IT'S HOW WE CONNECT

7 February 2013

The Manager

Company Announcements Office
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SYDNEY NSW 2000

Office of the Company Secretary

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MELBOURNE VIC 3000
AUSTRALIA

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Corporation Limited Financial Results for the Half Year ended 31 December 2012.

In accordance with Listing Rules, I enclose the following for immediate release to the market:

1. Appendix 4D – half yearly report;

2. Directors' Report;

3. Half year financial highlights which accompanies the Directors' Report;

4. Media release; and

5. Half year financial report for the half year ended 31 December 2012.

Telstra will conduct an analyst briefing from 9.15am AEDT and a media briefing from 11.00am AEDT on the half year results. The briefings will be broadcast live by webcast at http://www.telstra.com.au/abouttelstra/investor/calendar/half-year-results-announcement-7.xml

A transcript of the analyst briefing will be lodged with the ASX when available.

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

Yours faithfully

Damien Coleman
Company Secretary

Appendix 4D (ASX Listing Rule 4.2A.3)
Half-Year Report
31 December 2012
Telstra Corporation Limited ABN 33 051 775 556

Results for announcement to the market

	Telstra Group			
	Half-year ended 31 December			
	2012	2011	Movement	Movement
	$m	$m	$m	%
Revenue (excluding finance income) from ordinary activities	**12,601**	12,419	182	1.5%
Other income	**110**	82	28	34.1%
	12,711	12,501	210	1.7%
Finance income	**145**	53	92	173.6%
Profit for the period attributable to equity holders of Telstra Entity	**1,597**	1,468	129	8.8%
Profit from ordinary activities after tax attributable to equity holders of Telstra Entity	**1,597**	1,468	129	8.8%

Dividend information

	Amount per share (cents)	Franked amount per share (cents)
Fiscal 2013 interim dividend per share	**14.0**	**14.0**

Fiscal 2013 interim dividend dates

Record date	22 February 2013
Payment date	22 March 2013

This report is to be read in conjunction with our Annual Financial Report as at 30 June 2012.

Net Tangible Assets per security information

	Telstra Group	
	as at 31 December	
	2012 cents	2011 cents
Net tangible assets per security	**33.7**	30.1

Net tangible assets are defined as the net assets of the Telstra Group less intangible assets and non-controlling interests. The number of Telstra shares on issue as at 31 December 2012 and 2011 was 12,443 million.

Details of entities where control has been gained or lost during the period

On 12 July 2012, we signed an agreement to dispose of our 100% shareholding in TelstraClear Limited and its controlled entity. The disposal was subsequently completed on 31 October 2012 following regulatory approval.

IT'S HOW WE CONNECT

Appendix 4D (ASX Listing Rule 4.2A.3)
Half-Year Report
31 December 2012
Telstra Corporation Limited ABN 33 051 775 556

Details of investments in joint ventures and associated entities

		Telstra Group	
		Ownership interest as at	
Name of entity	Principal activities	31 Dec 2012 %	30 June 2012 %
Jointly controlled entities			
FOXTEL Partnership	Pay television	**50.0**	50.0
FOXTEL Television Partnership	Pay television	**50.0**	50.0
Customer Services Pty Limited	Customer service	**50.0**	50.0
FOXTEL Management Pty Ltd	Management services	**50.0**	50.0
FOXTEL Cable Television Pty Ltd	Pay television	**80.0**	80.0
Reach Ltd (incorporated in Bermuda) (i)	International connectivity services	**50.0**	50.0
TNAS Limited (incorporated in New Zealand) (iii)	Toll free number portability in New Zealand	**-**	33.3
3GIS Pty Ltd (iv)	Management of former 3GIS Partnership	**50.0**	50.0
3GIS Partnership (iv)	3G network services	**-**	50.0
Bridge Mobile Pte Ltd (incorporated in Singapore) (ii)	Regional roaming provider	**10.0**	10.0
Associated entities			
Australian-Japan Cable Holdings Limited (incorporated in Bermuda) (i)	Network cable provider	**46.9**	46.9
Telstra Super Pty Ltd	Superannuation trustee	**100.0**	100.0
Telstra Foundation Ltd	Charitable trustee organisation	**100.0**	100.0
Mandoe Pty Ltd	Signage software provider	**25.0**	25.0
IPscape Pty Ltd	Cloud based call centre solution	**31.3**	31.3
Dimmi Pty Ltd	Online restaurant reservation	**23.4**	23.4
Whispir Limited (v)	Software as a solution provider	**18.0**	-

(i) Balance date is 31 December.

(ii) Balance date is 31 March.

(iii) On 31 October 2012, we disposed of our 100% shareholding in TelstraClear Limited and its controlled entity. The disposal included the investment in TNAS Limited.

(iv) Telstra and Vodafone Hutchinson Australia concluded their joint venture agreement for the 3GIS network on 31 August 2012. We still retain our ownership interest in 3GIS Pty Ltd which has been non-operating since that date.

(v) On 16 November 2012, we acquired 18% of Whispir Limited.

Additional Appendix 4D disclosure requirements can be found in the notes in our half-year financial report, the half-year Directors' Report and the Financial Highlights lodged with this document.

IT'S HOW WE CONNECT

Telstra Corporation Limited and controlled entities

Directors' Report

For the half-year ended 31 December 2012

Directors' Report

In accordance with a resolution of the Board, the Directors present their report on the consolidated entity (Telstra Group), consisting of Telstra Corporation Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2012. Financial comparisons used in this report are of results for the half-year ended 31 December 2012 compared with the half-year ended 31 December 2011 for income statement analysis, and 31 December 2012 compared with 30 June 2012 for statement of financial position analysis.

Strategy update

Telstra continues to implement its strategy to improve customer satisfaction, increase our customer base, simplify the business and invest in new growth businesses. The strategic initiatives commenced almost three years ago continue to deliver strong growth in the number of customers and consequent financial benefits with growth in revenue, earnings before interest, tax, depreciation and amortisation (EBITDA), and net profit.

Improving customer satisfaction

Telstra achieved a 10 per cent reduction in the number of TIO complaints from a year ago but we acknowledge there is room for improvement in customer service.

We are very committed to putting the customer at the centre of everything we do. We are continuing to make improvements, whether enhancing our digital and online service capability, refreshing mobile plans or cutting transaction times in our retail stores.

Growth in number of customers

Telstra's product offers and network investments continued to attract new customers during the six months to 31 December 2012, delivering net growth of:

- 607,000 domestic mobile customers, to 14.4 million;
- 85,000 fixed retail broadband customers, to 2.7 million; and
- 321,000 Hong Kong mobile customers, to 3.8 million.

In addition 117,000 customers on bundled plans were added, bringing the total of customers on bundled plans to 1.5 million. PSTN customer numbers decreased by 151,000 to 7.9 million and PSTN revenue declined by 10.8%.

Simplifying the business

Productivity benefits totalled $381 million for the half year. These were delivered by continued process improvement, effective credit management and further migration to online services and were reinvested into the business, funding customer service and business growth initiatives.

Growth in digital sales and service volumes continued with 540,000 active monthly users of Telstra's 24/7 customer service application. About 2.7 million visits were made to the mobile compatible website, up 700% from a year ago. Consumer online sales volumes increased 62% from a year ago.

Building new growth businesses

Network Application and Services (NAS) revenue grew by 10.6% to $636 million, with growth from several long term contracts which were signed during fiscal 2012.

International businesses, including Telstra's investments in Asia, grew revenue by 10.8% through customer growth in the Hong Kong mobile services business (CSL), global connectivity and NAS products (Telstra Global).

Digital media revenue, which includes Sensis, declined by 7.0%. Sensis performed as expected with revenue down 12.5%. Sensis digital revenue growth was 11.0%, an improvement from 2.5% a year ago. Adjusted for the timing of book sales, the print revenue decline was consistent with declines in recent periods. The majority of print revenue will be recognised in the second half.

We will continue to restructure Sensis as it transitions from a print to a digital business.

National Broadband Network (NBN)

Telstra continued to support NBN Co and made good progress on the build of the transit network and commenced selling NBN retail and wholesale services.

Telstra recognised revenue of $176 million from the NBN agreements. This included $94 million amortisation of Commonwealth payments received in fiscal 2012. It also included $82 million relating to the TUSMA agreement under which Telstra provides public interest services, including the Universal Service Obligation, and provision of access to infrastructure and other related services to NBN Co.

Outlook

Telstra confirms fiscal 2013 guidance of low single digit total income and EBITDA growth, with free cashflow of between $4.75 billion and $5.25 billion. Telstra expects capital expenditure to be around 15% of sales.

Guidance assumes wholesale product price stability, no impairments to investments, excludes any proceeds on the sale of businesses, adjustments on the sale of TelstraClear and the cost of spectrum purchases.

Our strategy is unchanged and delivering results for customers and shareholders. We will continue to focus on improving customer satisfaction, growing customer numbers, simplifying the business and taking advantage of new growth opportunities. We are making good progress but there is more to do.

The company will incur significant costs in fiscal year 2013 for the renewal of existing spectrum licenses. There are also auctions for new spectrum licences planned for the second half of fiscal 2013.

Telstra has confirmed a fully franked interim dividend of 14 cents per share. Shares will trade excluding entitlement to the dividend on 18 February 2013 with payment on 22 March 2013. As announced in October 2011, it is the company's intention to maintain a 28 cent fully franked dividend per share for fiscal 2013. This is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

Directors' Report

As we announced in October 2012, from fiscal 2014 we will return to our normal practice of considering dividends on a half yearly basis as part of the regular Board process.

Review and results of operations

Information on the operations, financial position and outlook for the Telstra Group is set out on pages 2 to 21 of the Financial Highlights accompanying this Directors' Report.

Dividends

The directors have resolved to pay an interim dividend of 14 cents per ordinary share. The dividend will be fully franked at a tax rate of 30%. The record date for the interim dividend will be 22 February 2013, with payment to be made on 22 March 2013.

Our final dividend for the financial year ended 30 June 2012 of 14 cents per ordinary share ($1,739 million) was paid during the half-year ended 31 December 2012. This dividend was fully franked at a tax rate of 30%. The final dividend paid had a record date of 24 August 2012 and payment was made on 21 September 2012.

The Dividend Reinvestment Plan continues to be suspended.

Directors

Directors who held office during the half-year and until the date of this report were:

Catherine B Livingstone AO	-	Chairman since 2009, Director since 2000
David I Thodey	-	Chief Executive Officer and Executive Director since 2009
Timothy Y Chen	-	a Director from 1 April 2012 until 5 October 2012
Geoffrey A Cousins	-	a Director since 2006
Russell A Higgins AO	-	a Director since 2009
John P Mullen	-	a Director since 2008
Margaret L Seale	-	a Director since 7 May 2012
Nora L Scheinkestel	-	a Director since 2010
John W Stocker AO	-	a Director since 1996 until 16 October 2012
Steven M Vamos	-	a Director since 2009
John D Zeglis	-	a Director since 2006

Auditor's independence declaration

The independence declaration of our auditors is on page 4 and forms part of this report.

Rounding of amounts

The Telstra Entity is a company of the kind referred to in the Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998 and issued pursuant to section 341(1) of the Corporations Act 2001. As a result, amounts in this report and the accompanying financial report have been rounded to the nearest million dollars, except where otherwise indicated.

This report is made in accordance with a resolution of the Directors.

C B Livingstone

Catherine B Livingstone AO
Chairman
7 February 2013

David Thodey

David I Thodey
Chief Executive Officer and Executive Director
7 February 2013

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Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Telstra Corporation Limited

In relation to our review of the financial report of Telstra Corporation Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

SJ Ferguson
Partner

7 February 2013
Melbourne, Australia

FINANCIAL HIGHLIGHTS
HALF-YEAR ENDED 31 DECEMBER 2012

TELSTRA DELIVERS ON COMMITMENTS; GUIDANCE CONFIRMED

SUMMARY FINANCIAL RESULTS

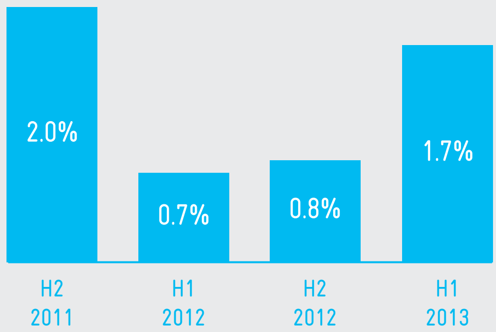
	H1 2013 ($m)	H1 2012 ($m)	YoY change
Sales Revenue	12,534	12,405	1.0%
Total Income	12,711	12,501	1.7%
Operating Expenses	7,725	7,751	-0.3%
EBITDA	4,986	4,750	5.0%
Depreciation & Amortisation	2,146	2,186	-1.8%
EBIT	2,840	2,564	10.8%
Net finance costs	465	396	17.4%
Income tax expense	752	689	9.1%
Attributable NPAT	1,597	1,468	8.8%
Accrued capex	1,890	1,715	10.2%
Free cashflow	2,155	1,795	20.1%

RESULTS ON A GUIDANCE BASIS*

	H1 2013	Fiscal 2013 Guidance
Total income	2.5%	Low single digit growth
EBITDA	8.7%	Low single digit growth

* Adjusted for TelstraClear trading results and sale. The guidance basis has been reviewed by our auditors.

TOTAL INCOME GROWTH



CEO MESSAGE

Telstra has reported increases in revenue and net profit, as well as recording strong customer growth, for the six months to 31 December 2012.

Telstra announced a 14 cent fully franked interim dividend representing a $1.7 billion return to shareholders. The company also confirmed guidance for fiscal 2013.

Chief Executive Officer David Thodey said: "These results show we are delivering on our commitments. We continue to see customer growth in key products and services, particularly mobiles. This is testament to our focus on improving customer service and maintaining network leadership."

Mr Thodey said Telstra invested $1.9 billion in capital expenditure during the six months, including significant investments in Australia's largest and most reliable national mobile network.

"Our investment in the mobile network is attracting more customers. We have now sold 1.5 million 4G devices and we are on track to expand 4G coverage to 66% of the Australian population by June 2013."

Telstra's focus on customer service and network investment contributed to customer retention and acquisition. A total of 607,000 new domestic mobile customers joined Telstra in the half year, bringing the total number of Telstra's Australian mobile customers to 14.4 million. Mobile revenue grew by 4.6% to $4,560 million.

KEY OUTCOMES AGAINST STRATEGIC PRIORITIES

Improving customer satisfaction

Mr Thodey said Telstra achieved a 10 per cent reduction in the number of TIO complaints from a year ago but acknowledged there was room for improvement in customer service.

"We are very committed to putting the customer at the centre of everything we do. We are continuing to make improvements, whether enhancing our digital and online service capability, refreshing mobile plans or cutting transaction times in our retail stores," he said.

Growth in number of customers

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- 321,000 Hong Kong mobile customers, to 3.8 million.

In addition 117,000 customers on bundled plans were added, bringing the total of customers on bundled plans to 1.5 million. PSTN customer numbers decreased by 151,000 to 7.9 million and PSTN revenue declined by 10.8%.

FINANCIAL HIGHLIGHTS – HALF-YEAR ENDED 31 DECEMBER 2012

HALF-YEARLY REPORTED RESULTS

	H1 2013 YoY change	H2 2012 YoY change	H1 2012 YoY change	H2 2011 YoY change	H1 2011 YoY change
Sales revenue	1.0%	0.8%	1.2%	1.8%	-0.5%
Total income	1.7%	0.8%	0.7%	2.0%	0.2%
Operating expenses	-0.3%	2.6%	-1.0%	3.0%	10.7%
EBITDA	5.0%	-1.6%	3.7%	0.7%	-13.9%
Profit for the period	9.7%	-4.8%	22.5%	-0.5%	-36.0%

Simplifying the business

Productivity benefits totalled $381 million for the half year. These were delivered by continued process improvement, effective credit management and further migration to online services and were reinvested into the business, funding customer service and business growth initiatives.

Growth in digital sales and service volumes continued with 540,000 active monthly users of Telstra's 24/7 customer service application. About 2.7 million visits were made to the mobile compatible website, up 700% from a year ago. Consumer online sales volumes increased 62% from a year ago.

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"We will continue to restructure Sensis as we transition from a print to a digital business," Mr Thodey said.

NATIONAL BROADBAND NETWORK (NBN)

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Telstra recognised revenue of $176 million from the NBN agreements. This included $94 million amortisation of Commonwealth payments received in fiscal 2012. It also included $82 million relating to the TUSMA agreement under which Telstra provides public interest services, including the Universal Service Obligation, and provision of access to infrastructure and other related services to NBN Co.

OUTLOOK

Telstra confirms fiscal 2013 guidance of low single digit total income and EBITDA growth, with free cashflow of between $4.75 billion and $5.25 billion. Telstra expects capital expenditure to be around 15% of sales.

FISCAL YEAR 2013 GUIDANCE SUMMARY*

Measure	Fiscal 2013 Guidance
Total income	low single digit growth
EBITDA	low single digit growth
Capex/sales	Around 15%
Free cashflow	$4.75-$5.25 billion
Dividend	28c fully franked

* Guidance assumes wholesale product price stability, no impairments to investments, excludes any proceeds on the sale of businesses, adjustments on the sale of TelstraClear and the cost of spectrum purchases.

"Our strategy is unchanged and delivering results for customers and shareholders. We will continue to focus on improving customer satisfaction, growing customer numbers, simplifying the business and taking advantage of new growth opportunities. We are making good progress but there is more to do," Mr Thodey said.

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REPORTED RESULTS

In the first half of fiscal 2013 sales revenue increased by 1.0% or $129 million to $12,534 million and total income increased by 1.7% or $210 million to $12,711 million. Excluding TelstraClear from both periods, total income increased by 2.5%.

Operating Expenses (before depreciation and amortisation) decreased by 0.3% or $26 million to $7,725 million. Excluding TelstraClear expenses from both periods and adjustments on the sale of TelstraClear, operating expenditure decreased by 1.4%

Labour expenses decreased by 6.1% to $2,394 million driven by declining salary and associated costs. This included a $103 million reduction due to favourable bond rate movements impacting our long service leave and workers compensation provisions. Lower labour substitution and improved management of our contractor and agency activities also contributed to a decline in labour expenses.

Goods and services purchased increased by 0.7% to $3,182 million due to the increased take up of smartphones across a larger customer base. This was partially offset by a decrease in our network payments expense.

Other expenses increased by 5.3% to $2,149 million as we completed our sale of TelstraClear and recognised the consequent loss on sale of $127 million mainly arising from the realisation of a foreign exchange loss.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 5.0% to $4,986 million, with EBITDA margins up 1.5 percentage points at 39.8%. Earnings before interest and tax (EBIT) increased by 10.8% to $2,840 million.

Net finance costs increased by 17.4% to $465 million arising from valuation impacts on our derivative financial assets and liabilities. This was offset by a reduction in our average interest cost.

Reported profit after tax and non-controlling interests increased by 8.8% to $1,597 million. Basic earnings per share (EPS) increased by 9.3% from 11.8 cents to 12.9 cents.

Free cashflow for the half of $2,155 million included cash proceeds from the sale of TelstraClear of $671 million. Excluding cash proceeds from the TelstraClear sale, free cashflow declined by 17% due to investments in working capital to support business growth. Accrued capital expenditure was $1,890 million or 15.1% of sales.

On 7 February 2013, the directors of Telstra resolved to pay a fully franked interim dividend of 14 cents per share. Shares will trade excluding entitlement to the dividend on 18 February 2013 with payment on 22 March 2013.

PRODUCT PERFORMANCE

KEY PRODUCT REVENUE

	H1 2013 ($m)	H1 2012 ($m)	YoY change
Fixed	3,663	3,815	-4.0%
Mobile	4,560	4,360	4.6%
Data and IP	1,552	1,554	-0.1%
NAS	636	575	10.6%
International	844	762	10.8%
Digital Media	909	977	-7.0%

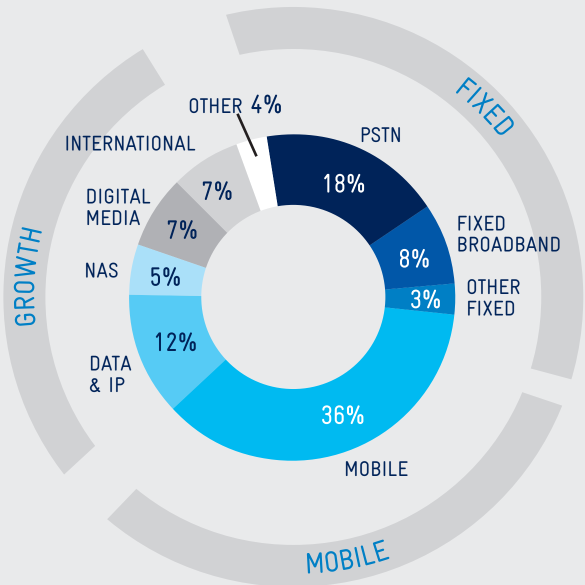
FIXED

Trends in our fixed business have continued with total fixed revenue declining by 4.0% to $3,663 million. Growth in the fixed broadband portfolio was not enough to offset the decline in PSTN revenue.

Within the fixed portfolio, total fixed broadband revenue (including wholesale) increased by 4.4% to $1,028 million with solid customer and average revenue per user (ARPU) growth.

Fixed retail broadband revenue (including hardware) grew by 9.7% to $861 million with the strong momentum seen in previous halves continuing into fiscal year 2013.

H1 2013 PRODUCT SALES REVENUE BREAKDOWN



Customer growth in the fixed broadband portfolio continued, with 85,000 fixed retail broadband customers added during the half. There are now 1.5 million customers taking up a bundled plan, an increase of 117,000 during the six months to 31 December 2012. Fifty six per cent of our fixed broadband customer base is now on a bundled plan which includes a fixed broadband and PSTN connection.

Growth in customers was also matched by growth in average revenue per user with fixed retail broadband ARPU increasing by 2.1% to $53.45; a good result in an intensely competitive fixed broadband environment.

85K NEW FIXED RETAIL BROADBAND CUSTOMERS

PSTN revenue fell by 10.8% to $2,220 million with call revenue and basic access lines continuing to decline. PSTN basic access lines declined 151,000 during the half. The rate of PSTN line loss is consistent with recent periods.

The impact of the NBN on our fixed business was not significant in the half, with $23 million of infrastructure access revenue recognised in other fixed revenue.

In the half, PSTN EBITDA margins increased two percentage points to 62%. Fixed broadband margins were steady at 39%.

MOBILE

Our strong performance in mobiles continued with the addition of 607,000 domestic customers in the half. Total mobile revenue grew by 4.6% or $200 million to $4,560 million.

Our mobile network represents a source of differentiation, including the quality of service and the coverage our customers receive. This has enabled us to continue to retain and grow mobile customer numbers. We now have 14.4 million mobile customers, including 6.9 million postpaid handheld and 3.3 million mobile broadband customers.

FINANCIAL HIGHLIGHTS – HALF-YEAR ENDED 31 DECEMBER 2012

607K NEW MOBILE CUSTOMERS IN AUSTRALIA

We have extended our 4G product range, and our customers are now able to choose from 12 different handsets, four mobile broadband devices and four tablets on our 4G network. As a result we have sold 1.5 million 4G devices since launching services in September 2011.

4G penetration is now at 13% of our postpaid handheld and 17% of our mobile broadband customer base. Sixty seven per cent of our handheld customers now use a smartphone.

Postpaid handheld revenue grew by 0.3% to $2,377 million, having added 265,000 postpaid handheld customers in the half. Postpaid handheld ARPU declined by 7.1% to $58.88. This is largely attributable to the growth of customers using a Mobile Repayment Option (MRO) with over half of our postpaid handheld customers now taking advantage of an MRO. This has led to a $5.87 decline in ARPU.

Excluding the impact of MRO, ARPU declined by 2.6% to $64.75, following a reduction in outbound roaming revenue and early termination charges (ETC). Excluding outbound roaming and ETC, ARPU increased by 1.0%.

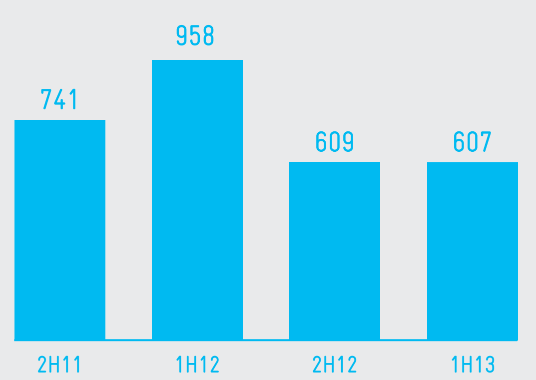
Prepaid handheld revenue grew by 7.7% to $351 million with unique users increasing by 5.7% to 2.1 million. Prepaid handheld ARPU grew by 6.1% to $17.79 with an increase in the take up of our Prepaid Cap Encore plans.

Mobile broadband revenue grew by 16.8% to $576 million, supported by strong customer growth of 218,000. Mobile broadband ARPU declined by 8.5% to $29.75, driven by an increasing mix of lower ARPU prepaid and tablet users in the broadband base. The rate of mobile broadband ARPU decline stabilised and is at its lowest rate in three years.

Machine to machine revenue grew by 10.0% as a result of customer growth of 19.4% to 888,000.

Mobiles interconnection revenue declined by 2.2% to $398 million, led by a reduction in mobile terminating rates from nine cents to six cents which became effective 1 January 2012. This had an overall negative impact of $52 million on interconnection revenue. The positive impact from the reduction in mobile terminating rates is reflected in network payments.

MOBILE CUSTOMER ADDS ('000)



Strong smartphone sales contributed to mobility hardware revenue growth of 17.1% to $767 million.

Churn continues to be well managed with the annualised postpaid handheld deactivation rate improving by 2.9 percentage points from the first half of last fiscal year to 10.3%.

Cost control has had a positive impact on mobile EBITDA margins which increased by three percentage points from the first half of last fiscal year to 37%.

DATA & IP

Data and IP revenue declined by 0.1% or $2 million to $1,552 million. IP Access revenue growth was again strong, increasing by 8.0% to $555 million, almost offsetting the decline in legacy data products. Customer growth was also strong.

The transition from legacy data products to IP continues with ISDN revenue declining by 5.2% to $398 million and other data and calling products revenue, which includes specialised data, declining by 3.4% to $599 million.

Data and IP EBITDA margins were 65%, up two percentage points from the first half of fiscal 2012.

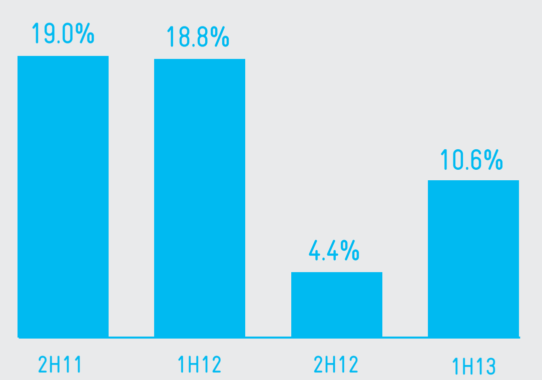
NETWORK APPLICATIONS & SERVICES (NAS)

10.6% NAS REVENUE GROWTH

Network applications and services revenue increased by 10.6% to $636 million with double digit growth across most major NAS product categories. NAS is a strategic growth opportunity for Telstra both domestically and internationally with our products and services underpinned by our core Next IP network.

Revenue growth in our unified communications portfolio was 10.8%. Unified communications is an integrated hardware and software offering that combines enterprise communications onto a single platform. Revenue from cloud services, which includes providing storage and computing capacity and software as a service to our customers, grew by 25.0% during the half.

NAS REVENUE GROWTH



Several long term contract signings last fiscal year contributed to revenue growth in the NAS portfolio this half. These contracts include the Department of Human Services, NAB and Australia Post.

INTERNATIONAL

International product revenue grew by 10.8% or $82 million to $844 million. This portfolio comprises the Hong Kong mobile services (CSL) business, the Telstra Global business which manages global connectivity and international NAS, and our China digital media businesses providing digital media services in auto, IT and consumer electronics.

CSL revenue grew by 13.3% to $494 million with 321,000 new customers added during the half. In HK$ terms CSL revenue grew 13.8% to HK$3,978 million and EBITDA grew by 18.2% to HK$974 million.

Global Connectivity and NAS, which includes the fully integrated Reach network assets, grew by 9.9% to $277 million.

DIGITAL MEDIA

Digital Media product portfolio revenue declined 7.0% or $68 million to $909 million. This portfolio includes our domestic media assets and our Sensis directories business.

TV revenue grew by 0.9% to $333 million, driven primarily by IPTV Content (BigPond® Movies and Foxtel on T- Box®). Cable revenue increased by 5.2% to $61 milllion primarily due to higher FOXTEL revenue from cable customers. This growth was partially offset by lower digital content revenue. Traditional digital content sold for feature phones is declining with the increased penetration of smartphones.

Total revenue for Sensis and advertising declined by 12.6% to $479 million. The decrease relates to the migration of the Sensis customer base from traditional print products to digital offerings.

After normalising for timing differences in book revenue recognition, Yellow Pages® print revenue declined by 21.8%. This was partially offset by growth in Yellow Pages® digital of 9.0%. White Pages® revenue decreased by 2.1% to $187 million, driven by a decline in White Pages® print of 8.2% due to lower customer numbers. Revenue from White Pages® online increased by 42.1% due to continued growth in the number of customers taking the online package product.

PRODUCT PROFITABILITY - EBITDA MARGINS

	H1 2013	FY 2012	H1 2012	H2 2012
Mobile	37%	36%	34%	38%
Fixed Broadband	39%	37%	35%	39%
PSTN	62%	60%	60%	60%
Data and IP	65%	64%	63%	65%
Sensis	23%	50%	28%	61%

* The data includes minor adjustments to historic numbers to reflect changes in the product hierarchy

SEGMENT PERFORMANCE

The measurement of segment results is in line with the basis of information presented to management for internal management reporting purposes. The performance measures of each segment is based on their "EBITDA contribution" to the Telstra Group. EBITDA contribution excludes the effects of inter-segment balances and transactions apart from network revenues and costs associated with our acquired Reach business.

In addition, certain items are recorded within our corporate areas, rather than being allocated to each segment. Of particular note is that Telstra Operations includes the costs associated with the operation of the majority of our networks, as well as IT costs associated with the supply and delivery of solutions to support our range of products and services. Depreciation and amortisation costs associated with the fixed assets of the parent entity are recorded centrally in the corporate centre (included in "Other" category). Segment comparatives are restated to reflect any organisational changes which have occurred since the prior reporting period.

Further details about the performance of our business segments follow:

TELSTRA CONSUMER

Telstra Consumer is responsible for providing a full range of telecommunication products and services to consumer customers in metropolitan, regional, rural and remote areas of Australia.

Telstra Consumer income grew by 2.1% to $5,318 million. Fixed broadband infrastructure investments and continued customer bundle uptake contributed to fixed broadband revenue growth of 10.8% to $705 million. Mobile service revenue grew by 5.2% to $2,149 million in a slowing market. New postpaid offers and an expanded 4G handset and tablet range delivered 244,000 new postpaid mobile customers in the half. Productivity gains were reinvested in customer acquisition and retention, resulting in EBITDA of $2,723 million. Investments in digital assets delivered a 62% increase in online sales volumes and an additional 125,000 Livechat sessions.

TELSTRA BUSINESS

Telstra Business is a business partner that gives small and medium-size enterprise (SME) customers specialised and tailored communications solutions.

Telstra Business income declined by 0.4% to $2,355 million. PSTN revenue declined by 9.2% to $564 million driven by declining customer numbers and usage.

This was offset by growth in Network Application and Service (NAS), IP access and data and fixed broadband revenue. NAS revenue grew by 18.5% to $128 million and IP and data access revenue grew by 15.1% to $107 million. Fixed broadband revenue grew by 6.7% to $160 million, driven by customer growth of 21,000. EBITDA increased by 2.4% to $1,810 million driven by strong cost management.

FINANCIAL HIGHLIGHTS – HALF-YEAR ENDED 31 DECEMBER 2012

SEGMENT EXTERNAL INCOME

	H1 2013 ($m)	H1 2012 ($m)	YoY change
Telstra Consumer	5,318	5,208	2.1%
Telstra Business	2,355	2,364	-0.4%
Telstra Enterprise and Government	2,103	2,077	1.3%
Telstra Wholesale	1,052	1,064	-1.1%
Telstra Media Group	597	608	-1.8%
Telstra International Group	918	860	6.7%
TelstraClear	175	255	-31.4%
Telstra Operations	57	33	72.7%
Other	136	32	325%
Total Telstra segments	12,711	12,501	1.7%

SEGMENT EBITDA CONTRIBUTION

	H1 2013 ($m)	H1 2012 ($m)	YoY change
Telstra Consumer	2,723	2,737	-0.5%
Telstra Business	1,810	1,767	2.4%
Telstra Enterprise and Government	1,685	1,665	1.2%
Telstra Wholesale	968	983	-1.5%
Telstra Media Group	135	138	-2.2%
Telstra International Group	195	127	53.5%
TelstraClear	-120	47	-355%
Telstra Operations	-1,856	-1,870	0.7%
Other	-554	-844	34.4%
Total Telstra segments	4,986	4,750	5.0%

* Telstra International Group, Telstra Media Group and TelstraClear do not align to the revenue statement for International, Digital Media and TelstraClear due to differences in our internal management reporting which eliminates certain items in the Other Segment. TelstraClear was sold in October 2012.

TELSTRA ENTERPRISE AND GOVERNMENT

Telstra Enterprise and Government (TE&G) is a provider of network based solutions and services to enterprise and government organisations in Australia and New Zealand.

TE&G income grew by 1.3% to $2,103 million while EBITDA increased by 1.2% to $1,685 million. IP access and data revenue grew by 4.0% to $569 million. NAS revenue grew by 7.2% to $489 million driven by Industry Solutions, Unified Communications and Cloud product portfolios. Mobile service revenue grew by 1.2% to $494 million with customer growth of 175,000 from the prior corresponding period. This was partially offset by ARPU declines.

TELSTRA WHOLESALE

Income generated from our Wholesale business declined by 1.1% to $1,052 million. Declining PSTN and fixed broadband revenue, and lower mobile roaming volumes were offset by benefits from NBN revenue and other one-off items.

The ACCC issued a number of Access Determinations during the 2012 calendar year which resulted in price reductions and hence net revenue declines across the wholesale PSTN and broadband portfolio as well as transmission products. Continued carrier migration from Line Spectrum Sharing (LSS) to Unconditioned Local Loop (ULL) services resulted in LSS services declining by 38,000 while ULL services grew by 85,000.

The mobile roaming arrangement with VHA ceased during the half resulting in a mobile revenue reduction of $22 million. Telstra Wholesale EBITDA declined by 1.5% with external expenses increasing by 3.9% due to higher contract costs and lower network payments.

TELSTRA OPERATIONS

Telstra Operations is primarily a cost centre supporting the revenue generating activities of our other segments. The EBITDA contribution increased by 0.7% driven by reductions in total service contract and agreement expenses.

TELSTRA MEDIA GROUP

The Telstra Media Group (TMG) is responsible for the management and growth of the domestic directories business and includes the management of leading information brands, including Yellow Pages, White Pages, and our investment in Digital Media content and the FOXTEL partnership.

The TMG EBITDA decline of 2.2% was largely attributable to the decline in Sensis EBITDA. TMG external income includes the product portfolio sales revenue, excluding Pay TV and Content revenues, both of which are predominately in the Telstra Consumer segment, as well as the $55 million distribution from FOXTEL recognised in Other Revenue.

Further commentary on the performance of products in the TMG is provided in the Digital Media products section of this document.

TELSTRA INTERNATIONAL GROUP

Telstra International Group (TIG) is charged with growing Telstra's business outside Australia. TIG encompasses three lines of business – CSL New World Mobility, Telstra China and Telstra Global.

CSL New World is our Hong Kong based wireless business and operates in an intensely competitive market. Telstra China business provides digital media services in auto, IT, and consumer electronics segments.

Telstra Global provides managed network services, international data and voice, and satellite across Asia Pacific, China, India, Europe and Africa. Telstra Global also manages our submarine cable networks and the assets.

Overall, Telstra International Group revenue grew by 6.7% to $918 million and EBITDA contribution grew by 53.5% to $195 million. CSL revenue grew by 13.3% to $494 million and EBITDA contribution grew by 17.5% to $121 million driven by strong customer growth from the introduction of new device bundles and competitive mobile plans. Mobile customers increased by 321,000 in the half to 3.8 million.

OTHER

Our Other category consists primarily of our corporate centre functions where we recognise depreciation and amortisation on fixed assets and redundancy expenses for the parent entity. Refer to the detailed discussion on these expense categories within this document.

EXPENSE PERFORMANCE

OPERATING EXPENSES

	H1 2013 ($m)	H1 2012 ($m)	YoY change
Labour	2,394	2,549	-6.1%
Goods and services purchased	3,182	3,161	0.7%
Other expenses	2,149	2,041	5.3%
Total operating expenses	7,725	7,751	-0.3%

LABOUR

Total labour expenses decreased by 6.1% or $155 million to $2,394 million in the half. Excluding TelstraClear from both periods, labour expenses declined by 5.7%.

Within this category, salary and associated costs decreased by 3.0% or $55 million to $1,757 million. This included a $103 million reduction due to favourable bond rate movements impacting our long service leave and workers compensation provisions. Partially offsetting this was the impact of salary and wage increases including the new Enterprise Agreement implemented during the current half.

Other labour expenses decreased by 14.2% or $29 million to $175 million as we continue to streamline our contractor and agency activities.

Labour substitution costs decreased by 14.2% or $64 million to $386 million continuing the prior year's trend. This is largely a result of a change in the strategic direction of resourcing of project work to other external suppliers or to our internal workforce. The result of this is an increase in both our salary and associated costs and our service contracts and agreements.

Redundancy expenses also decreased by 8.4% to $76 million due to a higher level of restructuring and rationalisation activities in the prior corresponding period.

When compared with the prior corresponding period our total workforce numbers decreased by 2,520 to 38,663 as the sale of TelstraClear reduced our workforce by almost 1,300. Further reductions were driven by a decline in our print media salesforce in Sensis and the consolidation of several support functions to improve business productivity. These reductions were partially offset by continued increases in our workforce to support NAS and NBN.

GOODS AND SERVICES PURCHASED

Goods and services purchased marginally increased by 0.7% or $21 million to $3,182 million. Excluding TelstraClear from both periods, goods and services purchased increased by 1.9%. An increase in cost of goods sold was offset by a decrease in network payments.

Cost of goods sold (which includes mobile handsets, wireless devices and fixed/digital products) increased by 10.6% or $136 million to $1,425 million due to an increase in hardware costs through customer recontracts and greater smartphone penetration increasing the average cost per handset sold. An increase in our CPE sales to support the growth in our NAS business also led to an increase in cost of goods sold.

Other cost of goods sold increased by 5.6% or $46 million to $868 million following an increase in both mobile sales through our dealers and licensees and fixed product sales to our business customers which have both resulted in higher commissions paid.

Network payments decreased by 15.3% or $161 million to $889 million, largely the result of using lower cost overseas carriers, combined with reduced mobile terminating rates which dropped from nine cents to six cents per minute in January 2012.

OTHER EXPENSES

Total other expenses increased by 5.3% or $108 million to $2,149 million primarily driven by our recognition of a loss on the sale of TelstraClear during the first half of this year and an increase in service contracts and agreements. This was partially offset by a decrease in impairment expenses.

Service contracts and agreements increased by 8.9% or $54 million. Service contracts have increased as we require additional external expertise to support current programmes including our initiatives to drive greater customer advocacy, and ongoing site recovery and maintenance. Expenses were also incurred in relation to our commitments under the NBN Agreements. Partially offsetting this was lower IT Professional Service costs as we continue to review and renegotiate contracts with external suppliers.

Impairment and diminution expenses decreased by 28.9% or $77 million from the prior corresponding period. Bad and doubtful debts expense declined by 32.4% or $56 million due to improved remediation of long outstanding debt and tighter assessment of customers at time of connection.

FINANCIAL HIGHLIGHTS – HALF-YEAR ENDED 31 DECEMBER 2012

The prior period included an impairment in the LMobile Group. Other operating expenses increased by 11.2% or $131 million mainly due to the completion of our sale of TelstraClear on October 31 which resulted in a loss on sale of $127 million.

Excluding TelstraClear from both periods, including adjustments on the sale of TelstraClear, total other expenses decreased by 1.2%.

FINANCE COSTS

Net finance costs increased by 17.4% or $69 million to $465 million.

Other finance costs increased by $139 million largely due to valuation impacts on our fair value hedges and transactions not in or de-designated from fair value hedge relationships. This was predominantly due to movements in base market interest rates and borrowing margins, as well as net present value calculations as borrowings move closer to maturity.

Net borrowing costs decreased by $70 million following a reduction in the net average interest cost (from 7.0% to 6.4%). The reduction in rate arises principally from a reduction in market base rates in the half, resulting in lower costs on the floating rate debt component of our debt portfolio. Also contributing to the reduction in average interest cost is the investment income on the loan provided to Foxtel.

FINANCIAL POSITION

CAPITAL EXPENDITURE AND CASH FLOW

Accrued capital expenditure increased by 10.2% to $1,890 million in the half. Major contributors to the increase include NBN-related activity, cloud capacity platform requirements, mobiles capacity upgrade, ADSL infrastructure and offshore initiatives.

Free cashflow for the half of $2,155 million includes cash proceeds from the sale of TelstraClear of $671 million. Excluding the cash proceeds from the sale of TelstraClear, free cashflow declined by 17%.

The primary driver for the reduction was a decrease in net cash inflow from operating activities due to higher working capital to support business growth. Higher mobile activity and purchase of NAS hardware also drove the higher cash outflow in the half. The 10.6% increase in cost of goods sold expense includes many of these higher payments to suppliers, dealers and licensees, driven by increased mobile and NAS activity.

DEBT POSITION

Our gross debt position at 31 December 2012 was $16,199 million, a decrease of $1,023 million from 30 June 2012. The decrease reflects net borrowing repayments of $1,277 million partly offset by non-cash revaluation losses of $123 million and finance lease additions of $131 million.

During the half we repaid debt totalling $2,083 million comprising long term debt maturities of $1,783 million, short-term borrowing repayments of $221 million and finance lease repayments of $79 million. The maturities were partly funded by extra liquidity built up during fiscal 2012, together with new debt issuances of $806 million in the current half. We are well positioned to manage the remaining 2013 debt maturities in the second half of the year. Capital raising in the half was undertaken in the domestic bond market for $743 million, and offshore for $62 million from a Japanese Yen private placement.

Net debt at 31 December 2012 was $13,614 million, an increase of $337 million from 30 June 2012. The increase reflects a decrease in gross debt of $1,023 million offset by a net reduction in cash and cash equivalents of $1,360 million. In light of the high financing demands and market uncertainty, extra liquidity was built up in fiscal 2012 to assist funding in the current year. Much of the fiscal 2013 borrowing maturities were repaid in the current half and are a major reason for the reduction in cash.

FINANCIAL SETTINGS

	Actual	Target range
Debt Servicing	1.4x	1.5x to 1.9x
Gearing	53.4%	50% to 70%
Interest cover	11.3x	>7x

STATEMENT OF FINANCIAL POSITION

Our balance sheet remains in a strong position with net assets of $11,871 million.

Current assets decreased by 17.0% to $8,255 million. Cash and cash equivalents decreased mainly due to net borrowing repayments. Increased customer acquisition activity has impacted trade and other receivables and has also contributed to our holding increased inventory levels to support sales and network expansion. Assets classified as held for sale decreased due to the sale of TelstraClear.

Non current assets increased by 0.1% to $29,600 million. Property, plant and equipment declined as ongoing depreciation and retirements exceed the level of additions from our capex programme. This was partly offset by an increase in derivative assets mainly due to net foreign currency and other valuation impacts arising from measuring to fair value.

Current liabilities decreased by 13.4% to $9,252 million. Trade and other payables decreased primarily as a result of lower capital, labour and other accruals. The reduction in current borrowings reflects the repayment of a majority of the fiscal 2013 borrowing maturities. Tax liabilities have decreased due to the timing of instalments. This was partly offset by an increase in revenue received in advance due to the timing of recognition of the Sensis Yellow Pages print products.

Non current liabilities decreased by 2.4% to $16,732 million mainly due to a reduction in defined benefit pension liabilities as a result of an actuarial gain for Telstra Super due to a higher than expected return on assets.

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
Sales revenue	**12,534**	12,405	129	**1.0**
Other revenue (i)	**67**	14	53	**378.6**
Total revenue	**12,601**	12,419	182	**1.5**
Other income (ii)	**110**	82	28	**34.1**
Total income (excl. finance income)	**12,711**	12,501	210	**1.7**
Labour	**2,394**	2,549	(155)	**(6.1)**
Goods and services purchased	**3,182**	3,161	21	**0.7**
Other expenses	**2,149**	2,041	108	**5.3**
Operating expenses	**7,725**	7,751	(26)	**(0.3)**
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	**4,986**	4,750	236	**5.0**
Depreciation and amortisation	**2,146**	2,186	(40)	**(1.8)**
Earnings before interest and income tax expense (EBIT)	**2,840**	2,564	276	**10.8**
Net finance costs	**465**	396	69	**17.4**
Profit before income tax expense	**2,375**	2,168	207	**9.5**
Income tax expense	**752**	689	63	**9.1**
Profit for the period	**1,623**	1,479	144	**9.7**
Attributable to:				
Equity holders of the Telstra Entity	**1,597**	1,468	129	**8.8**
Non-controlling interests	**26**	11	15	**136.4**
	1,623	1,479	144	**9.7**
Effective tax rate	**31.7%**	31.8%		**(0.1) pp**
EBITDA margin on sales revenue	**39.8%**	38.3%		**1.5 pp**
EBIT margin on sales revenue	**22.7%**	20.7%		**2.0 pp**
			Change	**Change**
	cents	cents	cents	**%**
Basic earnings per share (iii)	**12.9**	11.8	1.1	**9.3%**
Diluted earnings per share (iii)	**12.8**	11.8	1.0	**8.5%**
Interim dividend	**14.0**	14.0		

(i) Other revenue primarily consists of distributions received from FOXTEL (31 Dec 2012: $55m; 31 Dec 2011: nil) and rental income.

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

(iii) 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.

Statement of financial position

	As at			
	31 Dec 12	30 Jun 12	Change	**Change**
	$m	$m	$m	**%**
Current assets				
Cash and cash equivalents	**2,585**	3,945	(1,360)	**(34.5)**
Trade and other receivables	**4,691**	4,346	345	**7.9**
Inventories	**438**	260	178	**68.5**
Derivative financial assets	**10**	32	(22)	**(68.8)**
Current tax receivables	**224**	363	(139)	**(38.3)**
Prepayments	**307**	250	57	**22.8**
Assets classified as held for sale	**-**	754	(754)	**n/m**
Total current assets	**8,255**	9,950	(1,695)	**(17.0)**
Non current assets				
Trade and other receivables	**904**	851	53	**6.2**
Inventories	**26**	24	2	**8.3**
Investments - accounted for using the equity method	**15**	12	3	**25.0**
Investments - other	**19**	19	0	**n/m**
Property, plant and equipment	**20,264**	20,504	(240)	**(1.2)**
Intangible assets	**7,453**	7,421	32	**0.4**
Derivative financial assets	**870**	658	212	**32.2**
Non current tax receivables	**42**	80	(38)	**(47.5)**
Deferred tax assets	**7**	6	1	**16.7**
Total non current assets	**29,600**	29,575	25	**0.1**
Total assets	**37,855**	39,525	(1,670)	**(4.2)**
Current liabilities				
Trade and other payables	**3,615**	4,131	(516)	**(12.5)**
Provisions	**960**	942	18	**1.9**
Borrowings	**2,487**	3,306	(819)	**(24.8)**
Derivative financial liabilities	**308**	299	9	**3.0**
Current tax payables	**531**	731	(200)	**(27.4)**
Revenue received in advance	**1,351**	1,170	181	**15.5**
Liabilities classified as held for sale	**-**	105	(105)	**n/m**
Total current liabilities	**9,252**	10,684	(1,432)	**(13.4)**
Non current liabilities				
Other payables	**153**	174	(21)	**(12.1)**
Provisions	**281**	264	17	**6.4**
Borrowings	**12,007**	11,958	49	**0.4**
Derivative financial liabilities	**2,277**	2,349	(72)	**(3.1)**
Deferred tax liabilities	**1,061**	1,107	(46)	**(4.2)**
Defined benefit liability	**535**	831	(296)	**(35.6)**
Revenue received in advance	**418**	469	(51)	**(10.9)**
Total non current liabilities	**16,732**	17,152	(420)	**(2.4)**
Total liabilities	**25,984**	27,836	(1,852)	**(6.7)**
Net assets	**11,871**	11,689	182	**1.6**
Equity				
Equity available to Telstra Entity shareholders	**11,650**	11,480	170	**1.5**
Non-controlling interests	**221**	209	12	**5.7**
Total equity	**11,871**	11,689	182	**1.6**
Gross debt	**16,199**	17,222	(1,023)	**(5.9)**
Net debt	**13,614**	13,277	337	**2.5**
EBITDA interest cover (times)	**11.3**	10.3	1.0	**9.7**
Net debt to EBITDA	**1.4**	1.3	0.1	**7.7**
Return on average assets	**16.7%**	16.7%		**0.0 pp**
Return on average equity	**27.6%**	28.9%		**(1.3) pp**
Return on average investment	**22.5%**	22.9%		**(0.4) pp**
Gearing ratio (net debt to capitalisation)	**53.4%**	53.2%		**0.2 pp**

n/m = not meaningful

Statement of cash flows

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax (GST))	**14,153**	13,527	626	**4.6**
Payments to suppliers and to employees (inclusive of GST)	**(9,977)**	(8,909)	(1,068)	**12.0**
Net cash generated by operations	**4,176**	4,618	(442)	**(9.6)**
Income taxes paid	**(895)**	(800)	(95)	**11.9**
Net cash provided by operating activities	**3,281**	3,818	(537)	**(14.1)**
Cash flows from investing activities				
Payments for:				
- property, plant and equipment	**(1,517)**	(1,777)	260	**(14.6)**
- intangible assets	**(483)**	(360)	(123)	**34.2**
Capital expenditure (before investments)	**(2,000)**	(2,137)	137	**(6.4)**
- shares in controlled entities (net of cash acquired)	**(5)**	0	(5)	**n/m**
- payments for associates	**(4)**	0	(4)	**n/m**
Total capital expenditure	**(2,009)**	(2,137)	128	**(6.0)**
Proceeds from:				
- sale of property, plant and equipment	**30**	9	21	**233.3**
- sale of shares in controlled entities (net of cash disposed)	**671**	(6)	677	**n/m**
- sale of businesses (net of cash disposed)	**0**	(2)	2	**(100.0)**
Proceeds from finance lease principal amounts	**31**	27	4	**14.8**
Loans to jointly controlled and associated entities	**(1)**	(1)	0	**n/m**
Interest received	**103**	48	55	**114.6**
Settlement of hedges of net investments	**(7)**	39	(46)	**(117.9)**
Dividends received	**1**	0	1	**n/m**
Distributions received from FOXTEL Partnership	**55**	0	55	**n/m**
Net cash used in investing activities	**(1,126)**	(2,023)	897	**(44.3)**
Operating cash flows less investing cash flows	**2,155**	1,795	360	**20.1**
Cash flows from financing activities				
Proceeds from borrowings	**806**	1,637	(831)	**(50.8)**
Repayment of borrowings	**(2,004)**	(746)	(1,258)	**168.6**
Repayment of finance lease principal amounts	**(79)**	(25)	(54)	**216.0**
Proceeds from sale and finance lease back transactions	**52**	0	52	**n/m**
Staff repayments of share loans	**2**	2	0	**0.0**
Finance costs paid	**(534)**	(559)	25	**(4.5)**
Dividends paid to equity holders of Telstra Entity	**(1,739)**	(1,738)	(1)	**0.1**
Dividends paid to non-controlling interests	**(15)**	(9)	(6)	**66.7**
Net cash used in financing activities	**(3,511)**	(1,438)	(2,073)	**144.2**
Net increase in cash and cash equivalents	**(1,356)**	357	(1,713)	**(479.8)**
Cash and cash equivalents at the beginning of the year	**3,945**	2,637	1,308	**49.6**
Effects of exchange rate changes on cash and cash equivalents	**(4)**	16	(20)	**(125.0)**
Cash and cash equivalents at the end of the year	**2,585**	3,010	(425)	**(14.1)**

n/m = not meaningful

Revenue

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
Fixed products				
PSTN products	**2,220**	2,489	(269)	**(10.8)**
Fixed broadband	**1,028**	985	43	**4.4**
Other fixed revenue (i)	**415**	341	74	**21.7**
Total fixed revenue	**3,663**	3,815	(152)	**(4.0)**
Mobiles				
Postpaid handheld	**2,377**	2,370	7	**0.3**
Prepaid handheld	**351**	326	25	**7.7**
Mobile broadband	**576**	493	83	**16.8**
Machine to Machine (M2M)	**44**	40	4	**10.0**
Mobiles interconnection	**398**	407	(9)	**(2.2)**
Mobile services revenue - wholesale resale	**47**	69	(22)	**(31.9)**
Total mobile services revenue	**3,793**	3,705	88	**2.4**
Mobile hardware	**767**	655	112	**17.1**
Total mobile revenue	**4,560**	4,360	200	**4.6**
Data & IP				
ISDN products	**398**	420	(22)	**(5.2)**
IP Access	**555**	514	41	**8.0**
Other data and calling products	**599**	620	(21)	**(3.4)**
Total Data & IP	**1,552**	1,554	(2)	**(0.1)**
Network applications and services	**636**	575	61	**10.6**
Digital media				
TV	**333**	330	3	**0.9**
Content	**36**	41	(5)	**(12.2)**
Sensis and advertising	**479**	548	(69)	**(12.6)**
Cable	**61**	58	3	**5.2**
Total digital media	**909**	977	(68)	**(7.0)**
International				
Hong Kong mobile services (CSL)	**494**	436	58	**13.3**
China digital media	**73**	74	(1)	**(1.4)**
Global connectivity and NAS	**277**	252	25	**9.9**
Total International	**844**	762	82	**10.8**
TelstraClear	**164**	255	(91)	**(35.7)**
Other sales revenue (ii)	**206**	107	99	**92.5**
Sales revenue	**12,534**	12,405	129	**1.0**
Other revenue (iii)	**67**	14	53	**378.6**
Total revenue	**12,601**	12,419	182	**1.5**
Other income (iv)	**110**	82	28	**34.1**
Total income	**12,711**	12,501	210	**1.7**

(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 ($90 million) and late payment and miscellaneous fee revenue.

(iii) Other revenue primarily consists of distributions received from FOXTEL (31 Dec 2012: $55m; 31 Dec 2011: nil) and rental income.

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

Expenses

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
Salary and associated costs	**1,757**	1,812	(55)	**(3.0)**
Other labour expenses	**175**	204	(29)	**(14.2)**
Labour substitution	**386**	450	(64)	**(14.2)**
Redundancy	**76**	83	(7)	**(8.4)**
Total labour	**2,394**	**2,549**	(155)	**(6.1)**
Cost of goods sold	**1,425**	1,289	136	**10.6**
Network payments	**889**	1,050	(161)	**(15.3)**
Other	**868**	822	46	**5.6**
Total goods and services purchased	**3,182**	3,161	21	**0.7**
Service contracts and other agreements	**663**	609	54	**8.9**
Impairment and diminution expenses	**189**	266	(77)	**(28.9)**
Other operating expenses	**1,297**	1,166	131	**11.2**
Total other expenses	**2,149**	2,041	108	**5.3**
Total Operating expenses	**7,725**	7,751	(26)	**(0.3)**
Depreciation	**1,560**	1,661	(101)	**(6.1)**
Amortisation	**586**	525	61	**11.6**
Total depreciation and amortisation	**2,146**	2,186	(40)	**(1.8)**

Net Finance Costs

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
Borrowing costs	**520**	558	(38)	**(6.8)**
Finance leases	**5**	6	(1)	**(16.7)**
Interest on cash, loans and finance lease receivables	**(84)**	(53)	(31)	**58.5**
Net Borrowing Costs	**441**	511	(70)	**(13.7)**
Other	**24**	(115)	139	**(120.9)**
Net Finance Costs	**465**	396	69	**17.4**

n/m = not meaningful

Accrued capex

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
New revenue/growth	**148**	163	(15)	**(9.2)**
Business improvement	**307**	275	32	**11.6**
Customer demand and experience	**1,118**	996	122	**12.2**
Lifecycle maintenance	**136**	142	(6)	**(4.2)**
Legal and regulatory compliance	**3**	1	2	**200.0**
Sensis	**38**	52	(14)	**(26.9)**
International	**140**	86	54	**62.8**
Accrued capital expenditure	**1,890**	1,715	175	**10.2**

Accrued capital expenditure is defined as additions to property, equipment and intangible assets, including capital lease additions, measured on an accrued basis.

Segment Information

	Total external income			EBITDA contribution		
	Half-year ended 31 December			Half-year ended 31 December		
	2012	2011	**Change**	**2012**	2011	**Change**
	$m	$m	**%**	**$m**	$m	**%**
Telstra Consumer	**5,318**	5,208	**2.1**	**2,723**	2,737	**(0.5)**
Telstra Business	**2,355**	2,364	**(0.4)**	**1,810**	1,767	**2.4**
Telstra Enterprise and Government	**2,103**	2,077	**1.3**	**1,685**	1,665	**1.2**
Telstra Wholesale	**1,052**	1,064	**(1.1)**	**968**	983	**(1.5)**
Telstra Media Group (i)	**597**	608	**(1.8)**	**135**	138	**(2.2)**
Telstra International Group (i)	**918**	860	**6.7**	**195**	127	**53.5**
TelstraClear (i)	**175**	255	**(31.4)**	**(120)**	47	**(355.3)**
Telstra Operations	**57**	33	**72.7**	**(1,856)**	(1,870)	**0.7**
Other	**136**	32	**325.0**	**(554)**	(844)	**34.4**
Total Telstra segments	**12,711**	12,501	**1.7**	**4,986**	4,750	**5.0**

(i)Telstra International Group, Telstra Media Group and TelstraClear do not align to the revenue statement for International, Digital media and TelstraClear due to differences in our internal management reporting which eliminates certain items in the Other Segment.

Revenue by Business Segment

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
Telstra Consumer				
PSTN products	**1,258**	1,419	(161)	**(11.3)**
Fixed broadband	**705**	636	69	**10.8**
Mobile services revenue	**2,149**	2,042	107	**5.2**
Telstra Business				
PSTN products	**564**	621	(57)	**(9.2)**
Fixed broadband	**160**	150	10	**6.7**
Mobile services revenue	**1,101**	1,099	2	**0.2**
Network applications and services	**128**	108	20	**18.5**
Telstra Enterprise and Government				
Mobile services revenue	**494**	488	6	**1.2**
IP access and data services	**569**	547	22	**4.0**
Network applications and services	**489**	456	33	**7.2**

Sensis financial summary

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
Sales revenue	**462**	528	(66)	**(12.5)**
Total income	**462**	528	(66)	**(12.5)**
Operating expenses (excl. depreciation & amortisation)	**356**	378	(22)	**(5.8)**
EBITDA contribution	**106**	150	(44)	**(29.3)**
Depreciation and amortisation	**78**	59	19	**32.2**
EBIT contribution	**28**	91	(63)	**(69.2)**
Capital expenditure	**38**	52	(14)	**(26.9)**
EBITDA margin on sales revenue	**22.9%**	28.4%		**(5.5) pp**

Amounts included for Sensis represent the contribution to Telstra's consolidated result.

Sensis total income is split into the following categories:

	Half-year ended 31 December			
	2012	2011	Change	**Change**
	$m	$m	$m	**%**
- Yellow Pages® revenue	**197**	248	(51)	**(20.6)**
- White Pages® revenue	**187**	191	(4)	**(2.1)**
- Voice	**57**	67	(10)	**(14.9)**
- Other revenue	**21**	22	(1)	**(4.5)**
Sensis total income	**462**	528	(66)	**(12.5)**

CSL New World financial summary

	Half-year ended 31 December			Half-year ended 31 December		
	2012	2011	**Change**	**2012**	2011	**Change**
	A$m	A$m	**%**	**HK$m**	HK$m	**%**
Sales revenue	**494**	436	**13.3**	**3,978**	3,496	**13.8**
Total income	**494**	436	**13.3**	**3,978**	3,496	**13.8**
Operating expenses (excl. depreciation & amortisation)	**373**	333	**12.0**	**3,004**	2,672	**12.4**
EBITDA contribution	**121**	103	**17.5**	**974**	824	**18.2**
Depreciation and amortisation	**39**	40	**(2.5)**	**292**	297	**(1.7)**
EBIT contribution	**82**	63	**30.2**	**682**	527	**29.4**
Capital expenditure	**57**	17	**235.3**	**459**	130	**253.1**
EBITDA margin on sales revenue	**24.5%**	**23.6%**	**0.9 pp**	**24.5%**	23.6%	**0.9 pp**
Mobile SIOs ('000)	**3,789**	3,160	**19.9**	**3,789**	3,160	**19.9**

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.

Billable traffic data

	Half year ended			Dec 12 vs Dec 11		Dec 12 vs Jun12	
	Dec 2012 million	Jun 2012 million	Dec 2011 million	Change million	**Change %**	Change million	**Change %**
Fixed telephony							
Number of local calls	**1,292**	1,418	1,576	(284)	(18.0)	(126)	(8.9)
National long distance minutes	**2,066**	2,271	2,420	(354)	(14.6)	(205)	(9.0)
Fixed to mobile minutes	**1,371**	1,450	1,503	(132)	(8.8)	(79)	(5.4)
International direct minutes	**222**	228	241	(19)	(7.9)	(6)	(2.6)
Mobiles							
Mobile voice telephone minutes	**9,906**	8,863	8,063	1,843	22.9	1,043	11.8
Number of SMS sent	**6,771**	6,165	5,882	889	15.1	606	9.8

ARPU ($)

	Half year ended			Dec 12 vs Dec 11		Dec 12 vs Jun12	
	Dec 2012 ($)	Jun 2012 ($)	Dec 2011 ($)	Change ($)	**Change** %	Change ($)	**Change** %
PSTN	**46.35**	47.65	49.97	(3.62)	(7.2)	(1.30)	(2.7)
Fixed retail Broadband (incl h/ware)	**54.30**	53.72	53.41	0.89	1.7	0.58	1.1
Fixed retail Broadband (excl h/ware)	**53.45**	52.97	52.34	1.11	2.1	0.48	0.9
Mobile Services Retail (incl. Interconnect and MRO)	**44.29**	43.96	47.71	(3.42)	(7.2)	0.33	0.8
Postpaid handheld (incl. MRO)	**58.88**	59.04	63.38	(4.50)	(7.1)	(0.16)	(0.3)
Postpaid handheld (excl. MRO)	**64.75**	63.69	66.48	(1.73)	(2.6)	1.06	1.7
Prepaid handheld	**17.79**	16.67	16.76	1.03	6.1	1.12	6.7
Mobile broadband	**29.75**	29.84	32.50	(2.75)	(8.5)	(0.09)	(0.3)
M2M	**8.66**	8.50	9.60	(0.94)	(9.8)	0.16	1.9

Services in operation

	Half year ended			Dec 12 vs Dec 11		Dec 12 vs Jun12	
	Dec 2012 ('000)	Jun 2012 ('000)	Dec 2011 ('000)	Change ('000)	**Change** %	Change ('000)	**Change** %
Fixed products ('000)							
Basic access lines in service							
Retail	**6,699**	6,877	7,034	(335)	(4.8)	(178)	(2.6)
Wholesale	**1,207**	1,180	1,200	7	0.6	27	2.3
Total basic access lines in service	**7,906**	8,057	8,234	(328)	(4.0)	(151)	(1.9)
Fixed broadband SIOs - retail (i)	**2,684**	2,599	2,504	180	7.2	85	3.3
Fixed broadband SIOs - wholesale	**761**	767	815	(54)	(6.6)	(6)	(0.8)
ISDN access (basic line equivalents)	**1,282**	1,297	1,304	(22)	(1.7)	(15)	(1.2)
T-Hub® Sales (ii)	**456**	360	293	163	55.6	96	26.7
T-Box® Sales (ii)	**456**	388	289	167	57.8	68	17.5
Unconditioned local loop SIOs	**1245**	1,160	1,061	184	17.3	85	7.3
Spectrum sharing services (iii)	**658**	696	717	(59)	(8.2)	(38)	(5.5)
Mobiles SIOs ('000)							
Postpaid handheld retail mobile	**6,861**	6,596	6,400	461	7.2	265	4.0
Total mobile broadband (data card)	**3,336**	3,118	2,746	590	21.5	218	7.0
Total wholesale mobile	**59**	57	65	(6)	(9.2)	2	3.5
Prepaid handheld unique users (iv)	**2,102**	2,029	1,988	114	5.7	73	3.6
Prepaid handheld retail mobile	**3,312**	3,267	3,291	21	0.6	45	1.4
M2M	**888**	809	744	144	19.4	79	9.8
Total pay TV bundling SIOs ('000)	**507**	501	504	3	0.6	6	1.2

(i) Telstra internet direct SIOs have been excluded following the move of the product category from fixed broadband retail to the Data and IP product category.

(ii) Units sold are life to date.

(iii) Excluded from wholesale broadband SIOs.

(iv) 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			Dec 12 vs Dec 11		Dec 12 vs Jun12	
	Dec 2012	Jun 2012	Dec 2011	Change	Change %	Change	Change %
Employee data							
Domestic full time staff	30,170	30,203	30,405	(235)	(0.8)	(33)	(0.1)
Full time staff and equivalents	35,157	36,039	36,472	(1,315)	(3.6)	(882)	(2.4)
Total workforce	38,663	39,972	41,183	(2,520)	(6.1)	(1,309)	(3.3)

Note: Statistical data represents management's best estimates.

Product profitability - EBITDA margins

	Half year ended 31 December		
	2012	2011	Change
Mobile	**37%**	34%	3 pp
Fixed Broadband	**39%**	35%	4 pp
PSTN	**62%**	60%	2 pp
Data and IP	**65%**	63%	2 pp
Sensis	**23%**	28%	(5) pp
Telstra Group	**39.8%**	38.3%	1 pp

Note: Product EBITDA margins are for selected portfolios which are reflective of Telstra's domestic business. These EBITDA margins are based on management estimates and are calculated in accordance with AASB 8 and reconcile with segment information.

Half Year ended 31 December 2012

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.
(Assumes wholesale product price stability, no impairments to investments and excludes any proceeds on the sale of businesses)

	REPORTED			ADJUSTMENTS		GUIDANCE BASIS		
				Dec-12	Dec-11			
	Dec-12	Dec-11	Growth	TClear (i)	TClear (ii)	Dec-12	Dec-11	Growth
	$m	$m	%	$m	$m	$m	$m	%
Sales revenue	**12,534**	12,405	**1.0%**	(164)	(255)	**12,370**	12,150	**1.8%**
Total revenue	**12,601**	12,419	**1.5%**	(164)	(255)	**12,437**	12,164	**2.2%**
Total income (excl. finance income)	**12,711**	12,501	**1.7%**	(164)	(255)	**12,547**	12,246	**2.5%**
Labour	**2,394**	2,549	**(6.1%)**	(35)	(48)	**2,359**	2,501	**(5.7%)**
Goods and services purchased	**3,182**	3,161	**0.7%**	(81)	(117)	**3,101**	3,044	**1.9%**
Other expenses	**2,149**	2,041	**5.3%**	(175)	(43)	**1,974**	1,998	**(1.2%)**
Operating expenses	**7,725**	7,751	**(0.3%)**	(291)	(208)	**7,434**	7,543	**(1.4%)**
Share of net profit from jointly controlled and associated entities	**0**	0	**n/m**	0	0	**0**	0	**n/m**
EBITDA	**4,986**	4,750	**5.0%**	127	(47)	**5,113**	4,703	**8.7%**
Depreciation and amortisation	**2,146**	2,186	**(1.8%)**	0	(56)	**2,146**	2,130	**0.8%**
EBIT	**2,840**	2,564	**10.8%**	127	9	**2,967**	2,573	**15.3%**
Net finance costs	**465**	396	**17.4%**	0	0	**465**	396	**17.4%**
Profit before income tax expense	**2,375**	2,168	**9.5%**	127	9	**2,502**	2,177	**14.9%**
Income tax expense	**752**	689	**9.1%**	0	0	**752**	689	**9.1%**
Profit for the period	**1,623**	1,479	**9.7%**	127	9	**1,750**	1,488	**17.6%**
Attributable to:								
Equity holders of the Telstra Entity	**1,597**	1,468	**8.8%**	127	9	**1,724**	1,477	**16.7%**
Non controlling interests	**26**	11	**136.4%**	0	0	**26**	11	**136.4%**
Free cashflow	**2,155**	1,795	**20.1%**	(687)	(11)	**1,468**	1,784	**(17.7%)**

This table has been 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) TelstraClear adjustments for assets held for sale:
Adjustments relating to TelstraClear trading results and sale to Vodafone New Zealand. This includes the net loss on disposal of TelstraClear in fiscal 2013 of $127 million

(ii) TelstraClear Dec-11 adjustment:
Adjustments relating to TelstraClear operating results to Dec-11. Please note the $130m impairment last year was booked in June 2012.

Telstra Corporation Limited
Revenue by Product Restatement
Half year ended 31 December 2011

Old product hierarchy (based on December 11 structure)	H1 12 Revenue $m	New product hierarchy (based on December 12 structure)	Restated H1 12 Revenue $m	Movement $m	Description of movement
Fixed products		**Fixed products**			
PSTN products	2,489	PSTN products	2,489	-	
Fixed broadband	1,047	Fixed broadband	985	(62)	($13m) SSS moved to Other fixed revenue
					($49m) TID & Premium Packages move to Data and IP
ISDN	420			(420)	($420m) ISDN moved to Data and IP
Other fixed revenue	578	Other fixed revenue	341	(237)	$13m SSS moved from Fixed Broadband
					($182m) Inbound Calling Products move to Data and IP
					($38m) CustomNet move to Data and IP
					($11m) Satellite Products move to Data and IP
					($19m) T-Box move to Media
Total fixed revenue	4,534	Total fixed revenue	3,815	(719)	*($700m) Move to Data and IP (as per above)*
					($19m) Move to Media (as per above)
Mobiles		**Mobiles**			
Postpaid handheld	2,384	Postpaid handheld	2,370	(14)	($14m) Download & Subscriptions (Mobile Content) move to Media
Prepaid handheld	345	Prepaid handheld	326	(19)	($19m) Download & Subscriptions (Mobile Content) move to Media
Mobile broadband	493	Mobile broadband	493	-	
Machine to Machine (M2M)	40	Machine to Machine (M2M)	40	-	
Mobiles interconnection	407	Mobiles interconnection	407	-	
Mobile services revenue - wholesale resale	69	Mobile services revenue - wholesale resale	69	-	
Total mobile services	3,738	Total mobile services	3,705	(33)	($33m) Download & Subscriptions (Mobile Content) move to Media
Mobile hardware	655	Mobile hardware	655	-	
Total mobiles	4,393	Total mobiles	4,360	(33)	*($33m) Move to Media (as per above)*
Data and IP		**Data and IP**			
		ISDN	420	420	$420m ISDN moved from Fixed
Specialised Data	148			(148)	($148m) Specialised Data moved to Other data calling Products
Global Products	58			(58)	($58m) Global Products moved to International
IP access	514	IP access	514	-	
Wholesale internet and data	181			(181)	($181m) Wholesale internet and data moved to Other data calling Products
		Other data and calling products	620	620	$148m Specialised Data moved to Other data calling Products
					$181m Wholesale internet and data moved to Other data calling Products
					$49m TID & Premium Packages move from Fixed
					$182m Inbound Calling Products move from Fixed
					$38m CustomNet move from Fixed
					$11m Satellite Products move from Fixed
					$3m Corporate VPN move from Other
					$4m Enhanced FFS move from Other
					$4m Customer Select Assurance move from Other
Data and IP	901	Data and IP	1,554	653	*($58m) Move to International (as per above)*
					$700m Move from fixed (as per above)
					$11m Move from other (as per above)
Network applications and services	579	**Network applications and services**	575	(4)	($4m) Premium Services move to Other
		Digital Media			
Pay TV bundling	302	TV	330	28	$19m T-Box move from Fixed
					$9m BigPond Movies and TV moved from Media Content
Offshore content and online content	37	Content	41	4	$33m Download & Subscriptions (Mobile Content) move from Mobiles
					($20m) China digital media revenue move to International
					($9m) BigPond Movies and TV moved to Media TV
Advertising and directories	602	Sensis and Advertising	548	(54)	($54m) China digital media revenue move to International
		Cable	58	58	$58m HFC Cable move from Other
		Total Media	977		*New subtotal reported*
		International			
CSL New World	436	Hong Kong mobile services (CSL)	436	-	
		China digital media	74	74	$54m China digital media revenue move from Media
					$20m China digital media revenue move from Offshore content
Other offshore services revenue	194	Global Connectivity and NAS	252	58	$58m Global Products moved from Data and IP
		International	762		*New subtotal reported*
TelstraClear	255	TelstraClear	255	-	
Other sales revenue	172	Other sales revenue	107	(65)	($58m) HFC Cable move to Media
					$4m Premium Services
					($3m) Corporate VPN move from Other
					($4m) Enhanced FFS move from Other
					($4m) Customer Select Assurance move from Other
Sales revenue	12,405	**Sales revenue**	12,405	-	
Other revenue	14	Other revenue	14	-	
Total revenue	**12,419**	**Total revenue**	**12,419**	**-**	

Telstra Corporation Limited
Half-yearly comparison
Half year ended 31 December 2012

Summary Reported Half-Yearly Data ($ millions)	Half 1 Dec-07	PCP Growth	Half 2 Jun-08	PCP Growth	Full year Jun-08	PCP Growth	Half 1 Dec-08	PCP Growth	Half 2 Jun-09	PCP Growth	Full year Jun-09	PCP Growth	Half 1 Dec-09	PCP Growth	Half 2 Jun-10	PCP Growth	Full year Jun-10	PCP Growth
Revenue																		
Fixed products																		
PSTN products																		
Basic access	1,657	(0.4%)	1,621	(2.9%)	3,278	(1.7%)	1,592	(3.9%)	1,565	(3.5%)	3,157	(3.7%)	1,508	(5.3%)	1,470	(6.1%)	2,978	(5.7%)
Usage Revenue	1,614	(3.1%)	1,544	(5.6%)	3,158	(4.4%)	1,519	(5.9%)	1,451	(6.0%)	2,970	(6.0%)	1,392	(8.4%)	1,276	(12.1%)	2,668	(10.2%)
Fixed interconnection	120	(9.1%)	111	(7.5%)	231	(8.3%)	109	(9.2%)	101	(9.0%)	210	(9.1%)	98	(10.1%)	88	(12.9%)	186	(11.4%)
Total PSTN products	**3,391**	**(2.1%)**	**3,275**	**(4.4%)**	**6,666**	**(3.2%)**	**3,218**	**(5.1%)**	**3,118**	**(4.8%)**	**6,336**	**(5.0%)**	**2,996**	**(6.9%)**	**2,836**	**(9.0%)**	**5,832**	**(8.0%)**
Fixed Broadband																		
Fixed broadband retail and hardware	581	35.4%	638	27.9%	1,219	31.4%	716	23.2%	731	14.6%	1,447	18.7%	741	3.5%	737	0.8%	1,478	2.1%
Wholesale broadband	272	1.9%	258	(6.2%)	530	(2.2%)	238	(12.5%)	231	(10.5%)	469	(11.5%)	227	(4.6%)	222	(3.9%)	449	(4.3%)
Internet VAS	9	200.0%	11	175.0%	20	185.7%	13	44.4%	22	100.0%	35	75.0%	26	100.0%	23	4.5%	49	40.0%
Total Fixed broadband [i]	**862**	**23.3%**	**907**	**16.6%**	**1,769**	**19.8%**	**968**	**12.3%**	**982**	**8.3%**	**1,950**	**10.2%**	**993**	**2.6%**	**982**	**0.0%**	**1,975**	**1.3%**
Other fixed revenue [i]	192	(20.3%)	161	(27.5%)	353	(23.8%)	156	(18.8%)	134	(16.8%)	290	(17.8%)	111	(28.8%)	105	(21.6%)	216	(25.5%)
Intercarrier access services (includes ULL)	118	16.8%	166	49.5%	284	35.9%	185	56.8%	198	19.3%	383	34.9%	213	15.1%	226	14.1%	439	14.6%
Total fixed products	**4,563**	**1.3%**	**4,511**	**(0.5%)**	**9,074**	**0.4%**	**4,528**	**(0.8%)**	**4,430**	**(1.8%)**	**8,958**	**(1.3%)**	**4,315**	**(4.7%)**	**4,149**	**(6.3%)**	**8,464**	**(5.5%)**
Mobiles																		
Postpaid handheld	n/a	n/a	n/a	n/a	n/a	n/a	2,131	n/a	2,054	n/a	4,185	n/a	2,116	(0.7%)	2,138	4.1%	4,254	1.6%
Prepaid handheld	n/a	n/a	n/a	n/a	n/a	n/a	285	n/a	302	n/a	587	n/a	310	8.8%	290	(4.0%)	600	2.2%
Total handheld	n/a	n/a	n/a	n/a	n/a	n/a	2,416	n/a	2,356	n/a	4,772	n/a	2,426	0.4%	2,428	3.1%	4,854	1.7%
Mobile broadband	n/a	n/a	n/a	n/a	n/a	n/a	288	n/a	319	n/a	607	n/a	372	29.2%	423	32.6%	795	31.0%
Machine to Machine (M2M)	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a	0	n/a	0	n/a	31	n/m	31	n/m	62	n/m
Mobile services revenue - retail	2,394	13.8%	2,485	14.1%	4,879	14.0%	2,704	12.9%	2,675	7.6%	5,379	10.2%	2,829	4.6%	2,882	7.7%	5,711	6.2%
Mobile interconnection	220	(14.1%)	222	(8.6%)	442	(11.4%)	245	11.4%	246	10.8%	491	11.1%	263	7.3%	270	9.8%	533	8.6%
Mobile services - wholesale resale	98	48.5%	92	17.9%	190	31.9%	89	(9.2%)	86	(6.5%)	175	(7.9%)	90	1.1%	69	(19.8%)	159	(9.1%)
Total mobile services	**2,712**	**11.8%**	**2,799**	**12.0%**	**5,511**	**11.9%**	**3,038**	**12.0%**	**3,007**	**7.4%**	**6,045**	**9.7%**	**3,182**	**4.7%**	**3,221**	**7.1%**	**6,403**	**5.9%**
Mobile hardware	477	31.4%	384	0.8%	861	15.7%	396	(17.0%)	381	(0.8%)	777	(9.8%)	413	4.3%	443	16.3%	856	10.2%
Total mobiles	**3,189**	**14.4%**	**3,183**	**10.6%**	**6,372**	**12.4%**	**3,434**	**7.7%**	**3,388**	**6.4%**	**6,822**	**7.1%**	**3,595**	**4.7%**	**3,664**	**8.1%**	**7,259**	**6.4%**
Data & IP																		
ISDN products	495	(4.3%)	483	(2.8%)	978	(3.6%)	483	(2.4%)	459	(5.0%)	942	(3.7%)	463	(4.1%)	442	(3.7%)	905	(3.9%)
IP access	252	40.0%	282	19.5%	534	28.4%	324	28.6%	351	24.5%	675	26.4%	393	21.3%	442	25.9%	835	23.7%
Other data and calling products	848	(1.3%)	838	(2.1%)	1,686	(1.7%)	837	(1.3%)	786	(6.2%)	1,623	(3.7%)	760	(9.2%)	691	(12.1%)	1,451	(10.6%)
Data & IP Total	**1,595**	**2.5%**	**1,603**	**0.9%**	**3,198**	**1.7%**	**1,644**	**3.1%**	**1,596**	**(0.4%)**	**3,240**	**1.3%**	**1,616**	**(1.7%)**	**1,575**	**(1.3%)**	**3,191**	**(1.5%)**
Network applications and services	**611**	**6.1%**	**626**	**(3.1%)**	**1,237**	**1.2%**	**590**	**(3.4%)**	**611**	**(2.4%)**	**1,201**	**(2.9%)**	**479**	**(18.8%)**	**554**	**(9.3%)**	**1,033**	**(14.0%)**
Media																		
Pay TV bundling	204	24.4%	222	23.3%	426	23.8%	233	14.2%	234	5.4%	467	9.6%	247	6.0%	264	12.8%	511	9.4%
T-Box	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	1	n/m	1	n/m
IPTV	4	(97.6%)	4	(97.8%)	8	(97.7%)	4	0.0%	5	25.0%	9	12.5%	4	0.0%	5	0.0%	9	0.0%
Content	18	157.1%	26	23.8%	44	57.1%	34	88.9%	33	26.9%	67	52.3%	37	8.8%	37	12.1%	74	10.4%
Sensis and Advertising	908	6.0%	1,129	15.3%	2,037	6.8%	933	2.8%	1,134	0.4%	2,067	1.5%	869	(6.9%)	1,078	(4.9%)	1,947	(5.8%)
Cable	34	(15.0%)	43	7.5%	77	(3.8%)	31	(8.8%)	45	4.7%	76	(1.3%)	35	12.9%	50	11.1%	85	11.8%
Media - Total	**1,168**	**9.4%**	**1,424**	**10.1%**	**2,592**	**9.8%**	**1,235**	**5.7%**	**1,452**	**2.0%**	**2,687**	**3.7%**	**1,193**	**(3.4%)**	**1,433**	**(1.3%)**	**2,626**	**(2.3%)**
International																		
Hong Kong mobile services (CSL)	485	(6.6%)	432	(10.2%)	917	(8.3%)	495	2.1%	494	14.4%	989	7.9%	374	(24.4%)	396	(19.8%)	770	(22.1%)
China digital media	43	79.2%	45	80.0%	88	79.6%	101	134.9%	150	233.3%	251	185.2%	191	89.1%	161	7.3%	352	40.2%
Global connectivity and NAS	221	0.9%	227	2.3%	448	1.6%	258	16.7%	264	16.3%	522	16.5%	215	(16.7%)	199	(24.6%)	414	(20.7%)
International - Total	**750**	**(1.6%)**	**703**	**(3.6%)**	**1,453**	**(2.5%)**	**854**	**13.9%**	**908**	**29.2%**	**1,762**	**21.3%**	**780**	**(8.7%)**	**756**	**(16.7%)**	**1,536**	**(12.8%)**
TelstraClear	287	0.0%	275	(3.8%)	562	(1.9%)	275	(4.2%)	272	(1.1%)	547	(2.7%)	269	(2.2%)	260	(4.4%)	529	(3.3%)
Other sales revenue	89	(1.1%)	77	(9.4%)	166	(5.1%)	83	(6.7%)	69	(10.4%)	152	(8.4%)	75	(9.6%)	98	42.0%	173	13.8%
Total sales revenue	**12,252**	**5.3%**	**12,405**	**3.0%**	**24,657**	**4.2%**	**12,644**	**3.2%**	**12,727**	**2.6%**	**25,371**	**2.9%**	**12,323**	**(2.5%)**	**12,490**	**(1.9%)**	**24,813**	**(2.2%)**
Other revenue	120	650.0%	51	155.0%	171	375.0%	66	(45.0%)	70	37.3%	136	(20.5%)	19	(71.2%)	85	21.4%	104	(23.5%)
Total revenue	**12,372**	**6.2%**	**12,456**	**3.2%**	**24,828**	**4.7%**	**12,710**	**2.7%**	**12,797**	**2.7%**	**25,507**	**2.7%**	**12,342**	**(2.9%)**	**12,575**	**(1.7%)**	**24,917**	**(2.3%)**
Other income	107	(29.6%)	67	(32.3%)	174	(31.0%)	53	(50.5%)	54	(19.4%)	107	(38.5%)	47	(11.3%)	65	20.4%	112	4.7%
Total income	**12,479**	**5.8%**	**12,523**	**3.0%**	**25,002**	**4.3%**	**12,763**	**2.3%**	**12,851**	**2.6%**	**25,614**	**2.4%**	**12,389**	**(2.9%)**	**12,640**	**(1.6%)**	**25,029**	**(2.3%)**
Expenses																		
Labour[ii]	2,591	29.7%	2,622	29.7%	5,213	29.8%	2,680	3.4%	2,480	(5.4%)	5,160	(1.0%)	2,438	(9.0%)	2,202	(11.2%)	4,640	(10.1%)
Goods and services purchased	2,676	4.3%	2,505	(3.1%)	5,181	0.6%	2,632	(1.6%)	2,681	7.0%	5,313	2.5%	2,615	(0.6%)	2,745	2.4%	5,360	0.9%
Other expenses[ii]	2,041	(11.9%)	2,151	(17.5%)	4,192	(14.9%)	2,116	3.7%	2,079	(3.3%)	4,195	0.1%	2,019	(4.6%)	2,165	4.1%	4,184	(0.3%)
Operating expense (before interest)	7,307	6.2%	7,279	0.9%	14,586	3.5%	7,428	1.7%	7,241	(0.5%)	14,669	0.6%	7,072	(4.8%)	7,112	(1.8%)	14,184	(3.3%)
Share of net (profit)/loss from jointly controlled and associated entities	0	(100.0%)	1	(83.3%)	1	(85.7%)	1	n/m	-4	(500.0%)	-3	(400.0%)	0	(100.0%)	-2	(50.0%)	-2	(33.3%)
EBITDA	**5,172**	**5.2%**	**5,244**	**6.0%**	**10,416**	**5.6%**	**5,334**	**3.1%**	**5,614**	**7.1%**	**10,948**	**5.1%**	**5,317**	**(0.3%)**	**5,530**	**(1.5%)**	**10,847**	**(0.9%)**
Depreciation and amortisation	2,052	3.7%	2,138	1.6%	4,190	2.6%	2,255	9.9%	2,135	(0.1%)	4,390	4.8%	2,185	(3.1%)	2,161	1.2%	4,346	(1.0%)
EBIT	**3,120**	**6.2%**	**3,106**	**9.3%**	**6,226**	**7.7%**	**3,079**	**(1.3%)**	**3,479**	**12.0%**	**6,558**	**5.3%**	**3,132**	**1.7%**	**3,369**	**(3.2%)**	**6,501**	**(0.9%)**
Net finance costs	500	(3.8%)	586	3.4%	1,086	(0.1%)	403	(19.4%)	498	(15.0%)	901	(17.0%)	520	29.0%	443	(11.0%)	963	6.9%
Profit before income tax expense	2,620	8.4%	2,520	10.8%	5,140	9.5%	2,676	2.1%	2,982	18.3%	5,658	10.1%	2,612	(2.4%)	2,926	(1.9%)	5,538	(2.1%)
Income tax expense	678	(4.0%)	751	5.6%	1,429	0.8%	755	11.4%	827	10.1%	1,582	10.7%	726	(3.8%)	872	5.4%	1,598	1.0%
Profit for the period	**1,942**	**13.4%**	**1,769**	**13.2%**	**3,711**	**13.3%**	**1,921**	**(1.1%)**	**2,155**	**21.8%**	**4,076**	**9.8%**	**1,886**	**(1.8%)**	**2,054**	**(4.7%)**	**3,940**	**(3.3%)**

Summary Reported Half-Yearly Data ($ millions)	Half 1 Dec-10	PCP Growth	Half 2 Jun-11	PCP Growth	Full year Jun-11	PCP Growth	Half 1 Dec-11	PCP Growth	Half 2 Jun-12	PCP Growth	Full year Jun-12	PCP Growth	Half 1 Dec-12	PCP Growth
Revenue														
Fixed products														
PSTN products														
Basic access	1,434	(4.9%)	1,409	(4.1%)	2,843	(4.5%)	1,366	(4.7%)	1,317	(6.5%)	2,683	(5.6%)	1,295	(5.2%)
Usage Revenue	1,216	(12.6%)	1,133	(11.2%)	2,349	(12.0%)	1,051	(13.6%)	954	(15.8%)	2,005	(14.6%)	868	(17.4%)
Fixed interconnection	86	(12.2%)	78	(11.4%)	164	(11.8%)	72	(16.3%)	58	(25.6%)	130	(20.7%)	57	(20.8%)
Total PSTN products	**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%)**
Fixed Broadband														
Fixed broadband retail and hardware	737	(0.5%)	744	0.9%	1,482	0.3%	785	6.5%	823	10.6%	1,608	8.5%	861	9.7%
Wholesale broadband	208	(8.4%)	197	(11.3%)	405	(9.8%)	185	(11.1%)	167	(15.2%)	352	(13.1%)	153	(17.3%)
Internet VAS	22	(15.4%)	18	(21.7%)	40	(18.4%)	14	(36.4%)	13	(27.8%)	27	(32.5%)	14	0.0%
Total Fixed broadband [i]	**967**	**(2.6%)**	**960**	**(2.2%)**	**1,927**	**(2.4%)**	**985**	**1.9%**	**1,002**	**4.4%**	**1,987**	**3.1%**	**1,028**	**4.4%**
Other fixed revenue [i]	115	3.6%	95	(9.5%)	210	(2.8%)	88	(23.5%)	79	(16.8%)	167	(20.5%)	83	(5.7%)
Intercarrier access services (includes ULL)	239	12.2%	240	6.2%	479	9.1%	252	5.4%	262	10.0%	516	7.7%	332	31.7%
Total fixed products	**4,057**	**(6.0%)**	**3,915**	**(5.6%)**	**7,972**	**(5.8%)**	**3,815**	**(6.0%)**	**3,673**	**(6.2%)**	**7,488**	**(6.1%)**	**3,663**	**(4.0%)**
Mobiles														
Postpaid handheld	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%
Prepaid handheld	331	6.8%	306	5.5%	637	6.2%	326	(1.5%)	328	7.2%	654	2.7%	351	7.7%
Total handheld	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%
Mobile broadband	452	21.5%	467	10.4%	919	15.6%	493	9.1%	525	12.4%	1,018	10.8%	576	16.8%
Machine to Machine (M2M)	32	3.2%	37	19.4%	69	11.3%	40	25.0%	40	8.1%	80	15.9%	44	10.0%
Mobile services revenue - retail	2,984	5.5%	3,050	5.8%	6,034	5.7%	3,229	8.2%	3,195	4.8%	6,424	6.5%	3,348	3.7%
Mobile interconnection	306	16.3%	344	27.4%	650	22.0%	407	33.0%	362	5.2%	769	18.3%	398	(2.2%)
Mobile services - wholesale resale	73	(18.9%)	72	4.3%	145	(8.8%)	69	(5.5%)	68	(5.6%)	137	(5.5%)	47	(31.9%)
Total mobile services	**3,363**	**5.7%**	**3,466**	**7.6%**	**6,829**	**6.7%**	**3,705**	**10.2%**	**3,625**	**4.6%**	**7,330**	**7.3%**	**3,793**	**2.4%**
Mobile hardware	566	37.0%	594	34.1%	1,160	35.5%	655	15.7%	683	15.0%	1,338	15.3%	767	17.1%
Total mobiles	**3,929**	**9.3%**	**4,060**	**10.8%**	**7,989**	**10.1%**	**4,360**	**11.0%**	**4,308**	**6.1%**	**8,668**	**8.5%**	**4,560**	**4.6%**
Data & IP														
ISDN products	447	(3.5%)	430	(2.7%)	877	(3.1%)	420	(6.0%)	406	(5.6%)	826	(5.8%)	398	(5.2%)
IP access	472	20.1%	498	12.7%	970	16.2%	514	8.9%	542	8.8%	1,056	8.9%	555	8.0%
Other data and calling products	671	(11.7%)	629	(9.0%)	1,300	(10.4%)	620	(7.6%)	620	(1.4%)	1,240	(4.6%)	599	(3.4%)
Data & IP Total	**1,590**	**(1.6%)**	**1,557**	**(1.1%)**	**3,147**	**(1.4%)**	**1,554**	**(2.3%)**	**1,568**	**0.7%**	**3,122**	**(0.8%)**	**1,552**	**(0.1%)**
Network applications and services	**484**	**1.0%**	**659**	**19.0%**	**1,143**	**10.6%**	**575**	**18.8%**	**688**	**4.4%**	**1,263**	**10.5%**	**636**	**10.6%**
Media														
Pay TV bundling	286	15.8%	298	12.9%	584	14.3%	302	5.6%	301	1.0%	603	3.3%	302	0.0%
T-Box	22	n/m	18	1700.0%	40	3900.0%	20	(9.1%)	24	33.3%	44	10.0%	19	(5.0%)
IPTV	8	100.0%	11	120.0%	19	111.1%	8	0.0%	12	9.1%	20	5.3%	12	50.0%
Content	41	10.8%	39	5.4%	80	8.1%	41	0.0%	38	(2.6%)	79	(1.3%)	36	(12.2%)
Sensis and Advertising	705	(18.9%)	1,099	1.9%	1,804	(7.3%)	548	(22.3%)	965	(12.2%)	1,513	(16.1%)	479	(12.6%)
Cable	38	8.6%	64	28.0%	102	20.0%	58	52.6%	60	(6.3%)	118	15.7%	61	5.2%
Media - Total	**1,100**	**(7.8%)**	**1,529**	**6.7%**	**2,629**	**0.1%**	**977**	**(11.2%)**	**1,400**	**(8.4%)**	**2,377**	**(9.6%)**	**909**	**(7.0%)**
International														
Hong Kong mobile services (CSL)	424	13.4%	390	(1.5%)	814	5.7%	436	2.8%	424	8.7%	860	5.7%	494	13.3%
China digital media	133	(30.4%)	43	(73.3%)	176	(50.0%)	74	(44.4%)	54	25.6%	128	(27.3%)	73	(1.4%)
Global connectivity and NAS	187	(13.0%)	221	11.1%	408	(1.4%)	252	34.8%	256	15.8%	508	24.5%	277	9.9%
International - Total	**744**	**(4.6%)**	**654**	**(13.5%)**	**1,398**	**(9.0%)**	**762**	**2.4%**	**734**	**12.2%**	**1,496**	**7.0%**	**844**	**10.8%**
TelstraClear	265	(1.5%)	251	(3.5%)	516	(2.5%)	255	(3.8%)	246	(2.0%)	501	(2.9%)	164	(35.7%)
Other sales revenue	91	21.3%	98	0.0%	189	9.2%	107	18.7%	210	113.3%	317	67.7%	206	92.5%
Total sales revenue	**12,263**	**(0.5%)**	**12,720**	**1.8%**	**24,983**	**0.7%**	**12,405**	**1.2%**	**12,827**	**0.8%**	**25,232**	**1.0%**	**12,534**	**1.0%**
Other revenue	20	0.0%	90	7.1%	110	5.8%	14	(30.0%)	122	35.6%	136	23.6%	67	378.6%
Total revenue	**12,283**	**(0.5%)**	**12,810**	**1.9%**	**25,093**	**0.7%**	**12,419**	**1.1%**	**12,949**	**1.1%**	**25,368**	**1.1%**	**12,601**	**1.5%**
Other income	125	166.0%	86	32.3%	211	88.4%	82	(34.4%)	53	(38.4%)	135	(36.0%)	110	34.1%
Total income	**12,408**	**0.2%**	**12,896**	**2.0%**	**25,304**	**1.1%**	**12,501**	**0.7%**	**13,002**	**0.8%**	**25,503**	**0.8%**	**12,711**	**1.7%**
Expenses														
Labour[ii]	2,520	3.4%	2,434	10.5%	4,954	6.8%	2,549	1.2%	2,419	(0.6%)	4,968	0.3%	2,394	(6.1%)
Goods and services purchased	3,148	20.4%	3,035	10.6%	6,183	15.4%	3,161	0.4%	3,018	(0.6%)	6,179	(0.1%)	3,182	0.7%
Other expenses[ii]	2,161	7.0%	1,856	(14.3%)	4,017	(4.0%)	2,041	(5.6%)	2,081	12.1%	4,122	2.6%	2,149	5.3%
Operating expense (before interest)	7,829	10.7%	7,325	3.0%	15,154	6.8%	7,751	(1.0%)	7,518	2.6%	15,269	0.8%	7,725	(0.3%)
Share of net (profit)/loss from jointly controlled and associated entities	-1	n/m	0	(100.0%)	-1	(50.0%)	0	(100.0%)	0	n/m	0	(100.0%)	0	n/m
EBITDA	**4,580**	**(13.9%)**	**5,571**	**0.7%**	**10,151**	**(6.4%)**	**4,750**	**3.7%**	**5,484**	**(1.6%)**	**10,234**	**0.8%**	**4,986**	**5.0%**
Depreciation and amortisation	2,204	0.9%	2,255	4.3%	4,459	2.6%	2,186	(0.8%)	2,226	(1.3%)	4,412	(1.1%)	2,146	(1.8%)
EBIT	**2,376**	**(24.1%)**	**3,316**	**(1.6%)**	**5,692**	**(12.4%)**	**2,564**	**7.9%**	**3,258**	**(1.7%)**	**5,822**	**2.3%**	**2,840**	**10.8%**
Net finance costs	571	9.8%	564	27.3%	1,135	17.9%	396	(30.6%)	492	(12.8%)	888	(21.8%)	465	17.4%
Profit before income tax expense	1,805	(30.9%)	2,752	(5.9%)	4,557	(17.7%)	2,168	20.1%	2,766	0.5%	4,934	8.3%	2,375	9.5%
Income tax expense	598	(17.6%)	709	(18.7%)	1,307	(18.2%)	689	15.2%	821	15.8%	1,510	15.5%	752	9.1%
Profit for the period	**1,207**	**(36.0%)**	**2,043**	**(0.5%)**	**3,250**	**(17.5%)**	**1,479**	**22.5%**	**1,945**	**(4.8%)**	**3,424**	**5.4%**	**1,623**	**9.7%**

(i) SSS was moved out of Fixed Broadband and into Intercarrier Services (Other Fixed Products) during H1
(ii) Labour expenses includes Labour substitution costs previously reported under Other Expenses

Half-yearly comparison
Half year ended 31 December 2012

Summary Reported Half-Yearly Data	Half 1 Dec-07	PCP Growth	Half 2 Jun-08	PCP Growth	Full year Jun-08	PCP Growth	Half 1 Dec-08	PCP Growth	Half 2 Jun-09	PCP Growth	Full year Jun-09	PCP Growth	Half 1 Dec-09	PCP Growth
Selected statistical data														
PSTN														
Retail basic access lines in service (thousands)	7,826	1.1%	7,865	1.1%	7,865	1.1%	7,829	0.0%	7,733	(1.7%)	7,733	(1.7%)	7,545	(3.6%)
Wholesale basic access lines in service (thousands)	1,730	(18.3%)	1,496	(24.5%)	1,496	(24.5%)	1,341	(22.5%)	1,285	(14.1%)	1,285	(14.1%)	1,263	(5.8%)
Total basic access lines in service (thousands)	**9,556**	**(3.1%)**	**9,361**	**(4.1%)**	**9,361**	**(4.1%)**	**9,170**	**(4.0%)**	**9,018**	**(3.7%)**	**9,018**	**(3.7%)**	**8,808**	**(3.9%)**
Unconditioned local loop services in operation (thousands)	391	139.4%	527	120.1%	527	120.1%	615	57.3%	698	32.4%	698	32.4%	770	25.2%
Number of local calls (millions)	2,991	(11.8%)	2,689	(14.3%)	5,680	(13.0%)	2,501	(16.4%)	2,343	(12.9%)	4,844	(14.7%)	2,176	(13.0%)
National long distance minutes (millions)	3,530	(1.8%)	3,417	(3.4%)	6,947	(2.6%)	3,278	(7.1%)	3,277	(4.1%)	6,555	(5.6%)	3,053	(6.9%)
Fixed to mobile minutes (millions)	1,714	1.1%	1,696	0.2%	3,410	0.6%	1,675	(2.3%)	1,657	(2.3%)	3,332	(2.3%)	1,611	(3.8%)
International direct minutes (millions)	273	3.4%	275	4.2%	548	3.8%	278	1.8%	282	2.5%	560	2.2%	280	0.7%
Average PSTN revenue per user per month ($'s)	58.51	0.4%	57.71	(0.8%)	58.11	(0.3%)	57.89	(1.1%)	57.14	(1.0%)	57.46	(1.1%)	56.03	(3.2%)
Fixed broadband														
Fixed retail broadband SIOs (thousands)	2,103	26.1%	2,254	18.0%	2,254	18.0%	2,297	9.2%	2,274	0.9%	2,274	0.9%	2,222	(3.3%)
Broadband wholesale SIOs (thousands)	1,376	(1.1%)	1,272	(12.8%)	1,272	(12.8%)	1,179	(14.3%)	1,110	(12.7%)	1,110	(12.7%)	1,053	(10.7%)
Wholesale spectrum site sharing SIOs (thousands)	377	63.6%	436	43.3%	436	43.3%	501	32.9%	580	33.0%	580	33.0%	672	34.1%
Average fixed retail BB revenue per SIO per month (incl h/ware) ($'s)	54.00	2.6%	53.82	3.2%	54.18	3.7%	57.32	6.1%	57.24	6.4%	57.70	6.5%	55.87	(2.5%)
Average fixed retail BB revenue per SIO per month (excl h/ware) ($'s)(i)	52.90	0.5%	52.52	3.2%	52.97	2.6%	56.08	6.0%	55.90	6.4%	56.41	6.5%	54.78	(2.3%)
ISDN														
ISDN access (basic access line equivalents) (thousands)(ii)	1,288	0.3%	1,298	5.6%	1,298	5.6%	1,284	(0.3%)	1,291	(0.5%)	1,291	(0.5%)	1,305	1.6%
ISDN average revenue per user per month ($'s)(ii)	67.02	(0.8%)	62.12	(5.8%)	66.02	(6.7%)	62.39	(6.9%)	59.37	(4.4%)	60.64	(8.1%)	59.46	(4.7%)
Mobiles														
Total retail mobile SIOs (thousands)	9,319	4.8%	9,335	1.3%	9,335	1.3%	9,706	4.2%	10,191	9.2%	10,191	9.2%	10,386	7.0%
Postpaid handheld mobile SIOs (in thousands)	5,438	n/a	5,562	n/a	5,562	n/a	5,673	4.3%	5,727	3.0%	5,727	3.0%	5,394	(4.9%)
Mobile broadband (data cards) SIOs (in thousands)	392	312.6%	526	195.5%	526	195.5%	765	95.2%	1,046	98.9%	1,046	98.9%	1,210	58.2%
Prepaid mobile handheld unique users (thousands)	1,800	n/a	1,801	n/a	1,801	n/a	1,915	6.4%	1,951	8.4%	1,951	8.4%	1,921	0.3%
Machine to Machine (M2M) (thousands)													484	n/m
Total wholesale SIOs (thousands)	71	(44.9%)	74	(43.6%)	74	(43.5%)	75	5.6%	72	(2.7%)	72	(2.7%)	76	1.3%
Mobile voice telephone minutes (millions)	4,919	18.6%	5,177	16.5%	10,096	17.5%	5,570	13.2%	5,435	5.0%	11,005	9.0%	5,723	2.7%
Number of SMS sent (millions)	3,224	44.8%	3,749	40.1%	6,973	42.2%	4,353	35.0%	4,590	22.4%	8,943	28.3%	4,783	9.9%
Blended average revenue per user (incl interconnection and MRO) ($'s)	47.28	4.7%	48.78	8.8%	48.15	6.9%	52.11	10.2%	49.41	1.3%	50.58	5.0%	50.55	(3.0%)
Average postpaid handheld revenue per user (excl. MRO) ($'s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average postpaid handheld revenue per user (incl. MRO) ($'s)	n/a	n/a	n/a	n/a	n/a	n/a	63.77	n/a	60.64	n/a	62.35	n/a	65.13	2.1%
Average prepaid handheld revenue per user ($'s)	n/a	n/a	n/a	n/a	n/a	n/a	15.04	n/a	15.53	n/a	15.14	n/a	15.38	2.3%
Average mobile broadband revenue per user per month ($'s)	n/a	n/a	n/a	n/a	n/a	n/a	74.48	n/a	58.50	n/a	64.29	n/a	58.82	(21.0%)
Average machine to machine revenue per user per month ($'s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11.36	n/a
Pay TV bundling														
Total pay TV bundling SIOs (thousands)	426	22.8%	450	15.4%	450	15.4%	460	8.0%	450	0.0%	450	0.0%	479	4.1%
Labour														
Domestic full time employees	34,236	(5.4%)	33,982	(4.8%)	33,982	(4.8%)	33,191	(3.1%)	31,662	(6.8%)	31,662	(6.8%)	30,924	(6.8%)
Full time employees and employed equivalents	42,308	(3.8%)	42,784	(1.4%)	42,784	(1.4%)	41,540	(1.8%)	39,464	(7.8%)	39,464	(7.8%)	39,763	(4.3%)
Total workforce, including contractors and agency staff	**48,148**	**(4.6%)**	**48,261**	**(2.3%)**	**48,261**	**(2.3%)**	**46,826**	**(2.7%)**	**44,671**	**(7.4%)**	**44,671**	**(7.4%)**	**44,814**	**(4.3%)**

Summary Reported Half-Yearly Data	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	Half 1 Dec-11	PCP Growth	Half 2 Jun-12	PCP Growth	Full year Jun-12	PCP Growth	Half 1 Dec-12	PCP Growth
Selected statistical data																		
PSTN																		
Retail basic access lines in service (thousands)	7,407	(4.2%)	7,407	(4.2%)	7,298	(3.3%)	7,158	(3.4%)	7,158	(3.4%)	7,034	(3.6%)	6,877	(3.9%)	6,877	(3.9%)	6,699	(4.8%)
Wholesale basic access lines in service (thousands)	1,253	(2.5%)	1,253	(2.5%)	1,235	(2.2%)	1,212	(3.3%)	1,212	(3.3%)	1,200	(2.8%)	1,180	(2.6%)	1,180	(2.6%)	1,207	0.6%
Total basic access lines in service (thousands)	**8,660**	**(4.0%)**	**8,660**	**(4.0%)**	8,533	**(3.1%)**	**8,370**	**(3.3%)**	**8,370**	**(3.3%)**	8,234	**(3.5%)**	**8,057**	**(3.7%)**	**8,057**	**(3.7%)**	7,906	**(4.0%)**
Unconditioned local loop services in operation (thousands)	831	19.1%	831	19.1%	914	18.7%	1,001	20.5%	1,001	20.5%	1,061	16.1%	1,160	15.9%	1,160	15.9%	1,245	17.3%
Number of local calls (millions)	1,958	(16.4%)	4,134	(14.7%)	1,872	(14.0%)	1,698	(13.3%)	3,570	(13.6%)	1,576	(15.8%)	1,418	(16.5%)	2,994	(16.1%)	1,292	(18.0%)
National long distance minutes (millions)	2,862	(12.7%)	5,915	(9.8%)	2,770	(9.3%)	2,638	(7.8%)	5,408	(8.6%)	2,420	(12.6%)	2,271	(13.9%)	4,691	(13.3%)	2,066	(14.6%)
Fixed to mobile minutes (millions)	1,522	(8.1%)	3,133	(6.0%)	1,562	(3.0%)	1,560	2.5%	3,122	(0.4%)	1,503	(3.8%)	1,450	(7.1%)	2,953	(5.4%)	1,371	(8.8%)
International direct minutes (millions)	261	(7.4%)	541	(3.4%)	260	(7.1%)	250	(4.2%)	510	(5.7%)	241	(7.3%)	228	(8.8%)	469	(8.0%)	222	(7.9%)
Average PSTN revenue per user per month ($'s)	54.12	(5.3%)	54.99	(4.3%)	53.04	(5.3%)	51.66	(4.5%)	52.41	(4.7%)	49.97	(5.8%)	47.65	(7.8%)	48.88	(6.7%)	46.35	(7.2%)
Fixed broadband																		
Fixed retail broadband SIOs (thousands)	2,234	(1.8%)	2,234	(1.8%)	2,376	6.9%	2,396	7.3%	2,396	7.3%	2,504	5.4%	2,599	8.5%	2,599	8.5%	2,684	7.2%
Broadband wholesale SIOs (thousands)	1,003	(9.6%)	1,003	(9.6%)	919	(12.7%)	869	(13.4%)	869	(13.4%)	815	(11.3%)	767	(11.7%)	767	(11.7%)	761	(6.6%)
Wholesale spectrum site sharing SIOs (thousands)	735	26.7%	735	26.7%	741	10.3%	725	(1.4%)	725	(1.4%)	717	(3.2%)	696	(4.0%)	696	(4.0%)	658	(8.2%)
Average fixed retail BB revenue per SIO per month (incl h/ware) ($'s)	55.11	(3.7%)	55.54	(3.7%)	53.26	(4.7%)	52.05	(5.6%)	53.34	(4.0%)	53.41	0.3%	53.72	3.2%	53.64	0.6%	54.30	1.7%
Average fixed retail BB revenue per SIO per month (excl h/ware) ($'s)(i)	54.28	(2.9%)	54.58	(3.2%)	52.49	(4.2%)	50.89	(6.2%)	52.35	(4.1%)	52.34	(0.3%)	52.97	4.1%	52.73	0.7%	53.45	2.1%
ISDN																		
ISDN access (basic access line equivalents) (thousands)(ii)	1,308	1.3%	1,308	1.3%	1,312	0.5%	1,308	0.0%	1,308	0.0%	1,304	(0.6%)	1,297	(0.8%)	1,297	(0.8%)	1,282	(1.7%)
ISDN average revenue per user per month ($'s)(ii)	56.40	(5.0%)	58.05	(4.3%)	56.88	(4.3%)	54.67	(3.1%)	55.87	(3.8%)	53.56	(5.8%)	52.10	(4.7%)	52.86	(5.4%)	51.47	(3.9%)
Mobiles																		
Total retail mobile SIOs (thousands)	10,555	3.6%	10,555	3.6%	11,482	10.6%	12,223	15.8%	12,223	15.8%	13,181	14.8%	13,790	12.8%	13,790	12.8%	14,397	9.2%
Postpaid handheld mobile SIOs (in thousands)	5,427	(5.2%)	5,427	(5.2%)	5,728	6.2%	6,062	11.7%	6,062	11.7%	6,400	11.7%	6,596	8.8%	6,596	8.8%	6,861	7.2%
Mobile broadband (data cards) SIOs (in thousands)	1,498	43.2%	1,498	43.2%	1,970	62.8%	2,310	54.2%	2,310	54.2%	2,746	39.4%	3,118	35.0%	3,118	35.0%	3,336	21.5%
Prepaid mobile handheld unique users (thousands)	1,889	(3.2%)	1,889	(3.2%)	1,943	1.2%	1,921	1.7%	1,921	1.7%	1,988	2.3%	2,029	5.6%	2,029	5.6%	2,102	5.7%
Machine to Machine (M2M) (thousands)	539	n/m	539	n/m	577	19.0%	658	22.1%	658	22.1%	744	28.9%	809	22.9%	809	22.9%	888	19.4%
Total wholesale SIOs (thousands)	81	12.0%	81	12.0%	80	5.4%	74	(8.2%)	74	(8.2%)	65	(18.8%)	57	(23.0%)	57	(23.0%)	59	(9.2%)
Mobile voice telephone minutes (millions)	5,801	6.7%	11,524	4.7%	6,416	12.1%	7,096	22.3%	13,512	17.3%	8,063	25.7%	8,863	24.9%	16,926	25.3%	9,906	22.9%
Number of SMS sent (millions)	4,611	0.5%	9,394	5.0%	4,810	0.6%	5,095	10.5%	9,905	5.4%	5,882	22.3%	6,165	21.0%	12,047	21.6%	6,771	15.1%
Blended average revenue per user (incl interconnection and MRO) ($'s)	50.18	1.6%	50.61	0.1%	49.77	(1.5%)	47.71	(4.9%)	48.90	(3.4%)	47.71	(4.1%)	43.96	(7.9%)	46.09	(5.7%)	44.29	(7.2%)
Average postpaid handheld revenue per user (excl. MRO) ($'s)	n/a	n/a	n/a	n/a	65.59	n/a	65.33	n/a	65.36	n/a	66.48	1.4%	63.69	(2.5%)	65.42	0.1%	64.75	(2.6%)
Average postpaid handheld revenue per user (incl. MRO) ($'s)	65.85	8.6%	65.26	4.7%	64.81	(0.5%)	63.32	(3.8%)	63.95	(2.0%)	63.38	(2.2%)	59.04	(6.8%)	61.51	(3.8%)	58.88	(7.1%)
Average prepaid handheld revenue per user ($'s)	15.12	(2.6%)	15.36	1.4%	17.52	13.9%	15.94	5.4%	16.89	10.0%	16.76	(4.5%)	16.67	4.6%	16.87	(0.1%)	17.79	6.1%
Average mobile broadband revenue per user per month ($'s)	52.07	(11.0%)	55.30	(14.0%)	43.44	(26.1%)	36.37	(30.1%)	40.22	(27.3%)	32.50	(25.2%)	29.84	(17.9%)	31.26	(22.3%)	29.75	(8.5%)
Average machine to machine revenue per user per month ($'s)	10.07	n/a	10.63	n/a	9.66	(15.0%)	9.76	(3.1%)	9.54	(10.3%)	9.60	(0.6%)	8.50	(12.9%)	9.09	(4.7%)	8.66	(9.8%)
Pay TV bundling																		
Total pay TV bundling SIOs (thousands)	504	12.0%	504	12.0%	513	7.1%	508	0.8%	508	0.8%	504	(1.8%)	501	(1.4%)	501	(1.4%)	507	0.6%
Labour																		
Domestic full time employees	31,157	(1.6%)	31,157	(1.6%)	29,970	(3.1%)	30,229	(3.0%)	30,229	(3.0%)	30,405	1.5%	30,203	(0.1%)	30,203	(0.1%)	30,170	(0.8%)
Full time employees and employed equivalents	41,690	5.6%	41,690	5.6%	35,729	(10.1%)	36,072	(13.5%)	36,072	(13.5%)	36,472	2.1%	36,039	(0.1%)	36,039	(0.1%)	35,157	(3.6%)
Total workforce, including contractors and agency staff	**46,801**	**4.8%**	**46,801**	**4.8%**	41,404	**(7.6%)**	**40,912**	**(12.6%)**	**40,912**	**(12.6%)**	41,183	**(0.5%)**	**39,972**	**(2.3%)**	**39,972**	**(2.3%)**	38,663	**(6.1%)**

Note: statistical data represents management's best estimates.

(i) SSS was moved out of Fixed Broadband and into Intercarrier Services (Other Fixed Products) during H1
(ii) ISDN SIOs were restated in H1 FY2013 as a result of a change in source system resulting from the original source being decomissioned

MEDIA RELEASE

IT'S HOW WE CONNECT

Telstra delivers on commitments; guidance confirmed

- **Total income increased by 1.7% to $12.7 billion**
- **Net profit after tax increased by 8.8% to $1.6 billion**
- **14 cent fully franked interim dividend confirmed**
- **607,000 domestic and 321,000 international mobile customers added**

7 February 2013 – Telstra has reported increases in revenue and net profit, as well as recording strong customer growth, for the six months to 31 December 2012.

Releasing its first half results today, Telstra announced a 14 cent fully franked interim dividend representing a $1.7 billion return to shareholders. The company also confirmed guidance for fiscal 2013.

Chief Executive Officer David Thodey said: "These results show we are delivering on our commitments. We continue to see customer growth in key products and services, particularly mobiles. This is testament to our focus on improving customer service and maintaining network leadership."

Mr Thodey said Telstra invested $1.9 billion in capital expenditure during the six months, including significant investments in Australia's largest and most reliable national mobile network.

"Our investment in the mobile network is attracting more customers. We have now sold 1.5 million 4G devices and we are on track to expand 4G coverage to 66% of the Australian population by June 2013."

Telstra's focus on customer service and network investment contributed to customer retention and acquisition. A total of 607,000 new domestic mobile customers joined Telstra in the half year, bringing the total number of Telstra's Australian mobile customers to 14.4 million. Mobile revenue grew by 4.6% to $4,560 million.

Key financial results

The **reported results** for the six months to 31 December 2012 were:

- **Total income** increased by 1.7% or $210 million to $12,711 million
- **EBITDA** increased by 5.0% or $236 million to $4,986 million
- **Net Profit After Tax** increased by 8.8% or $129 million to $1,597 million
- **Capex to sales ratio** of 15%, with capital expenditure of $1,890 million
- **Free cash flow** of $2,155 million

Free cashflow for the half of $2,155 million included cash proceeds from the sale of TelstraClear of $671 million. Excluding cash proceeds from the TelstraClear sale, free cashflow declined by 17%, due to increased working capital to support business growth.

On a **guidance basis**[1] (adjusted for TelstraClear trading results and sale), results for the half-year were:

- **Total income** increased by 2.5%
- **EBITDA** increased by 8.7%

[1] The guidance basis has been reviewed by our auditors.

Key outcomes against strategic priorities

Improving customer satisfaction

Mr Thodey said Telstra achieved a 10 per cent reduction in the number of TIO complaints from a year ago but acknowledged there was room for improvement in customer service.

"We are very committed to putting the customer at the centre of everything we do. We are continuing to make improvements, whether enhancing our digital and online service capability, refreshing mobile plans or cutting transaction times in our retail stores," he said.

Growth in number of customers

Telstra's product offers and network investments continued to attract new customers during the six months to 31 December 2012, delivering net growth of:

- 607,000 domestic mobile customers, to 14.4 million;
- 85,000 fixed retail broadband customers, to 2.7 million; and
- 321,000 Hong Kong mobile customers, to 3.8 million.

In addition 117,000 customers on bundled plans were added, bringing the total of customers on bundled plans to 1.5 million. PSTN customer numbers decreased by 151,000 to 7.9 million and PSTN revenue declined by 10.8%.

Simplifying the business

Productivity benefits totalled $381 million for the half year. These were delivered by continued process improvement, effective credit management and further migration to online services and were reinvested into the business, funding customer service and business growth initiatives.

Growth in digital sales and service volumes continued with 540,000 active monthly users of Telstra's 24/7 customer service application. About 2.7 million visits were made to the mobile compatible website, up 700% from a year ago. Consumer online sales volumes increased 62% from a year ago.

Building new growth businesses

Network Application and Services (NAS) revenue grew by 10.6% to $636 million, with growth from several long term contracts which were signed during fiscal 2012.

International businesses, including Telstra's investments in Asia, grew revenue by 10.8% through customer growth in the Hong Kong mobile services business (CSL), global connectivity and NAS products (Telstra Global).

Digital media revenue, which includes Sensis, declined by 7.0%. Sensis performed as expected with revenue down 12.5%. Sensis digital revenue growth was 11.0%, an improvement from 2.5% a year ago. Adjusted for the timing of book sales, the print revenue decline was consistent with declines in recent periods. The majority of print revenue will be recognised in the second half.

"We will continue to restructure Sensis as we transition from a print to a digital business," Mr Thodey said.

MEDIA RELEASE

IT'S HOW WE CONNECT

National Broadband Network (NBN)

Telstra continued to support NBN Co and made good progress on the build of the transit network and commenced selling NBN retail and wholesale services.

Telstra recognised revenue of $176 million from the NBN agreements. This included $94 million amortisation of Commonwealth payments received in fiscal 2012. It also included $82 million relating to the TUSMA agreement under which Telstra provides public interest services, including the Universal Service Obligation, and provision of access to infrastructure and other related services to NBN Co.

Outlook

Telstra confirms fiscal 2013 guidance of low single digit total income and EBITDA growth, with free cashflow of between $4.75 billion and $5.25 billion. Telstra expects capital expenditure to be around 15% of sales.

Guidance assumes wholesale product price stability, no impairments to investments, excludes any proceeds on the sale of businesses, adjustments on the sale of TelstraClear and the cost of spectrum purchases.

“Our strategy is unchanged and delivering results for customers and shareholders. We will continue to focus on improving customer satisfaction, growing customer numbers, simplifying the business and taking advantage of new growth opportunities. We are making good progress but there is more to do,” Mr Thodey said.

Telstra has confirmed a fully franked interim dividend of 14 cents per share. Shares will trade excluding entitlement to the dividend on 18 February 2013 with payment on 22 March 2013. As announced in October 2011, it is the company’s intention to maintain a 28 cent fully franked dividend per share for fiscal 2013. This is subject to the Board’s normal approval process for dividend declaration and there being no unexpected material events.

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www.telstra.com.au/abouttelstra/media-centre/
Reference: 33 / 2013

Telstra Corporation Limited and controlled entities

Australian Business Number (ABN): 33 051 775 556

Half-Year Financial Report

for the half-year ended 31 December 2012

Page Number

Half-Year Financial Statements

Notes to the Half-Year Financial Statements

Income Statement

for the half-year ended 31 December 2012

	Note	Telstra Group Half-year ended 31 December 2012 $m	2011 $m
Income			
Revenue (excluding finance income)		**12,601**	12,419
Other income		**110**	82
		12,711	12,501
Expenses			
Labour		**2,394**	2,549
Goods and services purchased		**3,182**	3,161
Other expenses		**2,149**	2,041
		7,725	7,751
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)		**4,986**	4,750
Depreciation and amortisation		**2,146**	2,186
Earnings before interest and income tax expense (EBIT)		**2,840**	2,564
Finance income		**145**	53
Finance costs	6	**610**	449
Net finance costs		**465**	396
Profit before income tax expense		**2,375**	2,168
Income tax expense		**752**	689
Profit for the period		**1,623**	1,479
Attributable to			
Equity holders of Telstra Entity		**1,597**	1,468
Non-controlling interests		**26**	11
		1,623	1,479
Earnings per share (cents per share)		**cents**	cents
Basic		**12.9**	11.8
Diluted		**12.8**	11.8

The notes following the half-year financial statements form part of the half-year financial report.

Statement of Comprehensive Income

for the half-year ended 31 December 2012

	Note	Telstra Group Half-year ended 31 December 2012 $m	2011 $m
Profit for the period			
Attributable to equity holders of Telstra Entity		**1,597**	1,468
Attributable to non-controlling interests		**26**	11
		1,623	1,479
Items that will not be reclassified subsequently to the income statement			
Retained profits:			
- actuarial gain/(loss) on defined benefit plans attributable to equity holders of Telstra Entity		**227**	(693)
- income tax on actuarial gain/(loss) on defined benefit plans		**(66)**	205
- actuarial gain/(loss) on defined benefit plans attributable to non-controlling interests		**1**	(3)
		162	(491)
Items that may be reclassified subsequently to the income statement			
Foreign currency translation reserve:			
- translation differences of foreign operations attributable to equity holders of Telstra Entity		**(17)**	51
- income tax on movements in the foreign currency translation reserve		**2**	5
- translation differences transferred to the income statement on disposal of controlled entities		**112**	-
- income tax on translation differences transferred to the income statement on disposal of controlled entities		**18**	-
- translation differences of foreign operations attributable to non-controlling interests		**(3)**	12
Cash flow hedging reserve:			
- changes in fair value of cash flow hedges	6	**(76)**	(230)
- changes in fair value transferred to other expenses		**(26)**	79
- changes in fair value transferred to goods and services purchased		**9**	2
- changes in fair value transferred to finance costs		**114**	135
- changes in fair value transferred to property, plant and equipment		**-**	9
- income tax on movements in the cash flow hedging reserve		**(8)**	1
		125	64
Total other comprehensive income		**287**	(427)
Total comprehensive income for the period		**1,910**	1,052
Total comprehensive income attributable to equity holders of Telstra Entity		**1,886**	1,032
Total comprehensive income attributable to non-controlling interests		**24**	20

The notes following the half-year financial statements form part of the half-year financial report.

Statement of Financial Position

as at 31 December 2012

		Telstra Group	
		As at	
		31 Dec 2012	30 June 2012
	Note	**$m**	$m
Current assets			
Cash and cash equivalents		**2,585**	3,945
Trade and other receivables		**4,691**	4,346
Inventories		**438**	260
Derivative financial assets		**10**	32
Current tax receivables		**224**	363
Prepayments		**307**	250
Assets classified as held for sale	9	**-**	754
Total current assets		**8,255**	9,950
Non current assets			
Trade and other receivables		**904**	851
Inventories		**26**	24
Investments - accounted for using the equity method		**15**	12
Investments - other		**19**	19
Property, plant and equipment		**20,264**	20,504
Intangible assets		**7,453**	7,421
Derivative financial assets		**870**	658
Non current tax receivables		**42**	80
Deferred tax assets		**7**	6
Total non current assets		**29,600**	29,575
Total assets		**37,855**	39,525
Current liabilities			
Trade and other payables		**3,615**	4,131
Provisions		**960**	942
Borrowings		**2,487**	3,306
Derivative financial liabilities		**308**	299
Current tax payables		**531**	731
Revenue received in advance		**1,351**	1,170
Liabilities classified as held for sale	9	**-**	105
Total current liabilities		**9,252**	10,684
Non current liabilities			
Other payables		**153**	174
Provisions		**281**	264
Borrowings		**12,007**	11,958
Derivative financial liabilities		**2,277**	2,349
Deferred tax liabilities		**1,061**	1,107
Defined benefit liability	7	**535**	831
Revenue received in advance		**418**	469
Total non current liabilities		**16,732**	17,152
Total liabilities		**25,984**	27,836
Net assets		**11,871**	11,689
Equity			
Share capital		**5,658**	5,635
Reserves		**(739)**	(867)
Retained profits		**6,731**	6,712
Equity available to Telstra Entity shareholders		**11,650**	11,480
Non-controlling interests		**221**	209
Total equity		**11,871**	11,689

The notes following the half-year financial statements form part of the half-year financial report.

Statement of Cash Flows

for the half-year ended 31 December 2012

		Telstra Group Half-year ended 31 December	
	Note	**2012 $m**	2011 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		**14,153**	13,527
Payments to suppliers and to employees (inclusive of GST)		**(9,977)**	(8,909)
Net cash generated by operations		**4,176**	4,618
Income taxes paid		**(895)**	(800)
Net cash provided by operating activities		**3,281**	3,818
Cash flows from investing activities			
Payments for:			
- property, plant and equipment		**(1,517)**	(1,777)
- intangible assets		**(483)**	(360)
Capital expenditure (before investments)		**(2,000)**	(2,137)
- shares in controlled entities (net of cash acquired)	5	**(5)**	-
- payments for associates		**(4)**	-
Total capital expenditure		**(2,009)**	(2,137)
Proceeds from:			
- sale of property, plant and equipment		**30**	9
- sale of shares in controlled entities (net of cash disposed)	5	**671**	(6)
- sale of businesses (net of cash disposed)		**-**	(2)
Proceeds from finance lease principal amounts		**31**	27
Loans to jointly controlled and associated entities		**(1)**	(1)
Interest received		**103**	48
Settlement of hedges of net investments		**(7)**	39
Dividends received		**1**	-
Distributions received from FOXTEL Partnership		**55**	-
Net cash used in investing activities		**(1,126)**	(2,023)
Operating cash flows less investing cash flows		**2,155**	1,795
Cash flows from financing activities			
Proceeds from borrowings		**806**	1,637
Repayment of borrowings		**(2,004)**	(746)
Repayment of finance lease principal amounts		**(79)**	(25)
Proceeds from sale and finance lease back transactions		**52**	-
Staff repayments of share loans		**2**	2
Finance costs paid		**(534)**	(559)
Dividends paid to equity holders of Telstra Entity	3	**(1,739)**	(1,738)
Dividends paid to non-controlling interests		**(15)**	(9)
Net cash used in financing activities		**(3,511)**	(1,438)
Net (decrease)/increase in cash and cash equivalents		**(1,356)**	357
Cash and cash equivalents at the beginning of the period		**3,945**	2,637
Effects of exchange rate changes on cash and cash equivalents		**(4)**	16
Cash and cash equivalents at the end of the period	5	**2,585**	3,010

The notes following the half-year financial statements form part of the half-year financial report.

Statement of Changes in Equity

for the half-year ended 31 December 2012

Telstra Group

		Reserves							
	Share capital $m	Foreign currency transla-tion (a) $m	Cash flow hedging (b) $m	Consolid-ation fair value (c) $m	General reserve (d) $m	Retained profits $m	Total $m	Non-controll-ing interests $m	Total equity $m
Balance at 1 July 2012 . .	**5,635**	**(751)**	**(87)**	**-**	**(29)**	**6,712**	**11,480**	**209**	**11,689**
Profit for the period.	**-**	**-**	**-**	**-**	**-**	**1,597**	**1,597**	**26**	**1,623**
Other comprehensive income	**-**	**115**	**13**	**-**	**-**	**161**	**289**	**(2)**	**287**
Total comprehensive income for the period.	**-**	**115**	**13**	**-**	**-**	**1,758**	**1,886**	**24**	**1,910**
Dividends	**-**	**-**	**-**	**-**	**-**	**(1,739)**	**(1,739)**	**(15)**	**(1,754)**
Amounts repaid on share loans provided to employees	**2**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**
Share based payments . .	**21**	**-**	**-**	**-**	**-**	**-**	**21**	**3**	**24**
Balance at 31 December 2012	**5,658**	**(636)**	**(74)**	**-**	**(29)**	**6,731**	**11,650**	**221**	**11,871**
Balance at 1 July 2011 . .	5,610	(837)	(14)	4	4	7,307	12,074	218	12,292
Profit for the period.	-	-	-	-	-	1,468	1,468	11	1,479
Other comprehensive income	-	56	(4)	-	-	(488)	(436)	9	(427)
Total comprehensive income for the period.	-	56	(4)	-	-	980	1,032	20	1,052
Dividends	-	-	-	-	-	(1,738)	(1,738)	(9)	(1,747)
Non-controlling interests on disposals.	-	-	-	-	-	-	-	(13)	(13)
Transfers to retained profits	-	-	-	(3)	-	3	-	-	-
Amounts repaid on share loans provided to employees	2	-	-	-	-	-	2	-	2
Share based payments . .	11	-	-	-	-	-	11	6	17
Balance at 31 December 2011	5,623	(781)	(18)	1	4	6,552	11,381	222	11,603

The notes following the half-year financial statements form part of the half-year financial report.

(a) The foreign currency translation reserve is used to record exchange differences arising from the conversion of the non-Australian controlled entities' financial statements into Australian dollars. This reserve is also used to record our percentage share of exchange differences arising from equity accounting our non-Australian investments in jointly controlled and associated entities.

(b) The cash flow hedging reserve represents the effective portion of gains or losses on remeasuring the fair value of the hedge instrument, where a hedge qualifies for hedge accounting. These gains or losses are transferred to the income statement when the hedged item affects income, or in the case of forecast transactions, are included in the measurement of the initial cost of property, plant and equipment or inventory. Refer to note 6 for further details.

(c) The consolidation fair value reserve represented our share of the fair value adjustments to TelstraClear Limited net assets upon acquisition of a controlling interest, which was amortised over the useful life of the underlying revalued assets. The reserve balance was amortised in full in fiscal 2012.

(d) The general reserve represents other items we have taken directly to equity.

Notes to the Half-Year Financial Statements

1. Basis of preparation

In this financial report, we, us, our, Telstra and the Telstra Group - all mean Telstra Corporation Limited, an Australian corporation and its controlled entities as a whole. Telstra Entity is the legal entity, Telstra Corporation Limited. Telstra Entity is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

Our half-year financial report is a condensed general purpose financial report and is to be read in conjunction with our Annual Financial Report as at 30 June 2012. This should also be read together with any public announcements made by us in accordance with the continuous disclosure obligations arising under Australian Securities Exchange listing rules and the Corporations Act 2001, up to the date of the Directors' Declaration.

1.1 Basis of preparation of the half-year financial report

This half-year financial report has been prepared by a for-profit entity, in accordance with the requirements of the Corporations Act 2001 and AASB 134: "Interim Financial Reporting".

Our half-year financial report does not include all notes normally included in the Annual Financial Report. Therefore, it cannot be expected to provide as full an understanding of the income statement, financial position and cash flows of the Telstra Group as the full financial report.

Both the functional and presentation currency of the Telstra Entity and its Australian controlled entities is Australian dollars. The functional currency of certain non-Australian controlled entities is not Australian dollars. As such, the results of these entities are translated to Australian dollars for presentation in the Telstra Group financial report.

This half-year financial report is prepared in accordance with historical cost, except for some categories of investments and some financial instruments which are recorded at fair value. Cost is the fair value of the consideration given in exchange for net assets acquired.

In preparing this half-year financial report, we are required to make judgements and estimates that impact:

- income and expenses for the half-year;
- the reported amounts of assets and liabilities; and
- the disclosure of off balance sheet arrangements, including contingent assets and contingent liabilities.

We continually evaluate our judgements and estimates. We base our judgements and estimates on historical experience, various other assumptions we believe to be reasonable under the circumstances and, where appropriate, practices adopted by international telecommunication companies. Actual results may differ from our estimates.

For the purpose of preparing this half-year financial report, each half-year has been treated as a discrete reporting period.

1.2 Clarification of terminology used in our income statement

Under the requirements of AASB 101: "Presentation of Financial Statements", we must classify all of our expenses (apart from any finance costs and our share of net profit/loss from jointly controlled and associated entities) according to either the nature (type) of the expense or the function (activity to which the expense relates). We have chosen to classify our expenses using the nature classification as it more accurately reflects the type of operations we undertake.

Earnings before interest, income tax expense, depreciation and amortisation (EBITDA) reflects our profit for the period prior to including the effect of net finance costs, income taxes, depreciation and amortisation. Depreciation and amortisation are calculated in accordance with AASB 116: "Property, Plant and Equipment" and AASB 138: "Intangible Assets" respectively. We believe that EBITDA is a relevant and useful financial measure used by management to measure the company's operating performance.

Our management uses EBITDA and earnings before interest and income tax expense (EBIT), in combination with other financial measures, primarily to evaluate the company's operating performance before financing, income tax and non-cash capital related expenses. In addition, we believe EBITDA is useful to investors because analysts and other members of the investment community largely view EBITDA as a key and widely recognised measure of operating performance.

EBIT is a similar measure to EBITDA, but takes into account depreciation and amortisation.

1.3 Rounding

All dollar amounts in this financial report (except where indicated) have been rounded to the nearest million dollars ($m) for presentation. This has been done in accordance with Australian Securities and Investments Commission (ASIC) Class Order 98/100, dated 10 July 1998, issued under section 341(1) of the Corporations Act 2001. Telstra is an entity to which this class order applies.

1.4 Comparative Information

During the half-year ended 31 December 2012, labour substitution costs were reclassified from other expenses to labour costs in the income statement in order to align with the presentation of total labour expenses in our "Financial Highlights". We believe this provides more relevant information to the users of the financial statements. The reclassification has no impact on profit, equity or earnings per share calculations. Comparatives have been adjusted accordingly to present a like-for-like view:

Expenses line item	Telstra Group		
	Half-year ended 31 December 2011		
	Reported	Adjustment	Restated
	$m	$m	$m
Labour	2,099	450	2,549
Other expenses	2,491	(450)	2,041

Notes to the Half-Year Financial Statements (continued)

2. Summary of significant accounting policies, estimates, assumptions and judgements

2.1 Accounting policies

Our accounting policies are consistent with those disclosed in the Annual Financial Report as at 30 June 2012, however we note the following new accounting standard, applicable in the current period:

Deferred Tax: Recovery of Underlying Assets

AASB 2010-8: "Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets" provides clarification regarding the measurement of deferred tax for investment property, where the fair value model is applied, and for property, plant and equipment and intangibles, where the revaluation model is applied. It provides that measurement of deferred tax should be determined under the assumption that the underlying asset will be recovered through sale (as opposed to use) unless otherwise rebutted.

This new accounting standard does not have an impact on Telstra as we do not adopt a revaluation model for any of our property, plant and equipment or intangibles and we have no investment properties.

2.2 Estimates, assumptions and judgements

(a) Property, plant and equipment

Depreciation

The service lives and residual values of our assets are reviewed each year. We apply management judgement in determining the service lives of our assets. This assessment includes a comparison with international trends for telecommunication companies and, in relation to communications assets, includes a determination of when the asset may be superseded technologically or made obsolete.

Based on our assessments at 30 June 2012 and the fact that no significant changes have occurred since then, for the half-year ended 31 December 2012 there are no known measurement implications on service lives resulting from the National Broadband Network (NBN) transaction. Our assessment continues to show that the weighted average remaining service life (WARSL) for the existing network assets impacted by the disconnection obligations that apply under the NBN Definitive Agreements, falls within the anticipated rollout period. As such, we have concluded that no further adjustments are required for the half-year ended 31 December 2012, in addition to our normal service life reassessment, the results of which are noted below. Refer to note 8 for further discussion on the NBN.

The net effect of the reassessment of service lives for the half-year ended 31 December 2012 was a decrease in our depreciation expense of $86 million (31 December 2011: $97 million) for the Telstra Group.

(b) Software assets

Amortisation

The service lives of our identifiable intangible assets are reviewed each year. Any reassessment of service lives in a particular year will affect the amortisation expense through to the end of the reassessed useful life for both that current year and future years.

There has been no change in service lives during the half-year ended 31 December 2012 and hence no impact on amortisation expense (31 December 2011: nil) for the Telstra Group.

2.3 Recently issued accounting standards to be applied in future reporting periods

Apart from those already disclosed in our Annual Financial Report as at 30 June 2012, the accounting standards that will be applicable to the Telstra Group in future reporting periods, that have not been early adopted during the half-year ended 31 December 2012, are detailed below:

(a) Financial Instruments - Mandatory Effective Date

AASB 2012-6: "Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures" amends the mandatory effective date of AASB 9: "Financial Instruments" to annual reporting periods beginning on or after 1 January 2015 (previously 1 January 2013), with early adoption permitted. This change in effective date will have a minimal impact on Telstra.

(b) Investment Entities

Investment Entities (Amendments to IFRS 10: "Consolidated Financial Statements", IFRS 12: "Disclosure of Interests in Other Entities" and IAS 27: "Separate Financial Statements") issued by the International Accounting Standards Board (IASB) in October 2012, introduces an exception to consolidating particular subsidiaries that meet the definition of "investment entities". Investment entities are those whose business purpose is to invest funds solely for returns from capital appreciation, investment income, or both. A subsidiary classified as an investment entity will be measured at fair value through profit or loss in accordance with IFRS 9: "Financial Instruments" in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27.

This standard is applicable to Telstra from 1 July 2014, with earlier adoption permitted. This change is expected to have a minimal impact, as Telstra currently does not have any subsidiaries which meet the definition of investment entities.

Notes to the Half-Year Financial Statements (continued)

2. Summary of significant accounting policies, estimates, assumptions and judgements (continued)

2.3 Recently issued accounting standards to be applied in future reporting periods (continued)

(c) Transition Guidance and Other Amendments

AASB 2012-10: “Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments” was issued by the Australian Accounting Standards Board in December 2012.

This standard amends 25 standards and one interpretation and is applicable to Telstra from 1 July 2013, in line with the effective dates of AASB 10: “Consolidated Financial Statements”, AASB 11: “Joint Arrangements” and AASB 12: “Disclosure of Interests in Other Entities.”

AASB 2012-10 amends the retrospective application that was required in AASB 10 when it was issued in May 2011. It also provides additional transitional relief in AASB 10, AASB 11 and AASB 12 limiting the requirement to provide adjusted comparative information to the preceding comparative period. The proposal removes the requirement to present comparative information for periods before AASB 12 is first applied.

Based on our current assessments, we do not expect this standard to impact our financial results, as there will be no material impact on Telstra from the adoption of AASB 10 and AASB 11.

(d) Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standard that is applicable in future years:

- AASB 2012-9: “Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039”.

We do not expect this accounting standard to materially impact our financial results upon adoption.

Notes to the Half-Year Financial Statements (continued)

3. Dividends

Our dividends provided for and paid during the half-year are listed below:

	Telstra Entity Half-year ended 31 December	
	2012 $m	2011 $m
Dividends paid		
Previous year final dividend paid	**1,739**	1,738
Dividends paid per ordinary share	**cents**	cents
Previous year final dividend paid	**14.0**	14.0

Dividends paid are fully franked at a tax rate of 30%.

Dividends per share to be paid in respect of the half-year are detailed below:

	Telstra Entity Half-year ended 31 December	
	2012 cents	2011 cents
Dividends per ordinary share to be paid		
Interim dividend fully franked	**14.0**	14.0

As the interim dividend for the half-year ended 31 December 2012 was not determined or publicly recommended by the Board as at 31 December 2012, no provision for dividend has been raised in the statement of financial position. The interim dividend has been reported as an event subsequent to reporting date. Refer to note 11 for further details.

Notes to the Half-Year Financial Statements (continued)

4. Segment information

Operating segments

We report our segment information on the same basis as our internal management reporting structure, which drives how our company is organised and managed. Segment comparatives are restated to reflect any changes in our reporting structure which have occurred since the prior reporting period to present a like-for-like view.

For a description of our reportable segments and other business units refer to note 5 of the 30 June 2012 Annual Financial Report.

During the half-year ended 31 December 2012, the following change was made to our operating segments:

- Telstra Consumer and Country Wide (TC&CW) changed its name to Telstra Consumer (TC).

Further, with the consolidation of Telstra's media businesses into a single division "Telstra Media Group (TMG)" effective from 1 January 2012, segment comparatives have been restated to present a like-for-like view.

In our segment results, the "All Other" category consists of various business units that do not qualify as reportable segments in their own right. These include:

- Telstra Innovation, Products and Marketing (TIPM);
- Telstra Customer Sales & Services (TCS&S) head office function (excluding the domestic retail business units);
- Telstra Applications & Ventures Group (TAVG); and
- our Corporate areas.

Segment results

The measurement of segment results is in line with the basis of information presented to management for internal management reporting purposes. The result of each segment is now measured based on its "earnings before interest, income tax expense, depreciation and amortisation (EBITDA) contribution". EBITDA contribution excludes the effects of all inter-segment balances and transactions (with the exception of Reach and other transactions, refer to footnotes (ii) and (iii) below). As such, only transactions external to the Telstra Group are reported.

Historically, certain items of income and expense were excluded from segment results to show a measure of "underlying" performance. Such items included gain/loss on disposal of non-current assets, controlled entities, associated entities, and businesses, and the impairment of goodwill and intangibles. In prior periods, these were separately disclosed in the reconciliation of segments results to Telstra Group's reported EBITDA, EBIT and profit before income tax expense in the financial statements.

During the first half of fiscal 2013, in accordance with the information presented to management for internal management reporting purposes, we have included these items in the measurement of segment results. Therefore, we no longer have any reconciling items between segment results and Telstra Group's reported EBITDA. The reconciliation of segment results to Telstra Group's EBIT and profit before income tax expense in the financial statements now includes only depreciation and amortisation expenses and net finance costs. Segment comparatives have been updated accordingly to reflect these changes in the measurement of segment results to present a like-for-like view.

Certain items of income and expense are recorded by our corporate areas, rather than being allocated to each segment. These items include the following:

- the adjustment to defer our basic access installation and connection fee revenues and costs in accordance with our accounting policy. Our reportable segments record these amounts upfront;
- the majority of redundancy expenses for the Telstra Entity; and
- rental costs associated with printers and other related equipment for the Telstra Entity.

In addition, the following narrative further explains how some items are allocated and managed, and as a result how they are reflected in our segment results:

- sales revenue associated with mobile handsets for TC, Telstra Business (TB) and Telstra Enterprise & Government (TE&G) are mainly allocated to the TC segment along with the associated costs of goods and services purchased. Ongoing prepaid and postpaid mobile revenues derived from our mobile usage is recorded in TC, TB and TE&G depending on the type of customer serviced;
- Telstra Operations (TOps) recognise certain expenses in relation to the installation and running of the hybrid fibre coaxial cable network;
- domestic promotion and advertising expense for Telstra Entity is recorded centrally in TIPM; and
- call centre costs associated with TB and TE&G are included in the TC segment.

Notes to the Half-Year Financial Statements (continued)

4. Segment Information (continued)

Segment results (continued)

The following tables detail our segment results, based on the reporting structure as at 31 December 2012:

Telstra Group

Half-year ended 31 December 2012	TC $m	TB $m	TE&G $m	TOps $m	TW $m	TMG $m	TIG $m	TClear (i) $m	All Other $m	Total $m
Revenue from external customers for operating segments (ii)	**5,284**	**2,352**	**2,103**	**40**	**1,049**	**597**	**909**	**164**	**2**	**12,500**
Other non-operating segment revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**101**
Other income (iii)	**34**	**3**	**-**	**17**	**3**	**-**	**9**	**11**	**33**	**110**
Total income	**5,318**	**2,355**	**2,103**	**57**	**1,052**	**597**	**918**	**175**	**136**	**12,711**
Labour expenses	**408**	**60**	**119**	**966**	**36**	**229**	**144**	**35**	**397**	**2,394**
Goods and services purchased (ii)	**1,872**	**448**	**281**	**78**	**36**	**68**	**433**	**81**	**(115)**	**3,182**
Other expenses (iii)	**315**	**37**	**18**	**869**	**12**	**165**	**146**	**179**	**408**	**2,149**
EBITDA contribution	**2,723**	**1,810**	**1,685**	**(1,856)**	**968**	**135**	**195**	**(120)**	**(554)**	**4,986**

Telstra Group

Half-year ended 31 December 2011	TC $m	TB $m	TE&G $m	TOps $m	TW $m	TMG $m	TIG $m	TClear (i) $m	All Other $m	Total $m
Revenue from external customers for operating segments (ii)	5,181	2,360	2,078	27	1,064	608	826	255	6	12,405
Other non-operating segment revenue	-	-	-	-	-	-	-	-	14	14
Other income	27	4	(1)	6	-	-	34	-	12	82
Total income	5,208	2,364	2,077	33	1,064	608	860	255	32	12,501
Labour expenses	404	64	114	994	35	246	132	48	512	2,549
Goods and services purchased (ii)	1,704	499	280	95	39	60	409	117	(42)	3,161
Other expenses	363	34	18	814	7	164	192	43	406	2,041
EBITDA contribution	2,737	1,767	1,665	(1,870)	983	138	127	47	(844)	4,750

(i) Following the sale of TelstraClear (TClear) on 31 October 2012, the current period only includes four months of TClear results compared to six months in the comparative period. The current period segment results also include a $127 million loss on sale of TClear, which is recorded in Other expenses. Refer to note 5 for further details.

(ii) Revenue from external customers in Telstra International Group (TIG) includes $64 million (2011: $58 million) of inter-segment revenue treated as external expenses in TC, TB, TE&G and Telstra Wholesale (TW), which is eliminated in the "All Other" category.

External expenses in TIG also include $15 million (2011: $18 million) of inter-segment expenses treated as external revenue in TW and eliminated in the "All Other" category.

(iii) Other income and Other expenses in TClear include $11 million (2011: nil) and $4 million (2011: nil) of inter-segment income and expenses respectively, which is eliminated in the "All Other" category.

Notes to the Half-Year Financial Statements (continued)

4. Segment information (continued)

Segment results (continued)

A reconciliation of EBITDA contribution for reportable segments to Telstra Group's EBITDA, EBIT and profit before income tax expense is provided below:

	Telstra Group	
	Half-year ended 31 December	
	2012 $m	2011 $m
EBITDA contribution	**5,540**	5,594
All other	**(554)**	(844)
Telstra Group EBITDA	**4,986**	4,750
Depreciation and amortisation	**(2,146)**	(2,186)
Telstra Group EBIT	**2,840**	2,564
Net finance costs	**(465)**	(396)
Telstra Group profit before income tax expense	**2,375**	2,168

Notes to the Half-Year Financial Statements (continued)

5. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

	Telstra Group	
	Half-year ended 31 December	
	2012 $m	2011 $m
Cash at bank and on hand	**232**	280
Bank deposits, bills of exchange and promissory notes	**2,353**	2,755
Total cash and cash equivalents	**2,585**	3,035
Reconciliation to the statement of cash flows		
Bank overdraft	**-**	(25)
Cash and cash equivalents in the statement of cash flows	**2,585**	3,010

Acquisitions

Current period

iVision

iVision Pty Ltd (iVision) was acquired on 31 March 2011, for total consideration of $41 million, with $5 million of this contingent upon the entity achieving pre-determined integration targets by 31 December 2012.

On 7 September 2012, Telstra paid the $5 million contingent consideration for the successful integration of iVision.

There were no material acquisitions made during the half-year ended 31 December 2012.

Prior period

There were no acquisitions made during the half-year ended 31 December 2011.

Disposals

Current period

TelstraClear

On 31 October 2012, our controlled entity Telstra New Zealand Holdings Limited sold its 100% shareholding in TelstraClear Limited and its controlled entity (TelstraClear).

The effect of the disposal is detailed below:

	TelstraClear
	Half-year ended 31 December
	2012 $m
Consideration on disposal - net of cash disposed	
Cash consideration on disposal	**682**
Cash and cash equivalents disposed	**(11)**
Inflow of cash on disposal	**671**
Non-cash consideration adjustments	**(2)**
Total proceeds on disposal	**669**
Total consideration on disposal	**680**
Assets/(liabilities) at disposal date	
Assets classified as held for sale	**772**
Liabilities classified as held for sale	**(98)**
Net assets classified as held for sale	**674**
Foreign currency translation reserve disposed (net of income tax)	**130**
Other adjustments	**3**
Loss on disposal	**(127)**

Prior period

Adstream

On the 21 July 2011, we sold our 64.4% shareholding in Adstream (Aust) Pty Ltd for a total consideration of $24 million. Payment of the consideration has been deferred for a period of up to two years. Cash disposed was $6 million.

There were no other material disposals of controlled entities made during the half-year ended 31 December 2011.

Notes to the Half-Year Financial Statements (continued)

6. Finance costs and capital management

Finance costs

Our finance costs for the half-year ended 31 December 2012 are detailed below:

Table A	Telstra Group	
	Half-year ended 31 December	
	2012 $m	2011 $m
Interest on borrowings (i)	**520**	558
Interest on finance leases	**5**	6
Unwinding of discount on liabilities recognised at present value	**9**	8
Loss/(gain) on fair value hedges - effective (ii)	**92**	(27)
Loss/(gain) on cash flow hedges - ineffective	**5**	(2)
Loss/(gain) on transactions not in a designated hedge relationship/de-designated from fair value hedge relationships (iii)	**31**	(34)
Other	**2**	4
	664	513
Less: interest on borrowings capitalised (iv)	**(54)**	(64)
	610	449

(i) The period-on-period net decrease in interest on borrowings is predominately due to a reduction in the average interest yield. Also contributing to this decrease was a reduction in the average volume of debt.

The average interest yield on average net interest bearing financial liabilities during the six months to 31 December 2012 was 6.4% (31 December 2011: 7.0%). The reduction in yield arises principally from a reduction in short-term market base rates period on period, resulting in lower costs on the floating rate debt component of our debt portfolio. Also contributing to the reduction in the net borrowing yield is the investment yield earned on the loan to the FOXTEL Partnership provided during the second half of fiscal 2012.

Some early refinancing of our fiscal 2013 borrowing requirements was undertaken in the second half of fiscal 2012 resulting in higher levels of liquidity. Higher liquidity contributes to higher interest costs due to borrowing yields exceeding investment yields. This higher liquidity partially offset the net reduction in borrowing costs.

(ii) We use our cross currency and interest rate swaps as fair value hedges to convert our foreign currency borrowings into Australian dollar floating rate borrowings.

The $92 million unrealised loss for the current period (2011: gain of $27 million) reflects the following valuation impacts:

- movement in base market rates and Telstra's borrowing margins between valuation dates;
- reduction in the number of future interest flows as we approach maturity of the financial instruments; and
- discount factor unwinding as borrowings move closer to maturity.

It is important to note that in general, it is our intention to hold our borrowings and associated derivative instruments to maturity. Accordingly, unrealised revaluation gains and losses will be recognised in our finance costs over the life of the financial instrument and for each transaction will progressively unwind to nil at maturity.

(iii) A combination of the following factors has resulted in a net unrealised loss of $31 million (2011: gain of $34 million) associated with financial instruments that are either not in a designated hedge relationship or were previously designated in a hedge relationship and no longer qualify for hedge accounting:

- the valuation impacts described at (ii) for fair value hedges;
- the different measurement bases of the borrowings (measured at amortised cost) and the associated derivatives (measured at fair value); and
- a net loss of $10 million for the amortisation impact of unwinding previously recognised unrealised gains on those borrowings that were de-designated from hedge relationships.

Although these borrowings and the related derivative instruments do not satisfy the requirements for hedge accounting, they are in effective economic relationships based on contractual face value amounts and cash flows over the life of the transaction.

(iv) Interest on borrowings has been capitalised using a capitalisation rate of 6.7% (2011: 6.9%).

Gearing and net debt

A parameter used to monitor capital management is the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing financial liabilities and derivative financial instruments, less cash and cash equivalents. Total capital is calculated as total equity, as shown in the statement of financial position, plus net debt.

Our comfort range for the net debt gearing ratio is currently 50% to 70% (2011: 50% to 70%). The gearing ratio and carrying value of our net debt are shown in Table B below:

Table B	Telstra Group	
	As at	
	31 Dec 2012 $m	30 June 2012 $m
Net debt	**13,614**	13,277
Total equity	**11,871**	11,689
Total capital	**25,485**	24,966
Gearing ratio	**53.4%**	53.2%

Net debt included in the table above is based on the carrying values of our financial instruments. For interest bearing financial instruments we adopt a 'clean price' whereby the reported balance of our derivative instruments and borrowings excludes accrued interest. Accrued interest is recorded in current 'trade and other receivables' and current 'trade and other payables' in the statement of financial position.

Notes to the Half-Year Financial Statements (continued)

6. Finance costs and capital management (continued)

Gearing and net debt (continued)

Our borrowings are unsecured, except for finance leases which are secured, as the rights to the leased asset transfer to the lessor in the event of a default by us. We have no assets pledged as security for our borrowings. All our borrowings are interest bearing, except for some loans from wholly owned controlled entities. We are not subject to any externally imposed capital requirements.

The increase in the carrying amount of our net debt during the six months to 31 December 2012 of $337 million (31 December 2011: increase of $503 million) is represented by the movements shown in Table C below:

Table C	Telstra Group	
	Half-year ended 31 December	
	2012	2011
	$m	$m
Debt issuance - offshore and domestic loans	**806**	1,409
Net short term borrowings (unsecured promissory notes) and bank deposits greater than 90 days	**(221)**	39
Repayment of offshore loans, Telstra bonds and domestic loans	**(1,783)**	(557)
Finance lease repayments	**(79)**	(25)
Net cash (outflow)/inflow	**(1,277)**	866
Non-cash movements in gross debt before tax		
Revaluation (gain)/loss affecting cash flow hedging reserve	**(21)**	5
Revaluation (gain)/loss affecting foreign currency translation reserve	**(1)**	56
Revaluation loss/(gain) affecting other expenses in the income statement	**8**	(1)
Revaluation loss/(gain) affecting finance costs in the income statement (i)	**137**	(72)
Finance lease additions	**131**	22
	254	10
Total (decrease)/increase in gross debt	**(1,023)**	876
Net decrease/(increase) in cash, cash equivalents and overdraft (including foreign exchange differences)	**1,360**	(373)
Total increase in net debt	**337**	503

(i) The net revaluation loss of $137 million includes:

- loss of $128 million (2011: gain of $62 million) affecting other finance costs, comprising a loss of $92 million (2011: gain of $27 million) from fair value hedges; a loss of $31 million (2011: gain of $34 million) from transactions either not designated or de-designated from hedge relationships; and a loss of $5 million (2011: gain of $1 million) relating to other hedge accounting adjustments; and
- loss of $9 million (2011: gain of $10 million) affecting interest on borrowings, comprising a gain of nil (2011: gain of $16 million) relating to cross currency swap discounts on new borrowings which will be amortised to interest in the income statement over the life of the borrowing; and a loss of $9 million (2011: loss of $6 million) comprising the amortisation of discounts.

We have issued the following long term borrowings during the period (Australian dollar equivalent):

- $62 million Japanese yen private placement bond in July 2012, matures 24 July 2024;
- $1 million under an existing Indian rupee bank loan facility entered into in December 2011, matures 22 December 2016; and
- $743 million domestic public bond in November 2012 ($750 million face value), matures 15 November 2017.

We repaid the following long term debt during the period (Australian dollar equivalent):

- $271 million offshore Swiss franc public bond, matured 9 October 2012;
- $1,000 million domestic syndicated bank loan, matured 26 October 2012;
- $12 million offshore Japanese yen public bond, matured 9 November 2012; and
- $500 million domestic public bond, matured 15 November 2012.

Our unsecured promissory notes are used principally to support working capital and short term liquidity. These unsecured promissory notes will continue to be supported by liquid financial assets and ongoing credit standby lines.

Long term debt that will mature during the next 12 months totals $2,381 million. This represents the contractual face value amount after hedging. Included in this amount are offshore borrowings which were swapped into Australian dollars at inception of the borrowing through to maturity through the use of cross currency and interest rate swaps, creating synthetic Australian dollar obligations. These post hedge obligations are reflected in our total contractual Australian dollar liability at maturity of $2,381 million.

This amount of $2,381 million is different to the carrying amount of $2,089 million which is included in current borrowings (along with promissory notes of $344 million and finance lease liability of $54 million) in the statement of financial position. The carrying amount reflects the amount of our borrowings due to mature within 12 months prior to netting offsetting risk positions of associated derivative financial instruments hedging these borrowings. The carrying amount reflects a mixed measurement basis with part of the borrowing portfolio recorded at fair value and the remaining part at amortised cost which is compliant with the requirements under Accounting Standards.

Notes to the Half-Year Financial Statements (continued)

6. Finance costs and capital management (continued)

Cash flow hedging reserve

Table D	Telstra Group	
	Half-year ended 31 December	
	2012	2011
	$m	$m
Opening balance	**(87)**	(14)
Changes in fair value of cash flow hedges	**(76)**	(230)
Changes in fair value transferred to the income statement for the period	**97**	216
Changes in fair value transferred to property, plant and equipment	**-**	9
	21	(5)
Income tax on movements in the cash flow hedging reserve	**(8)**	1
Closing balance	**(74)**	(18)

The net increase in our cash flow hedge reserve (before tax) of $21 million comprises:

- net revaluation losses of $76 million before tax on our derivatives hedging future payments on our offshore borrowings in cash flow hedges and forecast purchases denominated in foreign currency. This net revaluation loss represents the effective portion on remeasuring the fair value of these hedging instruments; and
- transfer to the income statement of $97 million before tax, representing interest incurred on our derivatives and hedging losses previously recognised which offset gains on translation of the hedged borrowings and purchases at the applicable spot exchange rate.

The before tax net movement in the cash flow hedge reserve of $21 million is included in the net reduction in gross debt (2011: net increase in gross debt of $5 million). Refer to Table C.

The net revaluation loss (before tax) of $76 million reflects valuation impacts from:

- movement in base market rates and Telstra's borrowing margins between valuation dates;
- discount factor unwinding as borrowings move closer to maturity;
- reduction in the number of future interest flows as we approach maturity of the financial instruments; and
- movements in the Australian dollar against various currencies, predominantly Euro, Japanese yen and the United States dollar.

Notes to the Half-Year Financial Statements (continued)

7. Post employment benefits

We participate in or sponsor defined benefit and defined contribution schemes. It is our policy to contribute to the schemes at rates specified in the governing rules for defined contribution schemes, or at rates determined by the actuaries for defined benefit schemes.

Details of the defined benefit plans that we participate in or sponsor are set out in note 24 of the 30 June 2012 Annual Financial Report.

(a) Net defined benefit plan liability

Our net defined benefit plan liability recognised in the statement of financial position for the current and previous periods is determined as follows:

	Telstra Group		
		As at	
	31 Dec 2012 $m	30 June 2012 $m	31 Dec 2011 $m
Fair value of defined benefit plan assets	**2,734**	2,559	2,520
Present value of the defined benefit obligation	**3,190**	3,266	3,235
Net defined benefit liability before adjustment for contributions tax	**(456)**	(707)	(715)
Adjustment for contributions tax	**(79)**	(124)	(124)
Net defined benefit liability	**(535)**	(831)	(839)

(b) Principal actuarial assumptions

We used the following major annual assumptions to determine our defined benefit plan expense for the half-year ended:

	Telstra Super		HK CSL Retirement Scheme	
	Half-year ended 31 December		Half-year ended 31 December	
	2012 %	2011 %	**2012 %**	2011 %
Discount rate	**4.0**	5.6	**1.0**	2.5
Expected rate of return on plan assets (i)	**8.0**	8.0	**5.9**	6.6
Expected rate of increase in future salaries	**4.0**	4.0	**4.0 - 5.0**	4.2 - 4.5

(i) The expected rate of return on plan assets has been based on historical and future expectations of returns for each of the major categories of asset classes over the subsequent 10 year period, or longer. Estimates are based on a combination of factors including the current market outlook for interest rates, inflation, earnings growth and currency strength. To determine the aggregate return, the expected future return of each plan asset class is weighted according to the strategic asset allocation of total plan assets.

Notes to the Half-Year Financial Statements (continued)

7. Post employment benefits (continued)

Principal actuarial assumptions (continued)

We used the following major annual assumptions to determine our defined benefit obligations as at 31 December:

	Telstra Super		HK CSL Retirement Scheme	
	As at 31 December		As at 31 December	
	2012 %	2011 %	**2012 %**	2011 %
Discount rate (ii)	**3.7**	3.7	**1.0**	1.5
Expected rate of increase in future salaries (iii)	**4.0**	4.0	**4.0 - 5.0**	4.2 - 4.5

(ii) The present value of our defined benefit obligations is determined by discounting the estimated future cash outflows using a discount rate based on government guaranteed securities with similar due dates to these expected cash flows.

For Telstra Super we have used a blended 10 year Australian government bond rate as it has the closest term from the Australian bond market to match the term of the defined benefit obligations. We have not made any adjustment to reflect the difference between the term of the bonds and the estimated term of liabilities due to the observation that the current government bond yield curve is reasonably flat, implying that the yields from government bonds with a term less than 10 years are expected to be very similar to the extrapolated bond yields with a term of 12 to 13 years.

For the HK CSL Retirement Scheme we have extrapolated the 5, 7, 10 and 15 year yields of the Hong Kong Exchange fund notes to 11 years to match the term of the defined benefit obligations.

(iii) Our assumption for the salary inflation rate for Telstra Super is 4.0%, which is reflective of our long term expectation for salary increases. The salary inflation rate for HK CSL Retirement Scheme is 5.0% in fiscal 2013 to 2015 and 4.0% thereafter which reflects the long term expectations for salary increases.

(c) Employer contributions

For the six months to 31 December 2012, the total cash payments made by us in relation to contributions to Telstra Super was $233 million (2011: $233 million). This consists of the following:

- employer cash contributions of $178 million (2011: $167 million);
- employees pre and post-tax salary sacrifice contributions of $43 million (2011: $54 million); and
- payroll tax of $12 million (2011: $12 million).

The vested benefits index (VBI), which forms the basis for determining our contribution levels under the funding deed, represents the total amount that Telstra Super would be required to pay if all defined benefit members were to voluntarily leave the fund on the valuation date. The VBI assesses the short term financial position of the plan. On the other hand the liability recognised in the statement of financial position is based on the projected benefit obligation (PBO), which represents the present value of employees' benefits assuming that employees will continue to work and be part of the fund until their exit. The PBO takes into account future increases in an employee's salary and provides a longer term financial position of the plan.

The average VBI for the quarter ended 31 December 2012 was 96% (2011: 88%). As per the funding deed, we are required to make contributions when the VBI falls to 103% or below in a calendar quarter. We expect to make total cash payments for the year ending 30 June 2013 of $474 million, which includes contributions to the defined benefit divisions at a contribution rate of 27% for fiscal 2013 (inclusive of $25 million payroll tax).

Notes to the Half-Year Financial Statements (continued)

8. Impairment

Cash generating units

For the purposes of undertaking our impairment testing, we identify cash generating units (CGUs). Our CGUs are determined according to the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The carrying amount of our goodwill is detailed below:

	Goodwill	
	As at	
	31 Dec 2012 $m	30 June 2012 $m
CGUs		
CSL New World Group*	**767**	784
Telstra Europe Group*	**56**	55
Sensis Group	**215**	215
Location Navigation	**14**	14
1300 Australia Pty Ltd	**16**	16
Autohome*	**96**	96
Sequel Media*	**11**	11
Other	**98**	98
	1,273	1,289

* These CGUs operate in overseas locations, therefore the goodwill allocated to these CGUs will fluctuate in line with movements in applicable foreign exchange rates during the period.

Ubiquitous telecommunications network and Hybrid Fibre Coaxial (HFC) cable network

In addition to the aforementioned CGUs, we have two further significant CGUs that are reviewed for impairment. These two CGUs are:

- the Telstra Entity CGU, excluding the HFC cable network; and
- the CGU comprising the HFC cable network.

The Telstra Entity CGU consists of our ubiquitous telecommunications network in Australia, excluding the HFC cable network as we consider it not to be integrated with the rest of our telecommunications network. Assets that form part of the ubiquitous telecommunications network, comprising the customer access network and the core network, are considered to be working together to generate our cash flows. No one item of telecommunications equipment is of any value without the other assets to which it is connected in order to achieve delivery of our products and services.

Impairment testing

Our impairment testing compares the carrying value of an individual asset or CGU with its recoverable amount as determined using a value in use calculation.

Our assumptions for determining the recoverable amount of each asset and CGU are based on past experience and our expectations for the future. Our cash flow projections are based on a maximum five year management approved forecasts. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each asset and CGU.

We have used the following key assumptions in determining the recoverable amount of our CGUs to which goodwill or indefinite life intangible assets have been allocated:

	Discount rate (a)		Terminal value growth rate (b)	
	As at		As at	
	31 Dec 2012 %	30 June 2012 %	**31 Dec 2012 %**	30 June 2012 %
CSL New World Group	**10.2**	10.9	**2.0**	2.0
Telstra Europe Group	**7.7**	7.5	**3.0**	3.0
Sensis Group	**13.7**	12.1	**3.0**	3.0
Location Navigation	**10.9**	10.7	**3.0**	3.0
1300 Australia Pty Ltd	**11.5**	11.3	**3.0**	3.0
Autohome	**19.5**	19.4	**5.0**	5.0
Sequel Media	**19.9**	18.8	**5.0**	5.0

(a) Discount rate represents the pre tax discount rate applied to the cash flow projections. The discount rate reflects the market determined, risk adjusted discount rate which is adjusted for specific risks relating to the CGU and the countries in which it operates.

(b) Terminal value growth rate represents the growth rate applied to extrapolate our cash flows beyond the five year forecast period. These growth rates are based on our expectation of the CGU's long term performance in its respective markets. The terminal growth rates for the Australian CGUs are aligned at 3.0%.

Management have determined there are no reasonably possible changes that could occur in these two key assumptions that would cause the carrying amount of these CGUs to exceed their recoverable amount. The discount rate would need to increase by 360 basis points (30 June 2012: 350 basis points) or the terminal value growth rate would need to be a negative growth of 2.1% (30 June 2012: 2.2%) before the recoverable amount of any of the CGUs would be equal to the carrying value.

Notes to the Half-Year Financial Statements (continued)

8. Impairment (continued)

Impairment testing (continued)

Ubiquitous telecommunications network and Hybrid Fibre Coaxial (HFC) cable network ("the networks")

Our discounted expected future cash flows more than support the carrying amount of the networks. This is based on:

- forecast cash flows from continuing to:
  - use the core network; and
  - provide Pay TV services via the HFC cable network into the future; and
- the consideration we expect to receive under the National Broadband Network (NBN) Definitive Agreements (DAs) for:
  - the progressive disconnection of copper-based Customer Access Network services and broadband services on our HFC cable network (excluding Pay TV services on the HFC cable network) provided to premises in the NBN fibre footprint;
  - providing access to certain infrastructure, including dark fibre links, exchange rack spaces and ducts; and
  - the sale of lead-in-conduits.

Given this, the results of our impairment testing for the networks show that the carrying amounts are recoverable as at 31 December 2012.

Notes to the Half-Year Financial Statements (continued)

9. Non current assets held for sale

On 12 July 2012, we signed an agreement to dispose of our 100% shareholding in TelstraClear Limited and its controlled entity (TelstraClear). The disposal was subsequently completed on 31 October 2012 following regulatory approval. Refer to note 5 for further details.

In accordance with AASB 5: "Non current Assets Held for Sale and Discontinued Operations" the carrying value of assets and liabilities of TelstraClear, with the exception of cash balances which were excluded from the sale agreement, were classified as held for sale up to the date of sale. On completion of the sale, included in our disposal values was $11 million of cash, which was recovered through additional proceeds on sale.

During the first half of fiscal 2013, we impaired $28 million of our TelstraClear net assets. This was due to the operating results of TelstraClear increasing the net assets, which were not recoverable through the disposal of TelstraClear.

TelstraClear is included in the TelstraClear reportable segment in our segment information disclosures in note 4.

10. Contingent liabilities, contingent assets and expenditure commitments

Contingent liabilities and contingent assets

We have no significant contingent assets as at 31 December 2012.

Common law claims

There have been no significant changes from 30 June 2012 to our contingent liabilities arising from our common law claims.

Indemnities, performance guarantees and financial support

There have been no significant changes from 30 June 2012 to our indemnities, performance guarantees and financial support, apart from:

- the Telstra Entity guaranteeing the performance of a controlled entity under a lease contract, to the amount of $47 million; and
- indemnities to financial institutions in respect of the obligations of our controlled entities decreasing by $23 million, with a corresponding increase in indemnities to financial institutions in respect of the obligations of third parties, upon the sale of TelstraClear. We have however, received an indemnity for an equal amount from the acquirer as a part of the TelstraClear disposal.

Expenditure commitments

There have been no significant changes to our expenditure commitments from 30 June 2012, apart from the following contracts we have entered into during the period:

- contract for the renewal of a spectrum licence for $637 million;
- contract for the construction of network assets for $100 million; and
- contracts for the procurement of network equipment and software for $370 million.

Notes to the Half-Year Financial Statements (continued)

11. Events after reporting date

We are not aware of any matter or circumstance that has occurred since 31 December 2012 that, in our opinion, has significantly affected or may significantly affect in future years:

- our operations;
- the results of those operations; or
- the state of our affairs;

other than:

Interim dividend

On 7 February 2013, the Directors of Telstra Corporation Limited resolved to pay a fully franked interim dividend of 14 cents per ordinary share, amounting to $1,739 million. The record date for the interim dividend is 22 February 2013 with payment to be made on 22 March 2013. Shares will trade excluding entitlement to the dividend on 18 February 2013.

A provision for dividend payable has been raised as at the date of resolution, amounting to $1,739 million.

The interim dividend will be fully franked at a tax rate of 30%. The financial effect of the interim dividend resolution was not brought to account as at 31 December 2012.

There are no income tax consequences for the Telstra Group resulting from the resolution and payment of the interim dividend, except for $745 million of franking debits arising from the payment of this dividend that will be adjusted in our franking account balance.

The Dividend Reinvestment Plan (DRP) continues to be suspended.

Director's Declaration

The Directors of Telstra Corporation Limited have made a resolution that declared:

For and on behalf of the board:

(a) in the Directors' opinion, there are reasonable grounds to believe that Telstra Corporation Limited will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the financial statements and notes of the Telstra Group for the half-year ended 31 December 2012, as set out on pages 2 to 23, are in accordance with the Corporations Act 2001, including that:

(i) the financial report complies with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and

(ii) the financial statements and notes give a true and fair view of the Telstra Group's financial position and performance for the half-year ended 31 December 2012.

C B Livingstone David I Thodey

Catherine B Livingstone AO
Chairman

David I Thodey
Chief Executive Officer and
Executive Director

7 February 2013
Melbourne, Australia

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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Telstra Corporation Limited, which comprises the statement of financial position as at 31 December 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other selected explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Telstra Corporation Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Telstra Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

SJ Ferguson
Partner

7 February 2013
Melbourne, Australia