows our customers a new phone after 12 months when they return their old phone in good working condition; and Stay Connected which provides complete data backup and a device exchange or replacement service.

In fixed:

- We refreshed our Entertainer bundled offers and the take up has been encouraging. As I mentioned earlier in total 1.9 million or 63% of our fixed data customer base are on bundled plans.
- Our fixed broadband customers can also access a new mobile app that helps them resolve common connection issues without having to call our contact centres or require a field technician. Over 20,000 customers have used the tool since launch.
- We also launched the free Telstra Wi-Fi Maximiser App which enables customers to better understand the performance of the wireless network in their home and measure the signal strength on devices connected to their gateway.

Product innovation and leadership is fundamental.

SLIDE 30: IMPROVING CUSTOMER ADVOCACY cont

Easier to do business with

Finally we have to make it easier for our customers to do business with us.

- We now have a dedicated Moves Team for consumer and small business customers both of which are improving experiences for customers moving their home or business. Almost all small business and almost half of consumer moves are now managed by the dedicated moves team and we aim for 100% of our consumer moves to be handled by the team by the end of FY15;

- We continue to introduce innovative solutions like our new video bill which explain the elements of a customer's bill by providing a personalised video presentation; and
- We continue to invest in our digital platform so our customers can interact with us online. Our industry leading application, the Telstra 24x7 app is regularly used by 1.7 million customers.
- Other digital channels include CrowdSupport, Twitter and our Facebook 24x7 Service page.
- We are online where our customers want us to be 24 hours a day, seven days a week. 3 million of our customers receive an email bill and over 70% of payments are made online. 46% of our service transactions are now digital.

SLIDE 31: IMPROVING CUSTOMER ADVOCACY cont.

We have lots more to do. The results to date are encouraging:

- Improved customer advocacy in all segments with our overall Net Promoter Score improving by 3 points;
- Most of our core products recorded improved NPS results;
- Churn is at world leading levels. Postpaid handheld mobile churn in particular remains very low, improving by half a percentage point to 10.3%; and
- Multi-product holdings increased, we added 259,000 new bundled customers of which 75,000 were triple-play customers.

We will continue to put the customer at the centre of everything we do. We want to provide the best customer service and products over the best networks. Improving customer advocacy will drive better shareholder returns through reduced churn, more customers, higher multi-product holdings, resulting in increased revenue and profits.

SLIDE 32: DRIVING VALUE FROM THE CORE

Our second priority is to drive value from the core. This priority focuses on customer and revenue growth, network leadership and productivity.

During the year we saw revenue growth across all key segments with consumer growing by 4.6%, business up nearly 1% and GES growing by 4.1%. Within GES, our enterprise business grew revenue by 1.9%. Global connectivity and NAS had another strong year growing by 19.8%. Mobile revenue increased by 5.1% and fixed data revenue increased by 6.3%.

As Andy and I have already mentioned we saw good growth in customer numbers across key products in 2014.

SLIDE 33: DRIVING VALUE FROM THE CORE cont.

We know our customers value and expect our networks to perform well and we are committed to maintaining our network leadership position.

- As I mentioned earlier we invested another $1.1 billion of capital to support the 4G rollout, which now reaches 87% of the population. Our customers can access 4G from Bunbury to Bondi and over 3,000 towns and suburbs in between.
- Our 4G network is 4 times the geographical coverage area of any other 4G network and our 3G network has 1 million square kilometres more coverage than what is claimed for the next largest Australian mobile network. This is also about ensuring a quality experience for our customers so there are fewer call drop outs and

more reliable data speeds. And we will spend around another $1 billion on mobile capex in 2015 to extend our leadership position.

We announced a $100 million Wi-Fi investment that will allow all Australians, irrespective of whether they are a Telstra customer or not, access to a potential 2 million Wi-Fi hotspots across the nation and 13 million international hotspots within five years. By Christmas we expect to have switched on around 1,000 hot spots in metro and holiday centres.

- Our IP core network is the largest IP Network in Australia. Over 1 Terabyte or one thousand gigabytes of data traffic is transferred per second in peak periods over the network. We have invested over $1.5 billion to date in building the IP network.
- And investment in our fixed network enabled us to improve the fixed broadband experience for around one million customers. 600,000 new ADSL2+ ports were installed at 636 exchanges and there were 23 new "Top Hats" installed as we expanded this innovation from previous years.
- We also upgraded the Cable Broadband Network in Sydney, Brisbane, Gold Coast, Adelaide and parts of Melbourne. A further 4 regions are planned for upgrade this financial year.

Maintaining our network leadership is a key part of our strategy.

SLIDE 34: DRIVING VALUE FROM THE CORE cont.

In terms of productivity, you have already heard from Andy that simplification initiatives this year delivered an expense benefit of $550 million. The gross value of our productivity program, which also includes revenue, capex reduction and avoided costs is $1 billion.

Some of the productivity process improvements we have implemented over the past year include:

- A new approach to Credit and Rebates. In the past, when things have gone wrong, we have sometimes simply offered customers a short term win with a credit or rebate, rather than addressing the root cause of the problem. Now resolving the customer's issue is our first priority, and as we get better at resolving issues, we can reduce the credit or rebate applied.
- We launched a Call Matching initiative which aims to ensure service calls land with the best agent, with the right skills to solve the customer issue right first time. We have already seen a 20% improvement in interaction NPS after only 6 weeks.
- In the NAS space, the team have launched a tool which provides real time intelligence around the end to end visibility of customer orders that was not previously available. The result is reduced cycle times for our Managed Data Network offering.

We have also improved the efficiency of our capital allocation with a capex/sales ratio of 14.6%, in line with our guidance.

Productivity must be a focus for our entire business. We had over 1,600 redundancies last year as we rebalanced the business. Total headcount however was flat as we invested in new growth businesses. This trend will continue.

It's worth noting we have added over net 400 FTE here in Australia during the year – and if you exclude the impact of the CSL sale added hundreds of FTE overseas as well as we build our capabilities in Asia.

Productivity affords us the right to re-invest in new business opportunities and we believe there is further scope to drive costs out of the business through process improvement and simplification.

SLIDE 35: DRIVING VALUE FROM THE CORE cont.

There is enormous value in our core business and its scale creates significant opportunity for continued revenue and profit growth.

The results to date are encouraging with strong customer growth and award winning mobile and data and IP networks.

Pleasingly our total Return on Invested Capital has improved almost 400 basis points in two years to 17.2% with the core business contributing strongly to this improvement.

SLIDE 36: BUILDING NEW GROWTH BUSINESSES

The final strategic priority is building new growth businesses with a focus on opportunities in Network Applications and Services, Asia and other emerging opportunities.

Starting with Network Applications and Services:

- We saw strong organic revenue growth and acquisitions such as O2 Networks and NSC Group have also complemented our capabilities here. We are pleased with the rate of growth, for example our Cloud business grew by 32%.
- We continue to focus on improving NAS profitability and NAS profitability improved in the second half.

We are expanding NAS into Asia. For example we have invested in data centres and increased our executive and senior management engagement focus on Asia. Andy Penn now has the expanded role to lead and coordinate all of the activity outside Australia and we appointed Tim Chen as International President. Tim has a particular focus on expansion in China.

We are realising value from our international assets with the successful listing of Autohome on the New York Stock Exchange. Our 63.2% share is valued at just under US$3billion.

In the domestic market we are the leaders in IPTV. The number of customers using Foxtel through T Box grew 111,000 to 185,000 subscribers in total. We have also sold 761,000 T-Boxes to date.

Our domestic sporting codes are driving increased downloads and subscription revenues with AFL app downloads growing 51% to 2.3 million and NRL app downloads increasing 76% to 1.3 million in 2014.

Finally to emerging opportunities which includes areas such as digital media, e-health and our Global Applications and Platforms group (GAP), our new software division.

GAP's strategy is to build new growth businesses and take advantage of the considerable growth in the software-driven business encompassing applications and integrated services. We have a dedicated team looking at these opportunities.

In October 2013 we launched our start up incubator muru-D to foster Australian technology innovation and this week announced the purchase of leading global video streaming company, Ooyala. By definition, software is a global business.

Finally in e-Health, growth to date has been through strategic acquisition and investments, partnership and commercial relationships. Key events were the acquisition of DCA eHealth Solutions and Medinexus, a 50% investment in Fred IT Group and further minority investment in HealthEngine.

These investments make Telstra a significant provider of eHealth solutions through connectivity of health services, electronic health records and electronic prescriptions.

SLIDE 37: BUILDING NEW GROWTH BUSINESSES cont.

These long term growth opportunities are very important as we lay the new growth foundations for the business. We are already seeing results with strong revenue growth in NAS and International. NAS revenue increased by 28%, International revenues grew by 15% including Autohome revenue growth of 87% and EBIT growth of 79%.

As I mentioned, there has been strong growth in IPTV customers and usage volumes are good. Movie downloads were up 15% to 4.8 million.

We are making good progress in executing our three strategies

- Improving customer advocacy
- Driving value from the core
- Building new growth businesses

And these will continue to be our future focus areas.

SLIDE 38: NATIONAL BROADBAND NETWORK

I would like to make some comments on the NBN.

- We share the Government's objective to finalise the agreements as soon as possible but no date has been set for completion. As you know, the current agreements are complex, therefore the shift to a multi-technology model requires careful consideration as to how these agreements need to be modified.

- The teams are working hard to get the material commercial issues resolved. To that end, we have agreed the non-binding commercial framework around which revised agreements would be built and are now working out the detail.
- The renegotiations are progressing well and the parties are working constructively towards a common goal. This is important as we will be NBN Co's largest customer and one of their biggest suppliers. It is in our mutual interest to achieve clarity on exactly how the transition to a multi-technology model will occur.

- We are committed to acting in the best interests of our shareholders, and are focused on maintaining the value of the current agreements, achieving certainty of outcome as soon as reasonably possible, and minimising any additional regulatory risk.

We will keep shareholders informed of the renegotiation process.

SLIDE 39: SUMMARY

Before I finish up I would like to thank all of the staff for their dedication and hard work. They are committed to delivering great customer service every day.

Thanks also to the senior management team who have been tireless in their work to improve the business – always willing to try new things, change and innovate...and create a culture where people enjoy working. It is a pleasure to work with such a capable group of executives.

In summary, in 2014:

- We have delivered consistent earnings growth and increased returns to our shareholders with $4.7 billion to be returned from our FY14 operations;

- We expect operating momentum to continue into 2015; and

- Our focus on innovation, networks and improving the customer experience is positioning us well for long term growth.

Thank you for your time this morning. Andy and I would be pleased to take your questions.

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Summary Financial Results

	FY14 $m	Restated(i) FY13 $m	Change %
Sales revenue	**25,119**	24,298	**3.4**
Total income (excluding finance income)	**26,296**	24,776	**6.1**
Operating expenses	**15,185**	14,607	**4.0**
EBITDA	**11,135**	10,168	**9.5**
Share of net profit/(loss) from joint ventures and associated entities	**24**	(1)	**n/m**
Depreciation and amortisation	**3,950**	4,078	**(3.1)**
EBIT	**7,185**	6,090	**18.0**
Net finance costs	**957**	933	**2.6**
Tax	**1,679**	1,517	**10.7**
Profit for the period from continuing operations	**4,549**	3,640	**25.0**
(Loss)/profit for the period from discontinued operation	**(204)**	151	**(235.1)**
Profit for the period from continuing and discontinued operations	**4,345**	3,791	**14.6**
Profit attributable to equity holders of Telstra	**4,275**	3,739	**14.3**
Capex(ii)	**3,661**	3,689	**(0.8)**
Free cashflow from continuing and discontinued operations	**7,483**	5,024	**48.9**
Earnings per share (cents)	**34.4**	30.1	**14.3**

(i) Restatement due to the retrospective adoption of AASB 119: Employee Entitlements (refer note 2.1(e) of the Financial Report for details).

(ii) Capex is defined as additions to property, equipment and intangible assets including capital lease additions, measured on an accrued basis.

Guidance Versus Reported Results(ii)

	FY14	FY14	FY14	FY13
	Reported results $m	Adjustments $m	Guidance basis $m	Guidance basis $m
Total income(iii)	26,296	(662)	25,634	24,776
EBITDA	11,135	(491)	10,644	10,168
Free cashflow	7,483	(2,356)	5,127	5,024

(ii) Adjusted for the sale proceeds from CSL and 70 per cent of our Sensis directories business, M&A activity, Octave foreign currency reserve loss, Sequel Media impairment and 30% equity share of Sensis directories business. Please refer to the guidance versus reported results reconciliation on page 199. This reconciliation forms part of the Full Year Results and Operations Review, and has been reviewed by our auditors.

(iii) Excludes finance income.

Reported Results

During financial year 2014 there were two significant divestments. In February we completed the sale of a 70 per cent stake in our Sensis directories business and in May we completed the sale of our 76.4 per cent shareholding in the Hong Kong-based mobiles business, CSL New World Mobility Limited ("CSL"). In accordance with accounting standards, the Sensis directories business is disclosed as a discontinued operation. CSL does not meet the criteria to be classified as a discontinued operation as we continue to operate a mobiles business in Australia.

The numbers and commentary in the product and expense performance sections have been prepared on a continuing operations basis and aligns with the statutory financial statements. The segment performance and financial position sections have been prepared on a continuing and discontinued operations basis (that is, includes the results of the Sensis directories business) unless otherwise noted.

Our results highlight consistent earnings growth and increased shareholder returns while investment in innovation, networks and improving the customer experience

Results on a Guidance Basis(ii)

	FY14	FY14 guidance
Total income growth(iii)	**3.5%**	Low single digit growth
EBITDA growth	**4.7%**	Low single digit growth
Capex/sales ratio	**14.6%**	~ 15% of sales
Free cashflow	**$5.1 billion**	$4.6 - $5.1 billion

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Key Product Revenue

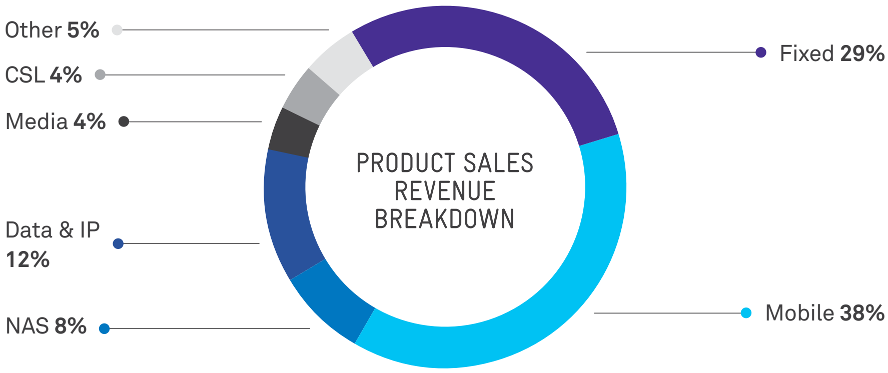
	FY14 $m	FY13 $m	Change %
Fixed	**7,245**	7,305	(0.8)
Mobile	**9,668**	9,200	5.1
Data and IP	**2,968**	3,041	(2.4)
NAS	**1,896**	1,484	27.8

Product Profitability EBITDA Margins[i]

	FY14	FY13	2H14	1H14	2H13
Mobile	**40%**	38%	**41%**	39%	39%
Fixed voice[ii]	**60%**	62%	**59%**	61%	63%
Fixed data[ii]	**44%**	41%	**46%**	42%	43%
Data and IP	**65%**	65%	**66%**	65%	64%
Telstra Group	**42%[iii]**	42%	**42%[iii]**	42%	43%

(i) The data in this table includes minor adjustments to historic numbers to reflect changes in product hierarchy.
(ii) Margins exclude NBN voice and data products.
(iii) Profit on the sale of CSL has been excluded from these figures.

Product Sales Revenue Breakdown



has set the foundation for future growth. Our strategy is to improve customer advocacy, drive value from the core and build new growth businesses.

On 14 August 2014, the Directors of Telstra resolved to pay a fully franked final dividend of 15 cents per share. Shares will trade excluding entitlement to the dividend on 27 August 2014 with payment on 26 September 2014. We have also announced an off-market share buy-back of up to approximately $1 billion of Telstra shares. Detailed process information regarding the buy-back will be released to shareholders on 27 August 2014.

Product Performance

Fixed

Telstra's fixed portfolio comprises fixed voice, fixed data and other fixed revenue (which includes inter carrier services, customer premises equipment and infrastructure access revenue from the NBN agreements).

Revenue from our fixed business decreased by 0.8 per cent to $7,245 million, although there was growth in fixed data and increased infrastructure access revenue from the NBN agreements. Customers moving onto bundled plans and retention strategies led to the lowest rate of decline in our fixed voice business for five years, with a revenue decrease of 7.5 per cent to $4,034 million and a loss of 232,000 customer services. Retail customer services declined by 278,000 and wholesale customer services increased by 46,000. There are now 7.5 million fixed voice services.

Fixed data revenue increased by 6.3 per cent to $2,218 million. We again saw strong growth in retail fixed data, with revenue increasing by 7.5 per cent to $1,889 million. This was driven by growth in bundled plans with 259,000 new bundled customers. The total number of customers on a bundled plan is 1.9 million, or 63 per cent of the retail fixed data customer base. Retail fixed data average revenue per user (ARPU) increased by 0.8 per cent to $54.98.

Other fixed revenue increased by 15.6 per cent to $993 million, driven by increased infrastructure access revenue from the NBN agreements.

Fixed voice EBITDA margins decreased to 60 per cent driven by revenue decline, while fixed data EBITDA margins increased to 44 per cent due to revenue growth and reduced service delivery costs.

Mobile

Our strong performance in mobiles continued with revenue growth of 5.1 per cent, or $468 million to $9,668 million.

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Retail mobile services revenue grew 6.7 per cent with growth across major product categories. Domestic retail customer services increased by 937,000, bringing the total number to 16.0 million. EBITDA margins increased to 40 per cent.

Post-paid handheld revenue grew 4.2 per cent to $5,006 million. ARPU, excluding the impact of mobile repayment options (MRO), increased 0.7 per cent to $65.80 as customers used more data. The annual post-paid handheld deactivation rate improved 0.5 percentage points to 10.3 per cent, and remains at world leading levels.

Pre-paid handheld revenue increased 20.9 per cent to $879 million with an increase of 249,000 unique pre-paid handheld users. Growth was driven by a full year's contribution from the Boost retail partnership and the continuing popularity of our Cap Encore plans. ARPU grew by 11.4 per cent due to increased data usage.

We added 109,000 customer services in the mobile broadband category. Revenue grew by 7.6 per cent to $1,287 million. ARPU declined slightly to $29.59. Machine to machine (M2M) services experienced revenue growth of 12.2 per cent to $101 million, adding 291,000 services.

We continue to invest in our 4G network, which is four times the geographical coverage area of any other 4G network in Australia. This has helped us grow penetration of 4G devices with 34 per cent of our handheld customers on 4G. We have more than 5.2 million 4G devices on our network, comprising 3.8 million handsets, 500,000 tablets, 400,000 dongles and 550,000 Wi-Fi hotspots.

Data and IP

Data and IP includes revenue from IP access, ISDN services and other data and calling products. There was growth in IP Access revenue which grew by 3.3 per cent to $1,166 million. IP MAN services growth continued, with a 6.8 per cent increase bringing the total number of services to 32,679. However, overall revenue in this portfolio declined by 2.4 per cent or $73 million to $2,968 million resulting from the continued decline in ISDN and other legacy products. Data and IP EBITDA margins remained steady at 65 per cent.

Network Applications and Services (NAS)

We continue to build momentum in the NAS domestic portfolio. NAS builds on the value which our IP network delivers to enterprise, government and business customers by providing unified communications, cloud, managed networks and security services. During the year we made acquisitions to complement our capability. NSC Group is a leading provider of unified communications solutions in Australia and has strengthened our contact centre technology services, while O2 Networks is a leader in network and security consultation and integration services.

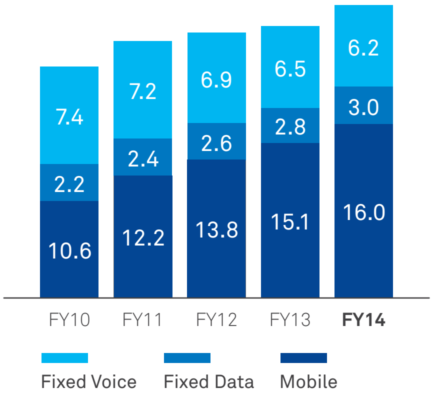
There was revenue growth in the domestic portfolio of 27.8 per cent to $1,896 million. This growth was driven by revenue from contracts signed in previous years, such as the six year Department of Defence contract.

Major NAS categories had strong revenue growth, with managed network services increasing by 55.7 per cent with a significant portion of this increase attributable to the Department of Defence contract, unified communications increasing by 21.1 per cent and cloud services increasing by 32.2 per cent.

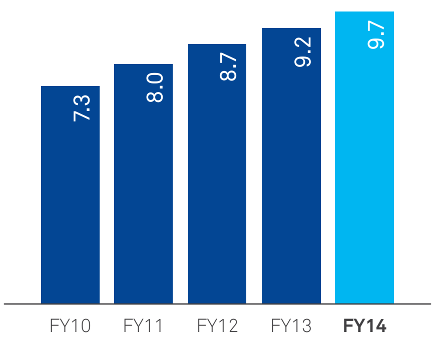
Media

Media product portfolio revenue declined by 0.5 per cent or $5 million to $982 million. This portfolio previously included our Sensis directories business, of which 70 per cent

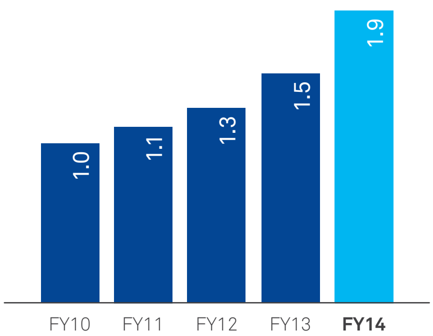
Domestic Retail Customer Services (millions)



Mobile Revenue ($b)



NAS Revenue ($b)



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was sold in February for $454 million. TV revenue increased by 5.0 per cent to $699 million with growth in both Premium Pay TV and Foxtel on T-Box® 'paylite' services. This was offset by a decline in Sensis voice and advertising services of 22.0 per cent.

CSL New World Mobility

In May 2014 we announced the sale of our 76.4 per cent stake in CSL to HKT Limited, and received US$1.99 billion in proceeds (A$2.11 billion gross cash proceeds which are subject to completion audit). Our results include ten months of CSL's results. In that period revenue grew by 3.4 per cent to $1,045 million driven by strong post-paid handheld revenue and favourable foreign exchange movements.

Other

Global Connectivity and NAS offshore revenue grew by 19.8 per cent to $678 million. In our China digital media portfolio, revenue increased by 71.6 per cent. This includes Autohome which holds a strong position in digital marketing in the rapidly growing Chinese auto market. On 11 December 2013, Autohome Inc. was listed on the New York Stock Exchange. Our ownership interest in Autohome Inc. is 63.2 per cent.

Expense Performance

Labour performance

Total labour expenses increased by 4.5 per cent or $205 million to $4,732 million. Full time staff and equivalents decreased by 107 to 31,931. This decrease was driven by the acceleration of restructuring programs across Telstra Operations and the divestment of CSL, offset in part by expenses supporting NAS and NBN-related activity. Salary and associated costs increased by 3.2 per cent or $106 million to $3,399 million. This included the impact of salary and wage increases and unfavourable bond rate movements impacting long service leave and workers compensation provisions which contributed $58 million. Redundancy expenses increased by 32.8 per cent or $62 million to $251 million due to continued restructuring to support a changing product and service mix, and simplification of our business.

Operating Expenses

	FY14 $m	FY13 $m	Change %
Labour	4,732	4,527	4.5
Goods and services purchased	6,465	6,247	3.5
Other expenses	3,988	3,833	4.0
Total operating expenses	15,185	14,607	4.0

Goods and services purchased

Goods and services purchased increased by 3.5 per cent or $218 million to $6,465 million. Cost of goods sold (COGS) increased marginally by 0.9 per cent or $25 million to $2,906 million. The main driver was an increase in NAS COGS supporting revenue growth and CSL mobile COGS impacted by higher smartphone unit rates and the translation of a weaker Australian Dollar, offset by lower domestic post-paid mobile COGS. Other goods and services purchased increased by 7.7 per cent or $130 million to $1,828 million to support growth in some large NAS contracts. Network outpayments increased by 3.8 per cent or $63 million to $1,731 million, driven by increased voice usage in line with revenue growth in CSL. A reduction in the mobile terminating access (MTA) rate resulted in continued savings. This was offset by increased SMS/MMS costs due to higher volumes, however this also had a favourable revenue impact.

Other expenses

Total other expenses increased by 4.0 per cent or $155 million to $3,988 million. Service contracts and agreements increased 7.4 per cent or $101 million to $1,468 million, driven mainly in support of GES revenue growth. The remaining other expenses increased $78 million to $2,260 million, driven by an increase in light and power costs resulting from our 4G roll out, higher property rental costs across our network and data sites and a write off of $98 million from the foreign currency translation reserve for our Octave investment in China. The prior year also included a loss recognised on the sale of TelstraClear of $127 million.

Finance costs

Net finance costs increased year on year by 2.6 per cent or $24 million, which comprised a reduction in net borrowing costs of $54 million offset by a reduction in capitalised interest of $38 million, and an increase in other finance costs of $40 million.

The reduction in net borrowing costs was predominantly due to a reduction in the net average interest cost. The average net interest yield for the year was 6.2 per cent compared to 6.4 per cent in the prior year. The reduction in yield arose through a combination of a reduction in market base rates (resulting in lower costs on the floating rate debt component of our debt portfolio), and from refinancing at lower rates.

The primary driver for the increase of $40 million in other finance costs was a decrease in other interest revenue of $61 million relating to interest on tax refunds

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(prior year included $64 million interest on tax refunds). This increase was partially offset by a reduction in the net interest charge relating to defined benefit plans and a reduction in valuation impacts.

Segment Performance

We report segment information on the same basis as our internal management reporting structure as at reporting date. Segment comparatives reflect organisational changes that have occurred since the prior reporting period to present a like for like view. Commentary on the performance of our business segments follows.

Telstra Retail

Telstra Retail brings together our key retail facing businesses including Telstra Consumer, Telstra Business, Telstra Media Group and Telstra Health. Telstra Retail provides the full range of telecommunications products, services and solutions to consumer customers and to Australia's small to medium sized enterprises, as well as the provision of Foxtel and digital content services. Income in this segment grew by 3.6 per cent to $16,350 million and EBITDA increased by 3.8 per cent to $9,307 million. Income in our Consumer business unit grew by 4.6 per cent with strong growth in mobiles of 10.6 per cent, driven by increased data usage, as well as a 7.2 per cent increase in fixed data revenue offset by an 8.2 per cent decline in fixed voice revenue. Telstra Business income grew by 0.8 per cent, with continued strong growth in the NAS portfolio, which increased 44.2 per cent. A 6.3 per cent growth in fixed data was offset by an 8.5 per cent decline in fixed voice revenue. Telstra Health contributed income of $40 million in its first year. Commentary on the performance of Telstra Media Group is provided within the Media product performance section on page 17.

Global Enterprise and Services

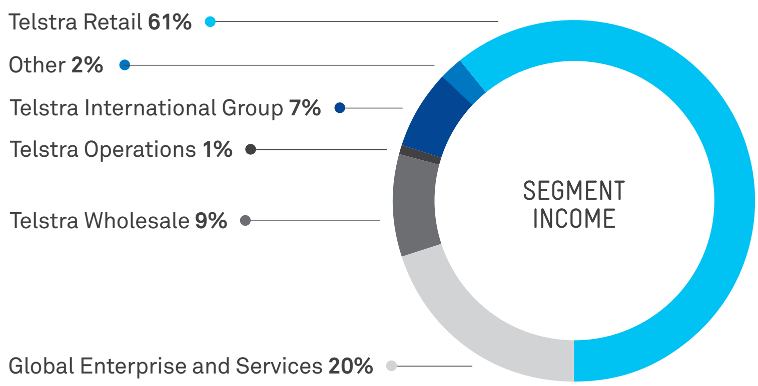
Global Enterprise and Services (GES) is responsible for sales and contract management support for business and government customers in Australia and globally. It also provides product management for advanced technology solutions including Data and IP networks, and NAS products such as managed network, unified communications, cloud, industry solutions and integrated services. Technical delivery for NAS customers in Australia and globally is also provided by GES. Income for GES increased by 4.1 per cent to $5,284 million, driven by NAS domestic and global connectivity, offset by declines from Australian enterprise and government customers for fixed telephony, mobiles and data connectivity. Investment to support growth in NAS contracts and GES global customers resulted in an increase in operating expenses of 21.9 per cent, leading to an EBITDA decline of 9.1 per cent. This decline moderated in the second half.

Telstra Wholesale

Wholesale income grew by 10.1 per cent to $2,328 million. This was largely driven by revenue growth from the NBN Infrastructure Service Agreement, partly offset by one off reductions to fixed and mobile roaming revenues from customer exits during FY13. We also saw an increase in unconditioned local loop (ULL) services of 160,000. External expenses increased by 16.8 per cent largely due to higher bad debts from customer insolvencies and increased network outpayments from Telstra International. EBITDA contribution increased by 9.5 per cent to $2,127 million.

Segment Income

	FY14 $m	FY13 $m	Change %
Telstra Retail	16,350	15,784	3.6
Global Enterprise and Services	5,284	5,074	4.1
Telstra Wholesale	2,328	2,115	10.1
Telstra International Group	1,887	1,163	62.3
Telstra Operations	161	156	3.2
Other	838	1,688	(50.4)
Total Telstra segments	26,848	25,980	3.3



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Telstra International Group

The Telstra International Group income grew by 62.3 per cent to $1,887 million and EBITDA contribution grew by 156.9 per cent to $817 million. This segment comprises our China digital media portfolio and CSL . During the year Telstra ceased operations in the Octave investment in China and commenced liquidation of the legal entities in the Octave Group. A write off of $98 million from the foreign currency translation reserve associated with this investment was recorded during the year. CSL was also sold in May 2014 and we recognised $561 million profit on sale. Refer to note 20 in the financial statements for further details.

Further commentary on the performance of these businesses is provided within the product performance section on page 17.

Telstra Operations Group

Telstra Operations is primarily a service delivery centre supporting the revenue generating activities of other segments. The underlying EBITDA contribution improved 1.6 per cent on the prior year with reductions in labour expenses, partially offset by higher network accommodation costs.

Other

Our Other category includes the costs of corporate centre functions, payments received under certain NBN agreements, impairments, adjustments to employee provisions for bond rate movements and short term incentives, and redundancy expenses for the parent entity. The results of our New Zealand subsidiary TelstraClear, sold in October 2012, and the 70 per cent stake of our Sensis directories business, sold in February 2014, are also included in this category. The declining revenues in the Sensis directories business and the associated impairment charges represent the major movement for the year in this segment compared with the prior period.

Financial Position

Capital expenditure and cash flow

Capital expenditure decreased by 0.8 per cent to $3,661 million (excluding expenditure in relation to the Sensis directories business) and is in line with our capex to sales guidance of around 15 per cent. This investment has enabled us to meet ongoing customer demand from the growth in our customer base, support the accelerated roll out of 4G and internet and content delivery infrastructure platforms, as well as meet ongoing NBN commitments.

Free cashflow generated from operating and investing activities was $7,483 million, which increased 48.9 per cent. Included in free cashflow were gross cash proceeds from the sale of CSL of $2,107 million (subject to completion audit) and $454 million from the sale of our 70 per cent shareholding in the Sensis directories business. The prior year included cash proceeds from the sale of TelstraClear of $669 million. Cash from operating activities increased by $254 million or 3.0 per cent due to the continued strong performance of our mobility products combined with a program to reduce inventory levels. This was partially offset by an increase in income taxes paid due to legislative changes requiring income tax instalments be remitted monthly rather than quarterly, resulting in additional instalments being paid in the current year. Cash outflows from investing activities decreased as a result of lower payments for spectrum licence purchases, offset partially by an increase in mergers and acquisitions activities.

Debt position

Our gross debt position increased by $420 million to $16,048 million. This increase included short term debt issuance of $252 million, finance lease additions of $121 million and revaluation impacts on our debt portfolio of $204 million, partially offset by finance lease repayments of $91 million and a net reduction in long term debt of $67 million. The reduction in long term debt comprised debt maturities of $565 million offset by a domestic bond issue with net proceeds of $498 million.

Summary Statement of Cash Flows

	FY14 $m	FY13 $m	Change %
Net cash provided by operating activities	8,613	8,359	3.0
Total capital expenditure (including investments)	(4,018)	(4,545)	(11.6)
Sale of shares in controlled entities (net of cash disposed)	2,397	693	245.9
Other investing activities cash flows	491	517	(5.0)
Net cash used in investing activities	(1,130)	(3,335)	(66.1)
Free cashflow	7,483	5,024	48.9
Net cash used in financing activities	(4,430)	(6,526)	(32.1)
Net increase in cash and cash equivalents	3,053	(1,502)	303.3

FULL YEAR RESULTS AND OPERATIONS REVIEW

Financial Settings

	FY14 Actual	Target Zone
Debt servicing(i)	0.9x	1.3 – 1.8x
Gearing(ii)	43%	50% to 70%
Interest cover(iii)	13.8x	>7x

(i) Debt servicing ratio equals net debt to EBITDA.

(ii) Gearing ratio equals net debt to net debt plus total equity.

(iii) Interest cover equals EBITDA to net interest.

The domestic bond issue was used to refinance maturing domestic debt.

Net debt decreased by $2,628 million to $10,521 million. This movement comprises the increase in gross debt of $420 million offset by an increase in cash and cash equivalents of $3,048 million. The higher liquidity reflects proceeds from divestments of shareholdings in the Sensis directories business and CSL. The impact of the higher liquidity is reflected in the reduction in our net debt gearing ratio (net debt to capitalisation) from 50.5 per cent at 30 June 2013 to 43.0 per cent at 30 June 2014 and also our debt servicing ratio. Liquidity will be reduced in the first quarter of financial year 2015 to fund planned cash outflows such as spectrum licence payments and dividend payments.

Statement of Financial Position

Our balance sheet remains in a strong position with net assets of $13,960 million.

Current assets increased by 32.1 per cent to $10,438 million. An increase in cash and cash equivalents and a decline in trade and other receivables was mainly due to divestments of CSL and 70 per cent of our Sensis directories business.

Tax receivables decreased due to the receipt of tax amendment refunds.

Non current assets decreased by 5.6 per cent to $28,922 million. Property, plant and equipment declined as ongoing depreciation and retirements exceeded the level of additions. Intangible assets decreased largely due to the Sensis and CSL divestments and a portion of Sensis goodwill recognised as an impairment loss. This was partially offset by acquisitions made during the period. The increase in derivative assets is primarily attributable to net foreign currency and other valuation impacts arising from measuring to fair value.

Current liabilities increased by 15.4 per cent to $8,684 million. There was an increase in current borrowings and derivative liabilities reflecting transactions that will mature within the next 12 months and higher refinancing demands during the financial year 2015. Trade and other payables decreased primarily as a result of lower capital and labour accruals due to the Sensis divestment. It also included a decline in trade creditors driven by payments in June to a large volume of vendors with a July clearing date. Current tax payables decreased largely due to increased tax instalments paid on transition from a quarterly to monthly instalment regime.

Non current liabilities decreased by 7.8 per cent to $16,716 million. The decrease in non current borrowings was due to a reclassification of debt into current borrowings, partially offset by a domestic bond issue during the year, foreign currency movements and other valuation impacts. The decrease in derivative liabilities was due to reclassification to current for maturities within the next 12 months, and also included foreign currency and other valuation impacts arising from measuring to fair value.

Return on average assets and return on average equity improved primarily due to the increase in profit. The return on average equity was partly offset by a favourable movement in the foreign currency translation reserve, with the translation differences transferred to the income statement.

Summary Statement of Financial Position

	FY14 $m	FY13 $m	Change %
Current assets	10,438	7,903	32.1
Non current assets	28,922	30,624	(5.6)
Total assets	39,360	38,527	2.2
Current liabilities	8,684	7,522	15.4
Non current liabilities	16,716	18,130	(7.8)
Total liabilities	25,400	25,652	(1.0)
Net assets	13,960	12,875	8.4
Total equity	13,960	12,875	8.4
Return on average assets (%)	20.4	17.9	2.5pp
Return on average equity (%)	32.3	31.0	1.3pp

Guidance versus Reported Results

This schedule details the adjustments made to the reported results for the current year to reflect the performance of the business on the basis which we provided guidance to the market. Our guidance assumes wholesale product price stability, no impairments to investments and excludes any proceeds or gain on the sale, and purchase of businesses.

	REPORTED			ADJUSTMENTS FY14					GUIDANCE BASIS		
	FY14 $m	FY13 $m	Growth %	Sensis[i] $m	M&A[ii] $m	CSL[iii] $m	Octave[iv] $m	Sequel[v] $m	FY14 $m	FY13 $m	Growth %
Sales revenue	**25,119**	24,298	**3.4%**	0	(101)	0	0	0	**25,018**	24,298	**3.0%**
Total revenue	**25,320**	24,474	**3.5%**	0	(101)	0	0	0	**25,219**	24,474	**3.0%**
Total income (excl. finance income)	**26,296**	24,776	**6.1%**	0	(101)	(561)	0	0	**25,634**	24,776	**3.5%**
Labour	**4,732**	4,527	**4.5%**	0	(32)	0	0	0	**4,700**	4,527	**3.8%**
Goods and services purchased	**6,465**	6,247	**3.5%**	0	(42)	0	0	0	**6,423**	6,247	**2.8%**
Other expenses	**3,988**	3,833	**4.0%**	0	(11)	0	(98)	(12)	**3,867**	3,833	**0.9%**
Operating expenses	**15,185**	14,607	**4.0%**	0	(85)	0	(98)	(12)	**14,990**	14,607	**2.6%**
Share of net profit/(loss) from joint ventures and associated entities	**24**	(1)	**n/a**	(24)	0	0	0	0	**0**	(1)	**n/a**
EBITDA	**11,135**	10,168	**9.5%**	(24)	(16)	(561)	98	12	**10,644**	10,168	**4.7%**
Depreciation and amortisation	**3,950**	4,078	**(3.1%)**	0	(10)	0	0	0	**3,940**	4,078	**(3.4%)**
EBIT	**7,185**	6,090	**18.0%**	(24)	(6)	(561)	98	12	**6,704**	6,090	**10.1%**
Net finance costs	**957**	933	**2.6%**	0	0	0	0	0	**957**	933	**2.6%**
Profit before income tax expense	**6,228**	5,157	**20.8%**	(24)	(6)	(561)	98	12	**5,747**	5,157	**11.4%**
Income tax expense	**1,679**	1,517	**10.7%**	0	1	0	0	0	**1,680**	1,517	**10.7%**
Profit for the year from continuing operations	**4,549**	3,640	**25.0%**	(24)	(7)	(561)	98	12	**4,067**	3,640	**11.7%**
(Loss)/profit for the year from discontinued operation	**(204)**	151	**n/a**	0	0	0	0	0	**(204)**	151	**n/a**
Profit for the year from continuing and discontinued operations	**4,345**	3,791	**14.6%**	(24)	(7)	(561)	98	12	**3,863**	3,791	**1.9%**
Attributable to:											
Equity holders of the Telstra Entity	**4,275**	3,739	**14.3%**	0	(7)	(561)	98	12	**3,817**	3,739	**2.1%**
Non controlling interests	**70**	52	**34.6%**	(24)	0	0	0	0	**46**	52	**(11.5%)**
Free cashflow	**7,483**	5,024	**48.9%**	(454)	205	(2,107)	0	0	**5,127**	5,024	**2.1%**

This table was subject to review by our auditors.

Note:

There are a number of factors that have impacted our results this year. In the table, above, we have adjusted the results for:

(i) Sensis adjustments:
Adjustment for the equity share on the profit of our 30% interests in Project Sunshine I Pty Ltd as an associated entity, the new holding company of the Sensis Group from the reported Telstra Group results. Adjustment for the sale proceeds from the divestment of 70% of our Sensis directories business from the reported Telstra Group results.

(ii) Mergers & Acquisitions adjustments:
Adjustments for material mergers and acquisition activities from the reported Telstra Group results. This includes DCA eHealth Solutions Pty Ltd, Fred IT Group Pty Ltd, NSC Group Pty Ltd, O2 Networks Pty Ltd and Ooyala Inc.

(iii) CSL adjustment:
Adjustment for the net gain on disposal of the CSL Group from the reported Telstra Group results.

(iv) Octave adjustment:
Adjustment for the write off from the foreign currency translation reserve associated with the Octave investment from the reported Telstra Group results. We have commenced liquidation of the legal entities in the Octave Group in FY14.

(v) Sequel Media adjustment:
Adjustment for the impairment of Sequel Media Group from the reported Telstra Group results. The carrying value of Sequel Media Group goodwill was impaired by $12m.

	Year ended 30 June			
		Restated		
	2014	2013 (v)	Change	**Change**
	$m	$m	$m	**%**
Sales revenue	**25,119**	24,298	821	**3.4**
Other revenue (i)	**201**	176	25	**14.2**
Total revenue	**25,320**	24,474	846	**3.5**
Other income (ii)	**976**	302	674	**223.2**
Total income (excl. finance income)	**26,296**	24,776	1,520	**6.1**
Labour	**4,732**	4,527	205	**4.5**
Goods and services purchased	**6,465**	6,247	218	**3.5**
Other expenses	**3,988**	3,833	155	**4.0**
Operating expenses	**15,185**	14,607	578	**4.0**
Share of net profit from jointly controlled and associated entities	**24**	(1)	25	**n/m**
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	**11,135**	10,168	967	**9.5**
Depreciation and amortisation	**3,950**	4,078	(128)	**(3.1)**
Earnings before interest and income tax expense (EBIT)	**7,185**	6,090	1,095	**18.0**
Net finance costs	**957**	933	24	**2.6**
Profit before income tax expense	**6,228**	5,157	1,071	**20.8**
Income tax expense	**1,679**	1,517	162	**10.7**
Profit for the period from continuing operations	**4,549**	3,640	909	**25.0**
(Loss)/profit for the period from discontinued operation	**(204)**	151	(355)	**(235.1)**
Profit for the period	**4,345**	3,791	554	**14.6**
Attributable to:				
Equity holders of the Telstra Entity	**4,275**	3,739	536	**14.3**
Non-controlling interests	**70**	52	18	**34.6**
	4,345	3,791	554	**14.6**
Effective tax rate	**27.0%**	29.4%		**(2.4) pp**
EBITDA margin on sales revenue (iii)	**42.1%**	41.8%		**0.3 pp**
EBIT margin on sales revenue (iii)	**26.4%**	25.1%		**1.3 pp**
			Change	**Change**
	cents	cents	cents	**%**
Basic earnings per share from continuing operations (iv)	**36.1**	28.9	7.2	**24.9%**
Diluted earnings per share from continuing operations (iv)	**36.0**	28.8	7.2	**25.0%**
Basic earnings per share from continuing and discontinued operations (iv)	**34.4**	30.1	4.3	**14.3%**
Diluted earnings per share from continuing and discontinued operations (iv)	**34.3**	30.0	4.3	**14.3%**

(i) Other revenue primarily consists of distributions received from Foxtel (30 Jun 2014: $165m; 30 Jun 2013: $155m) and rental income.

(ii) Other income includes gains and losses on asset and investment sales, USO levy receipts, TUSMA payment receipts, PSAA payments, subsidies and other miscellaneous items.

(iii) Excludes profit on sale of CSL of $561 million.

(iv) Basic and diluted earnings per share are impacted by the effect of shares held in trust for employee share plans and instruments held under executive remuneration plans.

(v) Restated for the retrospective adoption of AASB:119 "Employee Entitlements".

Statement of financial position

	As at 30 June			
	2014	2013	Change	**Change**
	$m	$m	$m	**%**
Current assets				
Cash and cash equivalents	**5,527**	2,479	3,048	**123.0**
Trade and other receivables	**4,172**	4,557	(385)	**(8.4)**
Inventories	**362**	431	(69)	**(16.0)**
Derivative financial assets	**23**	43	(20)	**(46.5)**
Current tax receivables	**2**	79	(77)	**(97.5)**
Prepayments	**329**	314	15	**4.8**
Assets classified as held for sale	**23**	-	23	**n/m**
Total current assets	**10,438**	7,903	2,535	**32.1**
Non current assets				
Trade and other receivables	**973**	943	30	**3.2**
Inventories	**29**	27	2	**7.4**
Investments - accounted for using the equity method	**196**	18	178	**988.9**
Investments - other	**127**	38	89	**234.2**
Property, plant and equipment	**19,842**	20,326	(484)	**(2.4)**
Intangible assets	**6,382**	8,202	(1,820)	**(22.2)**
Derivative financial assets	**1,322**	1,062	260	**24.5**
Deferred tax assets	**7**	5	2	**40.0**
Defined benefit assets	**44**	3	41	**n/m**
Total non current assets	**28,922**	30,624	(1,702)	**(5.6)**
Total assets	**39,360**	38,527	833	**2.2**
Current liabilities				
Trade and other payables	**3,834**	4,241	(407)	**(9.6)**
Provisions	**932**	918	14	**1.5**
Borrowings	**2,277**	751	1,526	**203.2**
Derivative financial liabilities	**400**	44	356	**809.1**
Current tax payables	**296**	444	(148)	**(33.3)**
Revenue received in advance	**926**	1,124	(198)	**(17.6)**
Liabilities classified as held for sale	**19**	-	19	**n/m**
Total current liabilities	**8,684**	7,522	1,162	**15.4**
Non current liabilities				
Other payables	**66**	163	(97)	**(59.5)**
Provisions	**261**	276	(15)	**(5.4)**
Borrowings	**13,547**	14,313	(766)	**(5.4)**
Derivative financial liabilities	**1,169**	1,625	(456)	**(28.1)**
Deferred tax liabilities	**1,286**	1,330	(44)	**(3.3)**
Defined benefit liability	**-**	42	(42)	**n/m**
Revenue received in advance	**387**	381	6	**1.6**
Total non current liabilities	**16,716**	18,130	(1,414)	**(7.8)**
Total liabilities	**25,400**	25,652	(252)	**(1.0)**
Net assets	**13,960**	12,875	1,085	**8.4**
Equity				
Equity available to Telstra Entity shareholders	**13,822**	12,611	1,211	**9.6**
Non-controlling interests	**138**	264	(126)	**(47.7)**
Total equity	**13,960**	12,875	1,085	**8.4**
Gross debt	**16,048**	15,628	420	**2.7**
Net debt	**10,521**	13,149	(2,628)	**(20.0)**
EBITDA interest cover (times)	**13.8**	11.8	2.0	**16.0**
Net debt to EBITDA	**0.9**	1.3	(0.4)	**0.0**
ROA - Return on average assets (i)	**20.4%**	17.9%		**2.5 pp**
ROE - Return on average equity (i)	**32.3%**	31.0%		**1.3 pp**
ROI - Return on average investment (i)	**27.8%**	24.7%		**3.0 pp**
ROIC - Return on invested capital (i)	**17.2%**	14.9%		**2.3 pp**
Gearing ratio (net debt to capitalisation) (i)	**43.0%**	50.5%		**(7.6) pp**

(i) Ratio has been measured on a continuing and discontinued operations basis.

n/m = not meaningful

Statement of cash flows

	Year ended 30 June			
	2014	2013	Change	**Change**
	$m	$m	$m	**%**
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax (GST))	**28,950**	28,585	365	**1.3**
Payments to suppliers and to employees (inclusive of GST)	**(18,710)**	(18,803)	93	**(0.5)**
Government grants received	**147**	77	70	**90.9**
Net cash generated by operations	**10,387**	9,859	528	**5.4**
Income taxes paid	**(1,774)**	(1,500)	(274)	**18.3**
Net cash provided by operating activities	**8,613**	8,359	254	**3.0**
Cash flows from investing activities				
Payments for:				
- property, plant and equipment	**(2,868)**	(2,818)	(50)	**1.8**
- intangible assets	**(894)**	(1,691)	797	**(47.1)**
Capital expenditure (before investments)	**(3,762)**	(4,509)	747	**(16.6)**
- shares in controlled entities (net of cash acquired)	**(165)**	(9)	(156)	**1733.3**
- payments for jointly controlled and associated entities	**(3)**	(8)	5	**(62.5)**
- payments for other investments	**(88)**	(19)	(69)	**363.2**
Total capital expenditure	**(4,018)**	(4,545)	527	**(11.6)**
Proceeds from:				
- sale of property, plant and equipment	**94**	57	37	**64.9**
- sale of intangible assets	**-**	12	(12)	**(100.0)**
- sale of shares in controlled entities (net of cash disposed)	**2,397**	693	1,704	**n/m**
- sale of businesses (net of cash disposed)	**-**	4	(4)	**(100.0)**
Proceeds from finance lease principal amounts	**98**	64	34	**53.1**
Loans to jointly controlled and associated entities	**-**	(1)	1	**n/m**
Interest received	**150**	236	(86)	**(36.4)**
Settlement of hedges of net investments	**(21)**	(11)	(10)	**90.9**
Investments in financial instruments	**4**	-	4	**n/m**
Dividends received	**1**	1	-	**n/m**
Distributions received from Foxtel Partnership	**165**	155	10	**6.5**
Net cash used in investing activities	**(1,130)**	(3,335)	2,205	**(66.1)**
Operating cash flows less investing cash flows	**7,483**	5,024	2,459	**48.9**
Cash flows from financing activities				
Proceeds from borrowings	**1,572**	2,074	(502)	**(24.2)**
Proceeds from sale and finance lease back transactions	**-**	52	(52)	**(100.0)**
Repayment of borrowings	**(1,387)**	(4,042)	2,655	**(65.7)**
Repayment of finance lease principal amount	**(91)**	(97)	6	**(6.2)**
Staff repayments of share loans	**3**	4	(1)	**(25.0)**
Proceeds received from exercise of equity instruments	**29**	29	-	**n/m**
Purchase of shares for employee share plans	**(61)**	-	(61)	**n/m**
Finance costs paid	**(947)**	(1,037)	90	**(8.7)**
Issue of equity by controlled entities	**160**	-	160	**n/m**
Payment for share buy-back of non-controlling interests	**(149)**	(1)	(148)	**14800.0**
Proceeds from sale of controlled entity shares on behalf of non-controlling interests	**8**	-	8	**n/m**
Dividends paid to equity holders of Telstra Entity	**(3,545)**	(3,480)	(65)	**1.9**
Dividends paid to non controlling interests	**(22)**	(28)	6	**(21.4)**
Net cash used in financing activities	**(4,430)**	(6,526)	2,096	**(32.1)**
Net increase in cash and cash equivalents	**3,053**	(1,502)	4,555	**(303.3)**
Cash and cash equivalents at the beginning of the year	**(5)**	3,945	(3,950)	**(100.1)**
Effects of exchange rate changes on cash and cash equivalents	**2,479**	36	2,443	**(6786.1)**
Cash and cash equivalents at the end of the year	**5,527**	2,479	3,048	**123.0**
Cash flows from discontinued operations				
Net cash provided by operating activities	**339**	607	(268)	**(44.2)**
Net cash provided by/(used in) investing activities	**414**	(107)	521	**(486.9)**
Net cash (used in)/provided by financing activities	**(2)**	1	(3)	**(300.0)**
Net increase in cash and cash equivalents	**751**	501	250	**49.9**

n/m = not meaningful

Revenue

	Year ended 30 June			
	2014 **$m**	Restated 2013 (v) $m	Change $m	**Change %**
Fixed products				
Fixed voice	**4,034**	4,359	(325)	**(7.5)**
Fixed data	**2,218**	2,087	131	**6.3**
Other fixed revenue (i)	**993**	859	134	**15.6**
Total fixed revenue	**7,245**	7,305	(60)	**(0.8)**
Mobiles				
Postpaid handheld	**5,006**	4,804	202	**4.2**
Prepaid handheld	**879**	727	152	**20.9**
Mobile broadband	**1,287**	1,196	91	**7.6**
Machine to Machine (M2M)	**101**	90	11	**12.2**
Satellite	**14**	13	1	**7.7**
Mobiles interconnection	**784**	768	16	**2.1**
Mobile services revenue - wholesale resale	**104**	105	(1)	**(1.0)**
Total mobile services revenue	**8,175**	7,703	472	**6.1**
Mobile hardware	**1,493**	1,497	(4)	**(0.3)**
Total mobile revenue	**9,668**	9,200	468	**5.1**
Data & IP				
ISDN products	**712**	777	(65)	**(8.4)**
IP Access	**1,166**	1,129	37	**3.3**
Other data and calling products	**1,090**	1,135	(45)	**(4.0)**
Total Data & IP	**2,968**	3,041	(73)	**(2.4)**
Network applications and services	**1,896**	1,484	412	**27.8**
Media				
TV	**699**	666	33	**5.0**
Content	**60**	69	(9)	**(13.0)**
Sensis voice and advertising	**103**	132	(29)	**(22.0)**
Cable	**120**	120	-	**n/m**
Total media	**982**	987	(5)	**(0.5)**
CSL New World	**1,045**	1,011	34	**3.4**
China digital media	**278**	162	116	**71.6**
Global connectivity and NAS	**678**	566	112	**19.8**
TelstraClear	**-**	164	(164)	**(100.0)**
Other sales revenue (ii)	**359**	378	(19)	**(5.0)**
Sales revenue	**25,119**	24,298	821	**3.4**
Other revenue (iii)	**201**	176	25	**14.2**
Total revenue	**25,320**	24,474	846	**3.5**
Other income (iv)	**976**	302	674	**223.2**
Total income	**26,296**	24,776	1,520	**6.1**

(i) Other fixed revenue primarily includes intercarrier services, payphones, customer premises equipment and narrowband.

(ii) Other sales revenue includes revenue for the build of NBN infrastructure and late payment and miscellaneous fee revenue.

(iii) Other revenue primarily consists of distributions received from Foxtel and rental income.

(iv) Other income includes gains and losses on asset and investment sales, USO levy receipts, TUSMA payment receipts, PSAA payments, subsidies and other miscellaneous items.

(v) Restated for the retrospective adoption of AASB119: "Employee Entitlements".

Expenses

	Year ended 30 June			
	2014 $m	Restated 2013 (i) $m	Change $m	Change %
Salary and associated costs	**3,399**	3,293	106	**3.2**
Other labour expenses	**295**	315	(20)	**(6.3)**
Labour substitution	**787**	730	57	**7.8**
Redundancy	**251**	189	62	**32.8**
Total labour	**4,732**	4,527	205	**4.5**
Cost of goods sold	**2,906**	2,881	25	**0.9**
Network payments	**1,731**	1,668	63	**3.8**
Other	**1,828**	1,698	130	**7.7**
Total goods and services purchased	**6,465**	6,247	218	**3.5**
Service contracts and other agreements	**1,468**	1,367	101	**7.4**
Impairment expenses	**260**	284	(24)	**(8.5)**
Other	**2,260**	2,182	78	**3.6**
Total other expenses	**3,988**	3,833	155	**4.0**
Total operating expenses	**15,185**	14,607	578	**4.0**
Depreciation	**2,896**	3,066	(170)	**(5.5)**
Amortisation	**1,054**	1,012	42	**4.2**
Total depreciation and amortisation	**3,950**	4,078	(128)	**(3.1)**

Net Finance Costs

	Year ended 30 June			
	2014 $m	Restated 2013(i) $m	Change $m	Change %
Borrowing costs	**941**	1,005	(64)	**(6.4)**
Finance leases	**20**	12	8	**66.7**
Interest on cash, loans and finance lease receivables	**(156)**	(154)	(2)	**1.3**
Net borrowing costs	**805**	863	(58)	**(6.7)**
Other	**152**	70	82	**117.1**
Net Finance Costs	**957**	933	24	**2.6**

(i) Restated for the retrospective adoption of AASB:119 "Employee Entitlements".

Segment Information from continuing and discontinued operations

	Total external income			EBITDA contribution		
	Year ended 30 June			Year ended 30 June		
	2014	2013	**Change**	**2014**	2013	**Change**
	$m	$m	**%**	**$m**	$m	**%**
Telstra Retail	**16,350**	15,784	**3.6**	**9,307**	8,963	**3.8**
Global Enterprise and Services	**5,284**	5,074	**4.1**	**2,644**	2,909	**(9.1)**
Telstra Wholesale	**2,328**	2,115	**10.1**	**2,127**	1,942	**9.5**
Telstra International Group	**1,887**	1,163	**62.3**	**817**	318	**156.9**
Telstra Operations	**161**	156	**3.2**	**(3,160)**	(3,210)	**1.6**
Other	**838**	1,688	**(50.4)**	**(676)**	(375)	**(80.3)**
Total Telstra segments	**26,848**	25,980	**3.3**	**11,059**	10,547	**4.9**

CSL New World Mobility financial summary

	Year ended 30 June			Year ended 30 June		
	2014(i)	2013	**Change**	**2014(i)**	2013	**Change**
	A$m	A$m	**%**	**HK$m**	HK$m	**%**
Sales revenue	**1,045**	1,011	**3.4**	**7,421**	8,052	**(7.8)**
Total income	**1,045**	1,011	**3.4**	**7,421**	8,052	**(7.8)**
Operating expenses (excl. depreciation & amortisation)	**784**	762	**2.9**	**5,568**	5,995	**(7.1)**
EBITDA contribution	**261**	249	**4.8**	**1,853**	2,057	**(9.9)**
Depreciation and amortisation	**91**	88	**3.4**	**645**	644	**0.2**
EBIT contribution	**170**	161	**5.6**	**1,208**	1,413	**(14.5)**
Capital expenditure	**79**	116	**(31.9)**	**557**	922	**(39.6)**
EBITDA margin on sales revenue	**25.0%**	24.6%	**0.4 pp**	**25.0%**	25.5%	**(0.5) pp**
Mobile SIOs ('000)	**4,324**	3,893	**11.1**	**4,324**	3,893	**11.1**

(i) In May 2014 we sold our 76.4 per cent stake in CSL New world mobility to HKT Limited, and received US$1.99 billion in proceeds. Telstra Group results include 10 months of CSL results.

Amounts presented in HK$ have been prepared in accordance with IFRS.

Amounts presented in A$ represent amounts included in Telstra's consolidated result including additional depreciation and amortisation arising from the consolidation of fair value adjustments.

Note: Statistical data represents management's best estimates.

ARPU ($)

	Half year ended			Jun 14 vs Jun13		Jun 14 vs Dec 13	
	Jun 2014	Dec 2013	Jun 2013	Change	Change	Change	Change
	($)	($)	($)	($)	%	($)	%
Fixed voice	**43.44**	44.56	45.51	(2.07)	(4.5)	(1.12)	(2.5)
Fixed data	**50.98**	50.75	50.53	0.45	0.9	0.23	0.5
Mobile services retail (incl. Interconnect and MRO)	**42.48**	43.35	43.47	(0.99)	(2.3)	(0.87)	(2.0)
Postpaid handheld (incl. MRO)	**58.47**	58.81	58.29	0.18	0.3	(0.34)	(0.6)
Postpaid handheld (excl. MRO)	**65.38**	66.09	65.39	(0.01)	(0.0)	(0.71)	(1.1)
Prepaid handheld	**19.79**	18.90	18.44	1.35	7.3	0.89	4.7
Mobile broadband	**29.20**	29.60	29.93	(0.73)	(2.4)	(0.40)	(1.4)
M2M	**7.60**	7.69	8.30	(0.70)	(8.4)	(0.09)	(1.2)
Satellite	**40.44**	40.43	39.46	0.98	2.5	0.01	0.0

Services in operation

	Half year ended			Jun 14 vs Jun13		Jun 14 vs Dec 13	
	Jun 2014	Dec 2013	Jun 2013	Change	Change	Change	Change
	('000)	('000)	('000)	('000)	**%**	('000)	**%**
Fixed products ('000)							
Basic access lines in service							
Retail(i)	**6,246**	6,356	6,524	(278)	(4.3)	(110)	(1.7)
Wholesale	**1,285**	1,277	1,239	46	3.7	8	0.6
Total fixed voice lines in service	**7,531**	7,633	7,763	(232)	(3.0)	(102)	(1.3)
Fixed data SIOs - retail(i)	**2,955**	2,847	2,772	183	6.6	108	3.8
Fixed broadband SIOs - wholesale	**789**	777	769	20	2.6	12	1.5
Fixed data	**3,744**	3,624	3,541	203	5.7	120	3.3
ISDN access (basic line equivalents)	**1,225**	1,265	1,285	(60)	(4.7)	(40)	(3.2)
T-Box® device sales	**74**	124	107	23	13.1	(50)	(40.3)
Unconditioned local loop (ULL) SIOs	**1,482**	1,400	1,322	160	12.1	82	5.9
Line Spectrum sharing services (LSS) (ii)	**589**	614	631	(42)	(6.7)	(25)	(4.1)
Mobiles SIOs ('000)							
Postpaid handheld retail mobile	**7,194**	7,122	7,019	175	2.5	72	1.0
Prepaid handheld retail mobile	**3,845**	3,903	3,486	359	10.3	(58)	(1.5)
Total mobile broadband (data card)	**3,679**	3,672	3,570	109	3.1	7	0.2
M2M	**1,261**	1,086	970	291	30.0	175	16.1
Satellite	**30**	28	27	3	11.1	2	7.1
Total retail mobile	**16,009**	15,811	15,072	937	6.2	198	1.3
Total wholesale mobile	**379**	348	241	138	57.3	31	8.9
Prepaid handheld unique users (iii)	**2,446**	2,347	2,197	249	11.3	99	4.2
Total premium pay TV SIOs ('000)	**526**	500	500	26	5.2	26	5.2

(i) Includes NBN SIOs.

(ii) Excluded from wholesale broadband SIOs.

(iii) Prepaid unique users defined as the three month rolling average of monthly active prepaid users.

Note: Statistical data represents management's best estimates.

Workforce

	Half year ended			Jun 14 vs Jun13		Jun 14 vs Dec 13	
	Jun 2014	Restated Dec 2013	Restated Jun 2013	Change	Change %	Change	Change %
Employee data							
Full time staff and equivalents	**31,931**	32,686	32,038	(107)	(0.3)	(755)	(2.3)

Note: Statistical data represents management's best estimates.

Telstra Corporation Limited

Half-yearly comparison

Year ended 30 June 2014

Summary Reported Half-Yearly Data	**Half 1**	**PCP**	**Half 2**	**PCP**	**Full year**	**PCP**	**Half 1**	**PCP**	**Half 2**	**PCP**	**Full year**	**PCP**	**Half 1**	**PCP**	**Half 2**	**PCP**	**Full year**	**PCP**	**Restated Half 1 (ii)**	**PCP**	**Restated Half 2 (ii)**	**PCP**	**Full year (iii)**	**PCP**	**Half 1**	**PCP**	**Half 2**	**PCP**	**Full year**	**PCP**
($ millions)	**Dec-09**	**Growth**	**Jun-10**	**Growth**	**Jun-10**	**Growth**	**Dec-10**	**Growth**	**Jun-11**	**Growth**	**Jun-11**	**Growth**	**Dec-11**	**Growth**	**Jun-12**	**Growth**	**Jun-12**	**Growth**	**Dec-12**	**Growth**	**Jun-13**	**Growth**	**Jun-13**	**Growth**	**Dec-13**	**Growth**	**Jun-14**	**Growth**	**Jun-14**	**Growth**
Revenue																														
Fixed products																														
Total Fixed voice (i)	**2,996**	**(6.9%)**	**2,836**	**(9.0%)**	**5,832**	**(8.0%)**	**2,736**	**(8.7%)**	**2,620**	**(7.6%)**	**5,356**	**(8.2%)**	**2,489**	**(9.0%)**	**2,329**	**(11.1%)**	**4,818**	**(10.0%)**	**2,220**	**(10.8%)**	**2,139**	**(8.2%)**	**4,359**	**(9.5%)**	**2,059**	**(7.3%)**	**1,975**	**(7.7%)**	**4,034**	**(7.5%)**
Total Fixed data (i)	**992**	**2.5%**	**981**	**(0.1%)**	**1,973**	**1.2%**	**967**	**(2.5%)**	**959**	**(2.2%)**	**1,926**	**(2.4%)**	**985**	**1.9%**	**1,002**	**4.5%**	**1,987**	**3.2%**	**1,028**	**4.4%**	**1,059**	**5.7%**	**2,087**	**5.0%**	**1,090**	**6.0%**	**1,128**	**6.5%**	**2,218**	**6.3%**
Other fixed revenue	119	(27.4%)	111	(19.6%)	230	(24.3%)	122	2.5%	101	(9.0%)	223	(3.0%)	96	(21.3%)	91	(9.9%)	187	(16.1%)	100	4.2%	89	(2.2%)	189	1.1%	83	(17.0%)	75	(15.7%)	158	(16.4%)
Intercarrier access services (includes ULL)	215	14.4%	228	14.0%	444	14.4%	240	11.6%	243	6.6%	483	8.8%	254	5.8%	264	8.6%	518	7.2%	334	31.5%	336	27.3%	670	29.3%	394	18.0%	441	31.3%	835	24.6%
Total fixed products (i)	**4,323**	**(4.7%)**	**4,156**	**(6.4%)**	**8,479**	**(5.5%)**	**4,065**	**(6.0%)**	**3,923**	**(5.6%)**	**7,988**	**(5.8%)**	**3,824**	**(5.9%)**	**3,686**	**(6.0%)**	**7,510**	**(6.0%)**	**3,681**	**(3.7%)**	**3,624**	**(1.7%)**	**7,305**	**(2.7%)**	**3,626**	**(1.5%)**	**3,619**	**(0.1%)**	**7,245**	**(0.8%)**
Mobiles																														
Postpaid handheld	2,116	(0.7%)	2,138	4.1%	4,254	1.6%	2,169	2.5%	2,240	4.8%	4,409	3.6%	2,370	9.3%	2,302	2.8%	4,672	6.0%	2,377	0.3%	2,427	5.4%	4,804	2.8%	2,495	5.0%	2,511	3.5%	5,006	4.2%
Prepaid handheld	310	8.8%	290	(4.0%)	600	2.2%	331	6.8%	306	5.5%	637	6.2%	326	(1.5%)	328	7.2%	654	2.7%	351	7.7%	376	14.6%	727	11.2%	419	19.4%	460	22.3%	879	20.9%
Total handheld	2,426	0.4%	2,428	3.1%	4,854	1.7%	2,500	3.1%	2,546	4.9%	5,046	4.0%	2,696	7.8%	2,630	3.3%	5,326	5.5%	2,728	1.2%	2,803	6.6%	5,531	3.8%	2,914	6.8%	2,971	6.0%	5,885	6.4%
Mobile broadband	372	29.2%	423	32.6%	795	31.0%	452	21.5%	467	10.4%	919	15.6%	493	9.1%	525	12.4%	1,018	10.8%	576	16.8%	620	18.1%	1,196	17.5%	643	11.6%	644	3.9%	1,287	7.6%
Machine to Machine (M2M)	31	n/m	31	n/m	62	n/m	32	3.2%	37	19.4%	69	11.3%	40	25.0%	40	8.1%	80	15.9%	44	10.0%	46	15.0%	90	12.5%	47	6.8%	54	17.4%	101	12.2%
Satellite	6	0.0%	5	25.0%	11	10.0%	6	0.0%	6	20.0%	12	9.1%	7	16.7%	5	(16.7%)	12	0.0%	7	0.0%	6	20.0%	13	8.3%	7	0.0%	7	16.7%	14	7.7%
Mobile services revenue - retail	2,835	4.6%	2,887	7.8%	5,722	6.2%	2,990	5.5%	3,056	5.9%	6,046	5.7%	3,236	8.2%	3,200	4.7%	6,436	6.5%	3,355	3.7%	3,475	8.6%	6,830	6.1%	3,611	7.6%	3,676	5.8%	7,287	6.7%
Mobile interconnection	263	7.3%	270	9.8%	533	8.6%	306	16.3%	344	27.4%	650	22.0%	407	33.0%	362	5.2%	769	18.3%	398	(2.2%)	370	2.2%	768	(0.1%)	405	1.8%	379	2.4%	784	2.1%
Mobile services - wholesale resale	90	1.1%	69	(19.8%)	159	(9.1%)	73	(18.9%)	72	4.3%	145	(8.8%)	69	(5.5%)	68	(5.6%)	137	(5.5%)	47	(31.9%)	58	(14.7%)	105	(23.4%)	61	29.8%	43	(25.9%)	104	(1.0%)
Total mobile services	**3,188**	**4.7%**	**3,226**	**7.1%**	**6,414**	**5.9%**	**3,369**	**5.7%**	**3,472**	**7.6%**	**6,841**	**6.7%**	**3,712**	**10.2%**	**3,630**	**4.6%**	**7,342**	**7.3%**	**3,800**	**2.4%**	**3,903**	**7.5%**	**7,703**	**4.9%**	**4,077**	**7.3%**	**4,098**	**5.0%**	**8,175**	**6.1%**
Mobile hardware	413	4.3%	443	16.3%	856	10.2%	566	37.0%	594	34.1%	1,160	35.5%	655	15.7%	683	15.0%	1,338	15.3%	767	17.1%	730	6.9%	1,497	11.9%	784	2.2%	709	(2.9%)	1,493	(0.3%)
Total mobiles	**3,601**	**4.7%**	**3,669**	**8.2%**	**7,270**	**6.4%**	**3,935**	**9.3%**	**4,066**	**10.8%**	**8,001**	**10.1%**	**4,367**	**11.0%**	**4,313**	**6.1%**	**8,680**	**8.5%**	**4,567**	**4.6%**	**4,633**	**7.4%**	**9,200**	**6.0%**	**4,861**	**6.4%**	**4,807**	**3.8%**	**9,668**	**5.1%**
Data & IP																														
ISDN products	463	(4.1%)	442	(3.7%)	905	(3.9%)	447	(3.5%)	430	(2.7%)	877	(3.1%)	420	(6.0%)	406	(5.6%)	826	(5.8%)	398	(5.2%)	379	(6.7%)	777	(5.9%)	363	(8.8%)	349	(7.9%)	712	(8.4%)
IP access	398	20.6%	446	25.3%	844	23.0%	475	19.3%	500	12.1%	975	15.5%	517	8.8%	545	9.0%	1,062	8.9%	559	8.1%	570	4.6%	1,129	6.3%	581	3.9%	585	2.6%	1,166	3.3%
Other data and calling products	747	(9.2%)	681	(12.2%)	1,427	(10.7%)	662	(11.4%)	616	(9.5%)	1,278	(10.4%)	606	(8.5%)	614	(0.3%)	1,220	(4.5%)	586	(3.3%)	549	(10.6%)	1,135	(7.0%)	554	(5.5%)	536	(2.4%)	1,090	(4.0%)
Data & IP Total	**1,608**	**(1.7%)**	**1,569**	**(1.4%)**	**3,176**	**(1.5%)**	**1,584**	**(1.5%)**	**1,546**	**(1.5%)**	**3,130**	**(1.4%)**	**1,543**	**(2.6%)**	**1,565**	**1.2%**	**3,108**	**(0.7%)**	**1,543**	**0.0%**	**1,498**	**(4.3%)**	**3,041**	**(2.2%)**	**1,498**	**(2.9%)**	**1,470**	**(1.9%)**	**2,968**	**(2.4%)**
Network applications and services	**479**	**(18.8%)**	**552**	**(9.4%)**	**1,031**	**(14.0%)**	**484**	**1.0%**	**657**	**19.0%**	**1,140**	**10.6%**	**574**	**18.6%**	**687**	**4.6%**	**1,261**	**10.6%**	**635**	**10.6%**	**849**	**23.6%**	**1,484**	**17.7%**	**821**	**29.3%**	**1,075**	**26.6%**	**1,896**	**27.8%**
Media																														
TV	251	5.9%	270	13.0%	521	9.5%	316	25.9%	327	21.1%	643	23.4%	330	4.4%	336	2.8%	666	3.6%	333	0.9%	333	(0.9%)	666	0.0%	348	4.5%	351	5.4%	699	5.0%
Content	37	8.8%	37	12.1%	74	10.4%	41	10.8%	39	5.4%	80	8.1%	41	0.0%	39	0.0%	80	0.0%	36	(12.2%)	33	(15.4%)	69	(13.8%)	31	(13.9%)	29	(12.1%)	60	(13.0%)
Sensis voice and advertising	869	(6.9%)	1,078	(4.9%)	1,947	(5.8%)	705	(18.9%)	1,099	1.9%	1,804	(7.3%)	548	(22.3%)	965	(12.2%)	1,513	(16.1%)	70	(87.2%)	62	(93.6%)	132	(91.3%)	53	(24.3%)	50	(19.4%)	103	(22.0%)
Cable	35	12.9%	50	11.1%	85	11.8%	38	8.6%	64	28.0%	102	20.0%	58	52.6%	60	(6.3%)	118	15.7%	61	5.2%	59	(1.7%)	120	1.7%	60	(1.6%)	60	1.7%	120	0.0%
Media - Total	**1,193**	**(3.4%)**	**1,433**	**(1.3%)**	**2,626**	**(2.3%)**	**1,100**	**(7.8%)**	**1,529**	**6.7%**	**2,629**	**0.1%**	**977**	**(11.2%)**	**1,400**	**(8.4%)**	**2,377**	**(9.6%)**	**500**	**(48.8%)**	**487**	**(65.2%)**	**987**	**(58.5%)**	**492**	**(1.6%)**	**490**	**0.6%**	**982**	**(0.5%)**
International																														
CSL New World	374	(24.4%)	396	(19.8%)	770	(22.1%)	424	13.4%	390	(1.5%)	814	5.7%	436	2.8%	424	8.7%	860	5.7%	494	13.3%	517	21.9%	1,011	17.6%	630	27.5%	415	(19.7%)	1,045	3.4%
China digital media	191	89.1%	161	7.3%	352	40.2%	133	(30.4%)	43	(73.3%)	176	(50.0%)	74	(44.4%)	54	25.6%	128	(27.3%)	73	(1.4%)	89	64.8%	162	26.6%	130	78.1%	148	66.3%	278	71.6%
Global connectivity and NAS	215	(16.7%)	199	(24.6%)	414	(20.7%)	187	(13.0%)	221	11.1%	408	(1.4%)	252	34.8%	256	15.8%	508	24.5%	277	9.9%	289	12.9%	566	11.4%	323	16.6%	355	22.8%	678	19.8%
International - Total	**780**	**(8.7%)**	**756**	**(16.7%)**	**1,536**	**(12.8%)**	**744**	**(4.6%)**	**654**	**(13.5%)**	**1,398**	**(9.0%)**	**762**	**2.4%**	**734**	**12.2%**	**1,496**	**7.0%**	**844**	**10.8%**	**895**	**21.9%**	**1,739**	**16.2%**	**1,083**	**28.3%**	**918**	**2.6%**	**2,001**	**15.1%**
TelstraClear	269	(2.2%)	260	(4.4%)	529	(3.3%)	265	(1.5%)	251	(3.5%)	516	(2.5%)	255	(3.8%)	246	(2.0%)	501	(2.9%)	164	(35.7%)	0	(99.8%)	164	(67.2%)	0	(100.0%)	0	(100.0%)	0	(100.0%)
Other sales revenue	71	(9.0%)	95	46.2%	166	15.3%	87	22.5%	94	(1.1%)	181	9.0%	103	18.4%	196	108.5%	299	65.2%	190	84.5%	188	(4.3%)	378	26.3%	183	(3.7%)	176	(6.1%)	359	(4.8%)
Total sales revenue	**12,323**	**(2.5%)**	**12,490**	**(1.9%)**	**24,813**	**(2.2%)**	**12,263**	**(0.5%)**	**12,720**	**1.8%**	**24,983**	**0.7%**	**12,405**	**1.2%**	**12,827**	**0.8%**	**25,232**	**1.0%**	**12,124**	**(2.3%)**	**12,174**	**(5.1%)**	**24,298**	**(3.7%)**	**12,564**	**3.6%**	**12,555**	**3.1%**	**25,119**	**3.4%**
Other revenue	19	(71.2%)	85	21.4%	104	(23.5%)	20	5.3%	90	5.9%	110	5.8%	14	(30.0%)	122	35.6%	136	23.6%	67	378.6%	109	(10.7%)	176	29.4%	62	(7.5%)	139	27.5%	201	14.2%
Total revenue	**12,342**	**(2.9%)**	**12,575**	**(1.7%)**	**24,917**	**(2.3%)**	**12,283**	**(0.5%)**	**12,810**	**1.9%**	**25,093**	**0.7%**	**12,419**	**1.1%**	**12,949**	**1.1%**	**25,368**	**1.1%**	**12,191**	**(1.8%)**	**12,283**	**(5.1%)**	**24,474**	**(3.5%)**	**12,626**	**3.6%**	**12,694**	**3.3%**	**25,320**	**3.5%**
Other income	47	(11.3%)	65	20.4%	112	4.7%	125	166.0%	86	32.3%	211	88.4%	82	(34.4%)	53	(38.4%)	135	(36.0%)	110	34.1%	192	262.3%	302	123.7%	177	60.9%	799	316.1%	976	223.2%
Total income	**12,389**	**(2.9%)**	**12,640**	**(1.6%)**	**25,029**	**(2.3%)**	**12,408**	**0.2%**	**12,896**	**2.0%**	**25,304**	**1.1%**	**12,501**	**0.7%**	**13,002**	**0.8%**	**25,503**	**0.8%**	**12,301**	**(1.6%)**	**12,475**	**(4.1%)**	**24,776**	**(2.9%)**	**12,803**	**4.1%**	**13,493**	**8.2%**	**26,296**	**6.1%**
Expenses																														
Labour(ii)	2,438	(9.0%)	2,202	(11.2%)	4,640	(10.1%)	2,520	3.4%	2,434	10.5%	4,954	6.8%	2,549	1.2%	2,419	(0.6%)	4,968	0.3%	2,246	(11.9%)	2,281	(5.7%)	4,527	(8.9%)	2,367	5.4%	2,365	3.7%	4,732	4.5%
Goods and services purchased	2,615	(0.6%)	2,745	2.4%	5,360	0.9%	3,148	20.4%	3,035	10.6%	6,183	15.4%	3,161	0.4%	3,018	(0.6%)	6,179	(0.1%)	3,135	(0.8%)	3,112	3.1%	6,247	1.1%	3,295	5.1%	3,170	1.9%	6,465	3.5%
Other expenses(ii)	2,019	(4.6%)	2,165	4.1%	4,184	(0.3%)	2,161	7.0%	1,856	(14.3%)	4,017	(4.0%)	2,041	(5.6%)	2,081	12.1%	4,122	2.6%	1,978	(3.1%)	1,855	(10.9%)	3,833	(7.0%)	1,852	(6.4%)	2,136	15.1%	3,988	4.0%
Operating expense (before interest)	7,072	(4.8%)	7,112	(1.8%)	14,184	(3.3%)	7,829	10.7%	7,325	3.0%	15,154	6.8%	7,751	(1.0%)	7,518	2.6%	15,269	0.8%	7,359	(5.1%)	7,248	(3.6%)	14,607	(4.3%)	7,514	2.1%	7,671	5.8%	15,185	4.1%
Share of net (profit)/loss from jointly controlled and associated entities	0	(100.0%)	(2)	(50.0%)	(2)	(33.3%)	(1)	n/m	0	(100.0%)	(1)	(50.0%)	0	(100.0%)	0	n/m	0	(100.0%)	0	n/m	1	n/m	1	n/m	0	n/m	(24)	(2500.0%)	(24)	(2500.0%)
EBITDA	**5,317**	**(0.3%)**	**5,530**	**(1.5%)**	**10,847**	**(0.9%)**	**4,580**	**(13.9%)**	**5,571**	**0.7%**	**10,151**	**(6.4%)**	**4,750**	**3.7%**	**5,484**	**(1.6%)**	**10,234**	**0.8%**	**4,942**	**4.0%**	**5,226**	**(4.7%)**	**10,168**	**(0.6%)**	**5,289**	**7.0%**	**5,846**	**11.9%**	**11,135**	**9.5%**
Depreciation and amortisation	2,185	(3.1%)	2,161	1.2%	4,346	(1.0%)	2,204	0.9%	2,255	4.3%	4,459	2.6%	2,186	(0.8%)	2,226	(1.3%)	4,412	(1.1%)	2,068	(5.4%)	2,010	(9.7%)	4,078	(7.6%)	2,013	(2.7%)	1,937	(3.6%)	3,950	(3.1%)
EBIT	**3,132**	**1.7%**	**3,369**	**(3.2%)**	**6,501**	**(0.9%)**	**2,376**	**(24.1%)**	**3,316**	**(1.6%)**	**5,692**	**(12.4%)**	**2,564**	**7.9%**	**3,258**	**(1.7%)**	**5,822**	**2.3%**	**2,874**	**12.1%**	**3,216**	**(1.3%)**	**6,090**	**4.6%**	**3,276**	**14.0%**	**3,909**	**21.5%**	**7,185**	**18.0%**
Net finance costs	520	29.0%	443	(11.0%)	963	6.9%	571	9.8%	564	27.3%	1,135	17.9%	396	(30.6%)	492	(12.8%)	888	(21.8%)	477	20.5%	456	(7.3%)	933	5.1%	490	2.7%	467	2.4%	957	2.6%
Profit before income tax expense	2,612	(2.4%)	2,926	(1.9%)	5,538	(2.1%)	1,805	(30.9%)	2,752	(5.9%)	4,557	(17.7%)	2,168	20.1%	2,766	0.5%	4,934	8.3%	2,397	10.6%	2,760	(0.2%)	5,157	4.5%	2,786	16.2%	3,442	24.7%	6,228	20.8%
Income tax expense	726	(3.8%)	872	5.4%	1,598	1.0%	598	(17.6%)	709	(18.7%)	1,307	(18.2%)	689	15.2%	821	15.8%	1,510	15.5%	758	10.0%	759	(7.6%)	1,517	0.5%	825	8.8%	854	12.5%	1,679	10.7%
Profit for the period from continuing operations	**1,886**	**(1.8%)**	**2,054**	**(4.7%)**	**3,940**	**(3.3%)**	**1,207**	**(36.0%)**	**2,043**	**(0.5%)**	**3,250**	**(17.5%)**	**1,479**	**22.5%**	**1,945**	**(4.8%)**	**3,424**	**5.4%**	**1,639**	**10.8%**	**2,001**	**2.9%**	**3,640**	**6.3%**	**1,961**	**19.6%**	**2,588**	**29.3%**	**4,549**	**25.0%**
(Loss)/profit from discontinued operation																			**(53)**	**n/m**	**204**	**n/m**	**151**	**n/m**	**(221)**	**317.0%**	**17**	**(91.7%)**	**(204)**	**(235.1%)**
Profit for the period	**1,886**	**(1.8%)**	**2,054**	**(4.7%)**	**3,940**	**(3.3%)**	**1,207**	**(36.0%)**	**2,043**	**(0.5%)**	**3,250**	**(17.5%)**	**1,479**	**22.5%**	**1,945**	**(4.8%)**	**3,424**	**5.4%**	**1,586**	**7.2%**	**2,205**	**13.4%**	**3,791**	**10.7%**	**1,740**	**9.7%**	**2,605**	**18.1%**	**4,345**	**14.6%**

(i) Includes NBN.

(ii) Restated for the retrospective adoption of AASB:119 "Employee Entitlements".

Telstra Corporation Limited

Half-yearly comparison
Year ended 30 June 2014

Summary Reported Half-Yearly Data	Half 1 Dec-09	PCP Growth	Half 2 Jun-10	PCP Growth	Full year Jun-10	PCP Growth	Half 1 Dec-10	PCP Growth	Half 2 Jun-11	PCP Growth	Full year Jun-11	PCP Growth
Selected statistical data												
Fixed Voice												
Retail basic access lines in service (thousands)	7,545	(3.6%)	7,407	(4.2%)	7,407	(4.2%)	7,298	(3.3%)	7,158	(3.4%)	7,158	(3.4%)
Wholesale basic access lines in service (thousands)	1,263	(5.8%)	1,253	(2.5%)	1,253	(2.5%)	1,235	(2.2%)	1,212	(3.3%)	1,212	(3.3%)
Fixed voice lines in service (thousands) (i)	**8,808**	**(3.9%)**	**8,660**	**(4.0%)**	**8,660**	**(4.0%)**	**8,533**	**(3.1%)**	**8,370**	**(3.3%)**	**8,370**	**(3.3%)**
Unconditioned local loop (ULL) services in operation (thousands)	770	25.2%	831	19.1%	831	19.1%	914	18.7%	1,001	20.5%	1,001	20.5%
Average fixed voice revenue per user per month ($'s)	56.03	(3.2%)	54.12	(5.3%)	54.99	(4.3%)	53.04	(5.3%)	51.66	(4.5%)	52.41	(4.7%)
Fixed data												
Fixed data SIOs - Retail (thousands)	2,222	(3.3%)	2,234	(1.8%)	2,234	(1.8%)	2,376	6.9%	2,396	7.3%	2,396	7.3%
Broadband wholesale SIOs (thousands)	1,053	(10.7%)	1,003	(9.6%)	1,003	(9.6%)	919	(12.7%)	869	(13.4%)	869	(13.4%)
Fixed data SIOs (thousands) (i)	**3,275**	**(5.8%)**	**3,237**	**(4.3%)**	**3,237**	**(4.3%)**	**3,295**	**0.6%**	**3,265**	**0.9%**	**3,265**	**0.9%**
Wholesale line spectrum site sharing (LSS) SIOs (thousands)	672	34.1%	735	26.7%	735	26.7%	741	10.3%	725	(1.4%)	725	(1.4%)
Average retail fixed data revenue per user per month ($'s)	55.87	(2.5%)	55.11	(3.7%)	55.54	(3.7%)	53.26	(4.7%)	52.05	(5.6%)	53.34	(4.0%)
Average fixed data revenue per user per month ($'s)	55.87	(2.5%)	55.11	(3.7%)	55.54	(3.7%)	49.34	(11.7%)	48.79	(11.5%)	49.39	(11.1%)
ISDN												
ISDN access (basic access line equivalents) (thousands)	1,305	1.6%	1,308	1.3%	1,308	1.3%	1,312	0.5%	1,308	0.0%	1,308	0.0%
ISDN average revenue per user per month ($'s)	59.46	(4.7%)	56.40	(5.0%)	58.05	(4.3%)	56.88	(4.3%)	54.67	(3.1%)	55.87	(3.8%)
Mobiles												
Total retail mobile SIOs (thousands)	10,386	7.0%	10,555	3.6%	10,555	3.6%	11,482	10.6%	12,223	15.8%	12,223	15.8%
Postpaid handheld mobile SIOs (in thousands)	5,394	(4.9%)	5,427	(5.2%)	5,427	(5.2%)	5,728	6.2%	6,062	11.7%	6,062	11.7%
Mobile broadband (data cards) SIOs (in thousands)	1,210	58.2%	1,498	43.2%	1,498	43.2%	1,970	62.8%	2,310	54.2%	2,310	54.2%
Prepaid mobile handheld unique users (thousands)	1,921	0.3%	1,889	(3.2%)	1,889	(3.2%)	1,943	1.1%	1,921	1.7%	1,921	1.7%
Machine to Machine (M2M) (thousands)	484	n/m	539	n/m	539	n/m	577	19.2%	658	22.1%	658	22.1%
Satellite (thousands)	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m
Total wholesale SIOs (thousands)	76	1.3%	81	12.5%	81	12.5%	80	5.3%	74	(8.6%)	74	(8.6%)
Mobile voice telephone minutes (millions)	5,723	2.7%	5,801	6.7%	11,524	4.7%	6,416	12.1%	7,096	22.3%	13,512	17.3%
Number of SMS sent (millions)	4,783	9.9%	4,611	0.5%	9,394	5.0%	4,810	0.6%	5,095	10.5%	9,905	5.4%
Blended average revenue per user (incl interconnection and MRO) ($'s)	50.55	(3.0%)	50.18	1.6%	50.61	0.1%	49.77	(1.5%)	47.71	(4.9%)	48.90	(3.4%)
Average postpaid handheld revenue per user (excl. MRO) ($'s)	0	n/m	0	n/m	0	n/m	65.59	n/m	65.33	n/m	65.36	n/m
Average postpaid handheld revenue per user (incl. MRO) ($'s)	65.13	2.1%	65.85	8.6%	65.26	4.7%	64.81	(0.5%)	63.32	(3.8%)	63.95	(2.0%)
Average prepaid handheld revenue per user ($'s)	15.38	2.3%	15.12	(2.6%)	15.36	1.5%	17.52	13.9%	15.94	5.4%	16.89	10.0%
Average mobile broadband revenue per user per month ($'s)	58.82	(21.0%)	52.07	(11.0%)	55.30	(14.0%)	43.44	(26.1%)	36.37	(30.1%)	40.22	(27.3%)
Average machine to machine revenue per user per month ($'s)	11.36	n/m	10.07	n/m	10.63	n/m	9.66	(15.0%)	9.76	(3.1%)	9.54	(10.3%)
Average satellite revenue per user per month ($'s)	0.00	n/m	0.00	n/m	0.00	n/m	0.00	n/m	0.00	n/m	0.00	n/m
Premium pay TV												
Total premium pay TV SIOs ('000)	479	4.1%	504	12.0%	504	12.0%	513	7.1%	508	0.8%	508	0.8%
Labour												
Full time staff and equivalents	39,763	(4.3%)	41,690	5.6%	41,690	5.6%	35,729	(10.1%)	36,072	(13.5%)	36,072	(13.5%)

Summary Reported Half-Yearly Data	Half 1 Dec-11	PCP Growth	Half 2 Jun-12	PCP Growth	Full year Jun-12	PCP Growth	Half 1 Dec-12	PCP Growth	Half 2 Jun-13	PCP Growth	Full year Jun-13	PCP Growth	Half 1 Dec-13	PCP Growth	Half 2 Jun-14	PCP Growth	Full year Jun-14	PCP Growth
Selected statistical data																		
Fixed Voice																		
Retail basic access lines in service (thousands)	7,034	(3.6%)	6,877	(3.9%)	6,877	(3.9%)	6,695	(4.8%)	6,524	(5.1%)	6,524	(5.1%)	6,356	(5.1%)	6,246	(4.3%)	6,246	(4.3%)
Wholesale basic access lines in service (thousands)	1,200	(2.8%)	1,180	(2.6%)	1,180	(2.6%)	1,207	0.6%	1,239	5.0%	1,239	5.0%	1,277	5.8%	1,285	3.7%	1,285	3.7%
Fixed voice lines in service (thousands) (i)	**8,234**	**(3.5%)**	**8,057**	**(3.7%)**	**8,057**	**(3.7%)**	**7,902**	**(4.0%)**	**7,763**	**(3.6%)**	**7,763**	**(3.6%)**	**7,633**	**(3.4%)**	**7,531**	**(3.0%)**	**7,531**	**(3.0%)**
Unconditioned local loop (ULL) services in operation (thousands)	1,061	16.1%	1,160	15.9%	1,160	15.9%	1,245	17.3%	1,322	14.0%	1,322	14.0%	1,400	12.4%	1,482	12.1%	1,482	12.1%
Average fixed voice revenue per user per month ($'s)	49.97	(5.8%)	47.65	(7.8%)	48.88	(6.7%)	46.36	(7.2%)	45.51	(4.5%)	45.92	(6.1%)	44.56	(3.9%)	43.44	(4.5%)	43.96	(4.3%)
Fixed data																		
Fixed data SIOs - Retail (thousands)	2,504	5.4%	2,599	8.5%	2,599	8.5%	2,684	7.2%	2,772	6.7%	2,772	6.7%	2,847	6.1%	2,955	6.6%	2,955	6.6%
Broadband wholesale SIOs (thousands)	815	(11.3%)	767	(11.7%)	767	(11.7%)	761	(6.6%)	769	0.3%	769	0.3%	777	2.1%	789	2.6%	789	2.6%
Fixed data SIOs (thousands) (i)	**3,319**	**0.7%**	**3,366**	**3.1%**	**3,366**	**3.1%**	**3,445**	**3.8%**	**3,541**	**5.2%**	**3,541**	**5.2%**	**3,624**	**5.2%**	**3,744**	**5.7%**	**3,744**	**5.7%**
Wholesale line spectrum site sharing (LSS) SIOs (thousands)	717	(3.2%)	696	(4.0%)	696	(4.0%)	658	(8.2%)	631	(9.3%)	631	(9.3%)	614	(6.7%)	589	(6.7%)	589	(6.7%)
Average retail fixed data revenue per user per month ($'s)	53.41	0.3%	53.72	3.2%	53.64	0.6%	54.29	1.7%	54.79	2.0%	54.53	1.7%	55.09	1.4%	53.52	(2.3%)	54.98	0.8%
Average fixed data revenue per user per month ($'s)	49.83	1.0%	49.96	2.4%	49.92	1.1%	50.29	0.9%	50.53	1.1%	50.35	0.9%	50.75	0.9%	50.98	0.9%	50.74	0.8%
ISDN																		
ISDN access (basic access line equivalents) (thousands)	1,304	(0.6%)	1,297	(0.8%)	1,297	(0.8%)	1,282	(1.7%)	1,285	(0.9%)	1,285	(0.9%)	1,265	(1.3%)	1,225	(4.7%)	1,225	(4.7%)
ISDN average revenue per user per month ($'s)	53.56	(5.8%)	52.10	(4.7%)	52.86	(5.4%)	51.47	(3.9%)	49.25	(5.5%)	50.19	(5.1%)	47.41	(7.9%)	46.79	(5.0%)	47.29	(5.8%)
Mobiles																		
Total retail mobile SIOs (thousands)	13,205	15.0%	13,815	13.0%	13,815	13.0%	14,423	9.2%	15,072	9.1%	15,072	9.1%	15,811	9.6%	16,009	6.2%	16,009	6.2%
Postpaid handheld mobile SIOs (in thousands)	6,400	11.7%	6,596	8.8%	6,596	8.8%	6,861	7.2%	7,019	6.4%	7,019	6.4%	7,122	3.8%	7,194	2.5%	7,194	2.5%
Mobile broadband (data cards) SIOs (in thousands)	2,746	39.4%	3,118	35.0%	3,118	35.0%	3,336	21.5%	3,570	14.5%	3,570	14.5%	3,672	10.1%	3,679	3.1%	3,679	3.1%
Prepaid mobile handheld unique users (thousands)	1,988	2.3%	2,029	5.6%	2,029	5.6%	2,102	5.7%	2,197	8.3%	2,197	8.3%	2,347	11.7%	2,446	11.3%	2,446	11.3%
Machine to Machine (M2M) (thousands)	744	28.9%	809	22.9%	809	22.9%	888	19.4%	970	19.9%	970	19.9%	1,086	22.3%	1,261	30.0%	1,261	30.0%
Satellite (thousands)	24	n/m	25	n/m	25	n/m	26	8.3%	27	8.0%	27	8.0%	28	7.7%	30	11.1%	30	11.1%
Total wholesale SIOs (thousands)	65	(18.8%)	57	(23.0%)	57	(23.0%)	67	3.1%	241	322.8%	241	322.8%	348	419.4%	379	57.3%	379	57.3%
Mobile voice telephone minutes (millions)	8,063	25.7%	8,863	24.9%	16,926	25.3%	9,906	22.9%	10,504	18.5%	20,410	20.6%	11,633	17.4%	12,194	16.1%	23,827	16.7%
Number of SMS sent (millions)	5,882	22.3%	6,165	21.0%	12,047	21.6%	6,771	15.1%	6,992	13.4%	13,763	14.2%	7,475	10.4%	7,846	12.2%	15,321	11.3%
Blended average revenue per user (incl interconnection and MRO) ($'s)	47.71	(4.1%)	43.94	(7.9%)	46.08	(5.8%)	44.29	(7.2%)	43.47	(1.1%)	43.84	(4.9%)	43.35	(2.1%)	42.48	(2.3%)	43.28	(1.3%)
Average postpaid handheld revenue per user (excl. MRO) ($'s)	66.48	1.4%	63.69	(2.5%)	65.42	0.1%	64.75	(2.6%)	65.39	2.7%	65.33	(0.1%)	66.09	2.1%	65.38	(0.0%)	65.80	0.7%
Average postpaid handheld revenue per user (incl. MRO) ($'s)	63.38	(2.2%)	59.04	(6.8%)	61.51	(3.8%)	58.88	(7.1%)	58.29	(1.3%)	58.80	(4.4%)	58.81	(0.1%)	58.47	0.3%	58.70	(0.2%)
Average prepaid handheld revenue per user ($'s)	16.76	(4.3%)	16.67	4.6%	16.87	(0.1%)	17.79	6.1%	18.44	10.6%	17.94	6.3%	18.90	6.2%	19.79	7.3%	19.98	11.4%
Average mobile broadband revenue per user per month ($'s)	32.50	(25.2%)	29.84	(18.0%)	31.26	(22.3%)	29.75	(8.5%)	29.93	0.3%	29.80	(4.7%)	29.60	(0.5%)	29.20	(2.4%)	29.59	(0.7%)
Average machine to machine revenue per user per month ($'s)	9.60	(0.6%)	8.50	(12.9%)	9.09	(4.7%)	8.66	(9.8%)	8.30	(2.4%)	8.46	(6.9%)	7.69	(11.2%)	7.60	(8.4%)	7.54	(10.9%)
Average satellite revenue per user per month ($'s)	47.07	n/m	34.67	n/m	40.70	n/m	43.47	(7.6%)	39.46	13.8%	41.32	1.5%	40.43	(7.0%)	40.44	2.5%	39.98	(3.2%)
Premium pay TV																		
Total premium pay TV SIOs ('000)	504	(1.8%)	501	(1.4%)	501	(1.4%)	507	0.6%	500	(0.2%)	500	(0.2%)	500	(1.4%)	526	5.2%	526	5.2%
Labour																		
Full time staff and equivalents	36,472	2.1%	36,039	(0.1%)	36,039	(0.1%)	31,997	(12.3%)	32,038	(11.1%)	32,038	(11.1%)	32,686	2.2%	31,931	(0.3%)	31,931	(0.3%)

(i) Includes NBN

Note: statistical data represents management's best estimates.