IT'S HOW WE CONNECT

18 February 2016

Office of the Company Secretary

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The Manager

Market Announcements Office
Australian Securities Exchange
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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Corporation Limited - Financial results for the half-year ended 31 December 2015 – CEO/CFO Analyst Briefing Presentation and Materials

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

a) a presentation;

b) CEO and CFO speeches;

c) Telstra's Half-Year Results and Operations Review; and

d) financial and statistical tables.

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

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

TELSTRA HALF-YEAR 2016 RESULTS ANNOUNCEMENT

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DISCLAIMER

- These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in Telstra's Annual Report dated 13 August 2015 lodged with the ASX and available on Telstra's Investor Centre website www.telstra.com/investor.
- These presentations are not intended to (nor do they) constitute an offer or invitation by or on behalf of Telstra, its subsidiaries, or any other person to subscribe for, purchase or otherwise deal in any debt instrument or other securities, nor are they intended to be used for the purpose of or in connection with offers or invitations to subscribe for, purchase or otherwise deal in any debt instruments or other securities.
- All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences.
- All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.
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TELSTRA HALF-YEAR 2016 RESULTS ANNOUNCEMENT

ANDREW PENN
CHIEF EXECUTIVE OFFICER

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AGENDA

1. Overview	**Andrew Penn**
2. Financial results	**Warwick Bray**
3. FY16 priorities	**Andrew Penn**
4. Q&A	**Andrew Penn, Warwick Bray**

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HALF-YEAR 2016 HIGHLIGHTS

Reported basis	Reported basis	Reported basis
Total income	EBITDA	Net profit after tax
$14.2b, +9.1%	$5.4b, +1.7%	$2.1b, +0.8%

Guidance basis, ex Pacnet[1]	Guidance basis, ex Pacnet[1]
Total income	EBITDA
$14.0b, +7.3%	$5.4b, +1.4%

1. This guidance assumes wholesale product price stability from the beginning of the financial year and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex. Guidance and ex-Pacnet is on a guidance basis and excluded 1H16 $247m sales revenue, $214m operating expenses and $33m EBITDA related to Pacnet.

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HALF-YEAR 2016 HIGHLIGHTS

- Earnings per share 17.2 cents, +1.8%
- Interim dividend of 15.5 cents per share, +3.3% on pcp
- Net addition of 235,000 retail mobile customer services
- Retail fixed broadband customer growth of 121,000
- NBN DA revenues increased to $636m with further major contracts signed
- Mobile network data growth of 42%
- Overall NPS score improved by 3 points compared to December 2014
- 1.6 million customer rewards via Telstra Thanks
- NAS revenue up 32.7% with further margin improvements
- Pacnet integration synergies tracking ahead of target

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TELSTRA HALF-YEAR 2016 RESULTS ANNOUNCEMENT

WARWICK BRAY
CHIEF FINANCIAL OFFICER

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AGENDA

1. Group results
2. Business unit and product performance
3. Expenses and productivity
4. Capital management
5. Guidance

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GROUP RESULTS – INCOME STATEMENT

	1H15	1H16	GROWTH (reported basis)	GROWTH (guidance basis[1])	GROWTH (guidance & ex-Pacnet[2])
Sales revenue	$12.6b	$13.6b	7.8%	7.9%	6.0%
Total income[3]	**$13.0b**	**$14.2b**	**9.1%**	**9.2%**	**7.3%**
Operating expenses	$7.7b	$8.8b	14.2%	14.2%	11.4%
EBITDA	**$5.3b**	**$5.4b**	**1.7%**	**2.1%**	**1.4%**
Depreciation and amortisation	$2.0b	$2.0b	2.5%		
EBIT	**$3.3b**	**$3.4b**	**1.3%**		
Net finance costs	$0.4b	$0.3b	-3.7%		
Income tax expense	$0.9b	$0.9b	3.3%		
NPAT from continuing operations	**$2.1b**	**$2.1b**	**1.3%**		
NPAT[4]	**$2.1b**	**$2.1b**	**0.8%**		
Basic earnings per share (cents)[4]	**16.9**	**17.2**	**1.8%**		

1. This guidance assumes wholesale product price stability from the beginning of the financial year and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex.
2. Guidance and ex-Pacnet is on a guidance basis and excluded 1H16 $247m sales revenue, $214m operating expenses and $33m EBITDA related to Pacnet.
3. Total income excludes finance income.
4. NPAT and basic earnings per share from continuing and discontinued operations.

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GROUP RESULTS – FINANCIAL MEASURES

	1H15	1H16	GROWTH (reported basis)
Capex[1]	$1.7b	**$2.1b**	20.0%
Free cashflow	$0.3b	**$1.9b**	n/m
Ordinary DPS (cents)	15.0	**15.5**	3.3%
Ratios			
Capex to sales	13.7%	**15.2%**	+1.5pp
Payout ratio	89%	**90%**	+1pp
ROE[2]	30.7%	**29.4%**	-1.3pp
ROIC[3]	16.5%	**15.0%**	-1.5pp
Gearing	49.0%	**48.7%**	-0.3pp

1. Capex is defined as additions to property, equipment and intangible assets including capital lease additions, excluding expenditure on spectrum, measured on an accrued basis. Capex excludes externally funded spend.
2. ROE from continuing and discontinued operations.
3. ROIC is calculated as NPAT (from continuing and discontinued operations) as a percentage of total capital. Previously disclosed ROIC on a continuing operations basis 1H15 16.4%.

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BUSINESS UNIT RESULTS

INCOME	1H15	1H16	GROWTH (reported basis)
Telstra Retail[1]	**$8.5b**	**$8.7b**	**2.1%**
- Consumer	$6.0b	$6.2b	2.8%
- Business	$2.5b	$2.5b	0.5%
Global Enterprise and Services[2]	**$2.6b**	**$3.2b**	**21.2%**
- GES domestic	$2.2b	$2.3b	7.3%
- GES global	$0.4b	$0.8b	81.7%
Telstra Wholesale	**$1.2b**	**$1.3b**	**5.3%**

- Consumer growth due to fixed data and mobile subscriber adds.
- Business growth through NAS, including security monitoring and e-commerce. Growth partially offset by fixed voice and ISDN subscriber declines.
- GES growth due to increased global connectivity, NAS, domestic enterprise mobility, and acquisitions of Pacnet and Ooyala.
- Wholesale growth largely due to increased Infrastructure Services Agreement ownership receipts in line with NBN rollout.

1. Telstra Retail segment includes Telstra Consumer and Telstra Business. Telstra Retail comparative restated to exclude Telstra Media Group and Telstra Health. Telstra Media Group and Telstra Health contributed income of $157m (1H15 $151m). Telstra Media Group income includes Foxtel distribution, cable access revenue and advertising revenue. Other media entertainment, services and content income is allocated to Telstra Consumer and Telstra Business.
2. Global Enterprise and Services (GES) includes $105m (1H15 $86m) of GES global inter-segment revenue treated as external expense in Telstra Retail and Telstra Wholesale. GES includes GES domestic, GES global and other GES, including the recently formed Telstra Software Group and its acquisitions.

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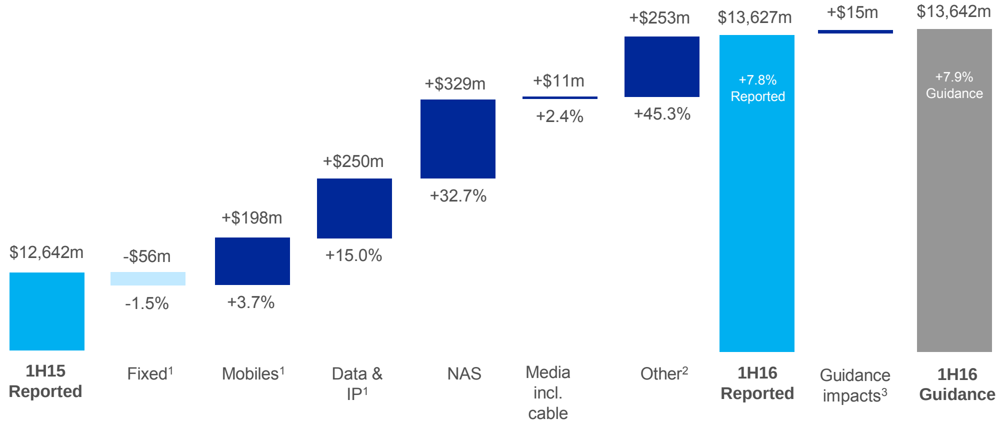
PRODUCT SALES REVENUE PERFORMANCE



1. Fixed, data & IP and mobiles include global revenue growth (previously reported in Other product category). 1H16 fixed revenue decline excluding global -$89m or -2.5%. 1H16 data & IP revenue decline excluding global -$24m or -1.6%. Impact of global revenue on 1H16 mobile growth negligible.
2. Other includes China Digital Media (Autohome), Health, Software, late payment fees and miscellaneous revenue. It also includes revenue related to the NBN rental of our infrastructure.
3. Guidance impacts include adjustments for ACCC Final Access Determination (FAD) pricing for fixed services and M&A.

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PRODUCT PERFORMANCE: FIXED

FIXED	1H15	1H16	GROWTH
Revenue[1]	$3,620m	**$3,564m**	-1.5%
- Fixed voice	$1,917m	**$1,772m**	-7.6%
- Fixed data	$1,175m	**$1,254m**	6.7%
- Other fixed[2]	$528m	**$538m**	1.9%
EBITDA margin – fixed voice	56%	**54%**	-2pp
EBITDA margin – fixed data	42%	**41%**	-1pp
Fixed voice customers – retail	6.1m	**5.9m**	-4.1%
Fixed data customers – retail	3.0m	**3.3m**	7.3%
Fixed bundle customers – consumer	2.0m	**2.2m**	13.9%

- Rate of fixed voice revenue decline broadly maintained with a continued focus on retention and good momentum from bundling.
- Fixed data growth due to 121,000 1H16 subscriber adds and sustained ARPU. Best half of net subscriber adds in over three years.
- Fixed voice and data EBITDA margins include upfront costs in connecting NBN customers and growing network payments to NBN Co.
- In 1H16, we grew NBN connections by 118,000 to 329,000. NBN connections include 259,000 bundled and 18,000 data only.
- 1H16 retail bundle growth of 163,000 with 73% of fixed data customers on a bundled plan.
- Strong launch of Telstra Air with over 320,000 customers joining by the end of H1.

1. 1H15 revenue restated to include $115m other fixed revenue from global connectivity. 1H16 global other fixed revenue $148m. 1H16 fixed revenue decline excluding global -$89m or -2.5%.
2. Other fixed revenue includes intercarrier services, payphones, customer premises equipment and narrowband.

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PRODUCT PERFORMANCE: MOBILES

MOBILES	1H15	1H16	GROWTH
Revenue[1]	$5,328m	**$5,526m**	3.7%
- Postpaid handheld	$2,701m	**$2,706m**	0.2%
- Prepaid handheld	$498m	**$495m**	-0.6%
- Mobile broadband	$649m	**$639m**	-1.5%
- Machine to Machine	$55m	**$60m**	9.1%
- Hardware	$946m	**$1,121m**	18.5%
- Other[2]	$479m	**$505m**	5.4%
EBITDA margin	40%	**39%**	-1pp
Customers – retail	16.4m	**16.9m**	3.3%
Postpaid handheld ARPU ex. MRO	$69.71	**$69.03**	-1.0%
Postpaid handheld ARPU inc. MRO	$62.22	**$61.38**	-1.4%
Postpaid handheld churn[3]	10.8%	**10.7%**	-0.1pp

- Retail 1H16 mobile customer growth of 235,000 including 80,000 postpaid handheld. Good net adds over Christmas trading period.
- Mobile services revenue growth 0.5%.
- Postpaid handheld revenue growth due to 1.5% SIO growth and continued growth in minimum monthly commitment offset by lower excess charges.
- Postpaid handheld ARPU ex. MRO decreased 68c on 1H15 and 5c on 2H15.
- Prepaid handheld revenue decline due to 4.5% unique user growth offset by lower ARPU.
- M2M growth from across fleet management and logistic sectors.
- EBITDA margin decline due to mix of hardware and services, and lower services margin.
- Churn remains low.

1. 1H15 revenue restated to include $2m in other mobile revenue from global connectivity and exclude $1m hardware.
2. Other includes wholesale resale, satellite and interconnection.
3. 1H15 churn restated from 12.0% to correct for internal customer transfers that were previously stated as churn.

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PRODUCT PERFORMANCE: DATA & IP

DATA & IP	1H15	1H16	GROWTH
Revenue[1]	$1,664m	**$1,914m**	15.0%
- IP access	$601m	**$597m**	-0.7%
- ISDN	$340m	**$312m**	-8.2%
- International data & calling products[2]	$195m	**$466m**	139.0%
- Other data & calling products	$528m	**$539m**	2.1%
EBITDA margin[3]	64%	**62%**	-2pp
IP MAN SIOs	34k	**37k**	8.8%
IP WAN SIOs	109k	**113k**	3.7%

- Total data & IP revenue growth due to more global connectivity offerings including from our Pacnet acquisition.
- Domestic data & IP performed well against market with customers embracing our complementary NAS products and Next IP network flexibility, scalability and security.
- IP access decline reflects recent yield trends offset by growth in IP customer connections.
- IP MAN revenue up 4.7% with services in operation up 8.8% reflecting customer wins and demand for IP value added services.
- ISDN decline due to continued steady migration to IP access and NAS.
- EBITDA margin impacted by yield trends in the IP market and domestic revenue decline.

1. 1H15 revenue restated to include $206m data & IP revenue from global connectivity ($195m international data & calling products and $11m IP access). 1H16 global data & IP revenue $480m ($466m international data & calling products and $14m IP access). 1H16 data & IP revenue decline excluding global -$24m or -1.6%.
2. 1H16 revenue including Pacnet data & IP revenue $209m. The acquisition of Pacnet was completed Apr-15.
3. EBITDA margin on domestic data & IP.

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PRODUCT AND BUSINESS LINE PERFORMANCE: NAS

NAS	1H15	1H16	GROWTH
Revenue	$1,007m	**$1,336m**	32.7%
- Managed network services	$235m	**$303m**	28.9%
- Unified communications	$348m	**$402m**	15.5%
- Cloud services	$120m	**$181m**	50.8%
- Industry solutions	$251m	**$362m**	44.2%
- Integrated services	$53m	**$88m**	66.0%
Direct contribution margin[1]	9%	**11%**	+2pp
NAS revenue by segment[2]			
Business	$251m	**$313m**	24.7%
GES domestic	$715m	**$937m**	31.0%
GES global[3]	$41m	**$86m**	109.8%

- NAS revenue growth has been more than 20% in five of the past seven halves.
- Acceleration in 1H16 NAS revenue growth with strong underlying performance across all offerings and achievement of significant delivery milestones on some major accounts.
- We expect single-digit NAS revenue growth in 2H16 due to timing of milestones in FY16.
- Industry solutions growth led by commercial works for NBN.
- Industry awards for service excellence and innovation.
- telkomtelstra JV has achieved early customer wins, strong delivery and a healthy pipeline.
- Further improvements in EBITDA margin through operational leverage, scalable standardised offerings and lower cost global delivery model.

1. Direct contribution margin on domestic NAS.
2. Business including Telstra Business and Telstra Consumer. GES domestic including Telstra Operations.
3. 1H16 revenue includes Pacnet NAS revenue $35m.

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PRODUCT PERFORMANCE: MEDIA – FOXTEL

FOXTEL ($ amounts in AUD under Australian IFRS)	1H15	1H16	GROWTH
Revenue	$1,574m	**$1,660m**	5.5%
EBITDA[1]	$470m	**$434m**	-7.7%
EBIT[1,2]	$278m	**$277m**	-0.5%
Total subscribers	2,667k	**2,884k**	8.1%
Churn	11.4%	**10.2%**	-1.2pp
Receipts in Telstra's books[3]			
Distribution received	$50m	**$37m**	-26.0%
Cable access revenue	$60m	**$58m**	-3.3%

- Revenue growth due to customer growth, with subscriber revenue up 4.2%.
- EBITDA has decreased due to planned increases in programming costs to support subscriber growth, and continued investment in Triple Play and Presto.
- Subscriber growth driven by 7.4% increase in broadcast subscribers due to the pricing and package changes in Nov-14.
- Reduced churn through increased TV content investment.

1. Excludes unusual cost items (1H16 $5m, 1H15 $2m).
2. Excludes share of (profits)/loss from associates (1H16 $3m, 1H15 ($3m)).
3. Excludes interest received and Telstra Wholesale revenue received from Foxtel.

PRODUCT PERFORMANCE: MEDIA

MEDIA ENTERTAINMENT SERVICES AND CONTENT	1H15	1H16	GROWTH
Revenue[1]	$405m	**$418m**	3.2%
- Media In the Home	$364m	**$384m**	5.5%
- Foxtel from Telstra[2]	$322m	**$350m**	8.7%
- IPTV[3]	$42m	**$34m**	-19.0%
- Media On the Go[4]	$41m	**$34m**	-17.1%
Foxtel from Telstra subscribers	560k	**660k**	17.9%
IPTV subscribers[3]	190k	**224k**	17.9%
Telstra TVs in market[5]	-	**43k**	n/m
Movie downloads[6]	2.7m	**2.2m**	-17.6%

- Telstra Media continued to deliver 'Better with Telstra' content experiences to create value from our core business through Media 'In the Home' and Media 'On the Go'.
- In the Home, we continued our strategy to bundle with core fixed products with the launch of Telstra TV in October and 17.9% growth of Foxtel from Telstra subscribers.
- IPTV revenue decline reflects the transition away from T-Box towards Foxtel from Telstra and Telstra TV. Excluding T-Box and Foxtel on T-Box, IPTV revenue grew 12.3% through SVOD and Telstra TV.
- Media On the Go renewed our partnerships with both the AFL and NRL. In August 2015 we began offering Apple Music to generate further content usage across our mobile products.

1. Total media revenue excludes cable access revenue and distribution received from Foxtel.
2. Foxtel from Telstra comprises previously disclosed Premium Pay TV.
3. IPTV comprises Foxtel on T-Box, BigPond Movies services, T-Box and Telstra TV device sales, and SVOD. IPTV Subscribers includes Foxtel on T-Box subscribers and SVOD subscribers.
4. Media On the Go comprises previously disclosed mobility and other content/digital content services.
5. Telstra TVs in market is defined as cumulative landed sales, i.e. sale appears on customers bill.
6. Movie downloads represents BigPond Movies services.

PRODUCT PERFORMANCE: AUTOHOME

汽车之家
AUTOHOME INC.

AUTOHOME[1] ($AUD)	1H15	1H16	GROWTH	GROWTH (in local currency)
Revenue	$215m	**$392m**	82.3%	53.9%
EBITDA	$93m	**$137m**	47.3%	24.7%
Dealer subscription services[2]	17,080	**19,875**	16.4%	
Average daily unique visitors via mobile website[2]	4.3m	**7.7m**	79.1%	
Average daily unique visitors via Autohome app[2]	3.4m	**6.1m**	79.4%	

- Strong revenue growth from increased advertising services and dealer subscribers.
- Dealer subscriber growth due to expansion into new cites and provinces.
- EBITDA growth despite additional labour and advertising costs supporting business expansion.

1. Our interest in Autohome is 54.3%.
2. Quarter ended 31 December 2015 vs. Quarter ended 31 December 2014.

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NBN DEFINITIVE AGREEMENTS

NBN	1H15	1H16	GROWTH
Income	$385m	**$636m**	65.2%
- Commonwealth agreements and other Govt. policy commitments[1]	$90m	**$118m**	31.1%
- ISA: Duct, Rack and Backhaul[2]	$173m	**$186m**	7.5%
- ISA: Ownership receipts[2]	$46m	**$101m**	119.6%
- PSAA[3]	$76m	**$231m**	203.9%

- Strong growth in Infrastructure Services Agreement ownership receipts and PSAA income in line with the progress of the NBN rollout.
- Increase in receipts from Commonwealth Agreements due to timing.
- Telstra and NBN have signed a non binding MOU to support the NBN HFC network build.
- Telstra was awarded work as one of the network operations and maintenance services providers to NBN, with work anticipated to start in March 2016.

1. This includes retraining and income from government grants under the Telstra Universal Service Obligation Performance Agreement (TUSOPA). TUSOPA booked as other income in "All other" segment. TUSOPA is run by Department of Communications and the income is net of the levy paid.
2. Infrastructure Services Agreement (ISA) booked as other sales revenue (for NBN access to our duct, rack and backhaul infrastructure) and other income (ownership receipts for assets transferred under the NBN Definitive Agreement) in Telstra Wholesale segment.
3. This includes income from NBN disconnection fees (Per Subscriber Address Amount (PSAA)) booked as other income and recognised in "All other" segment.

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OPERATING EXPENSES

OPERATING EXPENSES	1H15	1H16	GROWTH	GROWTH (contribution)
- Sales (core DVC)	$3.12b	$3.52b	13.1%	5.3pp
- Fixed (core non DVC)	$3.97b	$4.05b	1.9% underlying -1.1%	1.0pp
- Growth (new business, corporate and M&A)[1]	$0.60b	$1.00b	67.4%	5.1pp
Opex ex-Pacnet	**$7.69b**	**$8.57b**	**11.4%**	**11.4%**
- Pacnet	-	$0.21b	n/m	
Total Opex	**$7.69b**	**$8.78b**	**14.2%**	

- Sales and variable cost growth supported revenue growth, including higher:
  - Mobile costs of goods sold (COGs) and commissions
  - NAS COGs and costs of sales
  - Access payments to NBN
  - Service fees to Foxtel
- Excluding significant transactions and events, core fixed decline of 1.1%.
- Growth in new business, corporate and M&A costs due to Autohome, Health and Software growth.
- $206m cost productivity delivered in 1H16 (1H15 was $196m).

1. New business includes China Digital Media (including Autohome), GES global, Health and Software.

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CAPITAL MANAGEMENT FRAMEWORK

FISCAL DISCIPLINE

OBJECTIVES

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

PRINCIPLES

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

Cumulative excess free cash (from the start of FY12): $2.2b as at 31 December 2015

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

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CAPITAL MANAGEMENT

		1H15	FY15	1H16
Gross debt[1]		$14.8b	$15.0b	**$16.2b**
Liquidity		$1.7b	$1.4b	**$2.2b**
Net debt		$13.1b	$13.6b	**$14.1b**
Average gross borrowing costs[2]		5.9%	5.8%	**5.6%**
Average debt maturity (years)		4.6	5.0	**4.6**
Financial parameters	Target Zones			
Debt servicing	1.3 – 1.8x	1.2x	1.3x	**1.3x**
Gearing	50% to 70%	49.0%	48.3%	**48.7%**
Interest cover	>7x	14.9x	15.0x	**14.4x**

- Free cash flow increased from $0.3bn in 1H15 to $1.9bn.
  - 1H16 included capex of $2.1b and investments of $51m[3].
  - 1H15 included $1.3b for spectrum payments, capex of $1.7b and investments of $508m[3].
- The 1H16 increase in gross debt reflects build up of additional liquidity to provide prudent coverage for funding requirements.
- Financial parameters remain at the conservative end of our target zones.

1. Represents position after hedging based on accounting carrying values. Gross debt comprises borrowings and derivatives.
2. Represents gross interest cost on gross debt.
3. Cashflows associated with M&A activity include: 1H16 $49m in shares in controlled entities, joint ventures and other investments, and includes adjustment of $2m cash acquired from completion of Pacnet; 1H15 $489m in shares in controlled entities, joint ventures and other investments and a further -$19m NPAT as a proxy for cash.

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2016 GUIDANCE[1]

MEASURE	FY15 BASELINE	FY16 GUIDANCE
Total income	$26.6b	Mid-single digit growth
EBITDA	$10.7b	Low-single digit growth
Capex to sales	13.9%	~15%
Free cashflow	$5.0b	$4.6b - $5.1b

1. This guidance assumes wholesale product price stability from the beginning of the financial year and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex.

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TELSTRA HALF-YEAR 2016 RESULTS ANNOUNCEMENT

ANDREW PENN
CHIEF EXECUTIVE OFFICER

IT'S HOW WE CONNECT

OUR PURPOSE, VISION AND STRATEGY

Purpose:	To create a brilliant connected future for everyone				
Vision:	To be a world class technology company that empowers people to connect				
	Customer service	Technology	Networks	Delivery	
Strategy:	Improve customer advocacy	Drive value & growth from the core	Build new growth businesses		
FY16 Priorities:	Continue to consolidate our network leadership	Accelerate our productivity programme	Win in the NBN market and reduce our cost to acquire	Continue to invest in long term growth	Bring to life what it means to be a world class technology company

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FY16 PRIORITY:
CONTINUE TO CONSOLIDATE OUR NETWORK LEADERSHIP

Progress

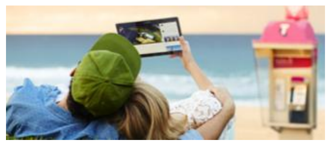
Mobile network investment of **$667 million** in 1H16

96% of the population is now covered by Telstra's 4G Network and on track to reach **99%** by June 2017

Additional **3Tbps** of submarine cable capacity taking the total capacity to over **33Tbps**

Upgraded **1,243** sites to 4GX using superior APT700 spectrum for more reliable service and deeper in-building coverage in more places

Over **66%** of all mobile traffic now on our 4G network



9 million VoLTE calls in the month of January, four months after launch

Telstra Air membership now over **500,000** members including over **120,000** mobile customers

We are committed to maintaining our network leadership and the quality of services on which our customers rely

IT'S HOW WE CONNECT

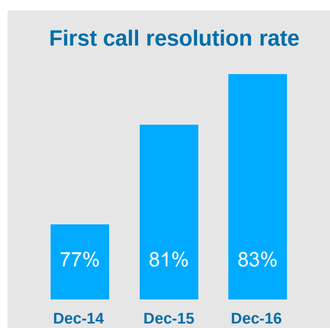
FY16 PRIORITY:
ACCELERATE OUR PRODUCTIVITY PROGRAMME

Progress

Overall inbound call volumes reduced by **7%**

Strategic NPS improved by **3 points** compared to December 2014

Target net cost reduction year-on-year for fixed costs



Online self-serve assurance interactions have increased from **150,000** in 1H15 to **1,000,000** in 1H16

Cross company TIO level 1 complaints have reduced by **15%**

Increasing digitisation, simplification and getting more right first time will lead to productivity and better customer outcomes

IT'S HOW WE CONNECT

FY16 PRIORITY:
WIN THE NBN MARKET AND REDUCE OUR COST TO ACQUIRE

Progress

Consumer NBN NPS improved by **20 points** compared to December 2014

71% of new consumer NBN connections join Telstra Air

Cost to connect reduced by **18%**

118,000 new NBN connections taking total NBN connections to 329,000 with almost **80%** of new customers on a bundled plan

Nearly **two thirds** of consumer customers choosing self installation

Six out of ten small business customers choosing Digital Office Technology bundles when moving to NBN

We will continue to leverage both our Telstra and Belong brands to win share

IT'S HOW WE CONNECT

FY16 PRIORITY:
CONTINUE TO INVEST IN LONG TERM GROWTH

Progress

Better with Telstra content experiences:

- Product launch of **Telstra TV**
- **Apple Music** offer
- Renegotiated sports rights for **AFL / NRL**

Telstra Health contract wins:

READYCARE® CLOUDMED dr foster. MY CARE MANAGER

Telstra Broadcast Services

Contract wins including contract renewal with Network Ten for its global content delivery via fibre

Telstra Ventures

Investment in **trader voice technology**

enepath The Fully Distributed Solution

Ooyala

43% increase in Ooyala customers' served ad impressions

PBS

Three major data centre deals for **PBS** in China

Investments in our core and new businesses are leveraging technology, increasing our capabilities and growing in scale

IT'S HOW WE CONNECT

FY16 PRIORITY:
BRING TO LIFE WHAT IT MEANS TO BE A WORLD CLASS TECHNOLOGY COMPANY

INNOVATION

- Accelerators and early stage
- Collaboration and partnering
- New methods and technologies
- Early stage product and strategy development
- Human capital required to support innovation

Gurrowa project pipeline

ENJOY FREE WI-FI THIS SUMMER

On Australia's largest Wi-Fi network

WORLD FIRSTS

- 200Gbps optical encryption
- "Liquid Spectrum"
- Commercial peak speeds of 600Mbps on Cat 11 devices
- 1Gbps peak speed capability demonstrated

AWARDS

Telecom Service Provider Innovation Awards

Gartner

Brand Finance®

2015 iAWARDS

Our ability to create, to innovate and to stay focused on our customers is critical and we have the capabilities, insights and initiatives to be a leader to do this

SUMMARY

Our strategy has continued to deliver

Customers remain our highest priority and we will continue to find ways to improve their experiences

On a reported basis, total income, excluding finance income, +9.1% to $14.2b; EBITDA +1.7% to $5.4b, NPAT +0.8% to $2.1b

Interim dividend of 15.5 cents per share, +3.3%

Guidance for FY16 is confirmed

CEO & CFO SPEECH NOTES

TELSTRA HALF YEAR RESULTS

18 FEBRUARY 2016

ANDREW PENN – CEO

Good morning and welcome to Telstra's financial results for the Half Year ended 31 December 2015.

SLIDE 4: AGENDA

We will cover three things in our presentation this morning:

Firstly, I will provide a brief overview of the highlights for the Half.

I will then hand over to Warwick Bray, our Chief Financial Officer, who will take you through the numbers in more detail.

Finally, I will make some comments on our progress towards delivering our strategy and meeting our key priorities for 2016.

Warwick and I will then be happy to take any questions you may have.

Before I turn to the highlights I would like to briefly comment on our mobile network.

Last Sunday was the biggest day in history for Telstra on our mobile network as many customers took up our offer of a free data day. This was part of our apology for the network outage earlier in the week.

The outage impacted voice and data services for approximately 15% of our mobile customers for around two hours with some flow on effects for others.

Firstly, let me say we place the highest priority on the quality of our networks and we invest heavily to give our customers the best and most reliable mobile network in the country. That is why we were incredibly disappointed that this outage occurred and we sincerely apologise for the inconvenience it caused.

Ultimately the cause of the event was more in the nature of human error rather than the technical performance of the network. However, this does not make it any less significant.

Customer advocacy is our number one priority as a company. It is my number one priority. That means our customers are at the heart of everything we do.

I personally spend time every day reviewing customer feedback. While I am encouraged that the number of complaints we receive is reducing I know we still have much to do.

On behalf of Telstra therefore, I apologise again and thank everyone for their patience while services were restored.

While I realise it does not alter the inconvenience caused, the network was thoroughly tested on Sunday and acquitted itself well. Many customers took full advantage of the free data to consume the largest single data day for our network ever, almost 2000 terabytes.

Let me turn now to the highlights of our results.

SLIDE 5: HALF YEAR 2016 HIGHLIGHTS

In the first half of the 2016 financial year we grew fixed broadband, bundle and mobile customer numbers. We saw strong income growth with more modest growth in EBITDA and net profit after tax.

On a reported basis:

- Total income, excluding finance income, for the Half Year increased 9.1% to $14.2bn;
- EBITDA was up 1.7% to $5.4bn; and
- Net profit after tax was up 0.8% to $2.1bn.

These results are the first full six month operating period with Pacnet, which we acquired in April 2015.

Looking at the financial performance on a guidance basis, and excluding Pacnet:

- Total income, excluding finance income, for the Half Year increased 7.3% to $14.0bn; and
- EBITDA was up 1.4% to $5.4bn.

SLIDE 6: HALF YEAR 2016 HIGHLIGHTS

Turning now to other highlights in the Half.

Earnings per share increased 1.8% to 17.2 cents per share and the Board has declared an interim dividend of 15.5 cents per share, up 3.3% compared with the previous corresponding period.

We added 235,000 domestic retail mobile services, including 80,000 post-paid handheld customers to bring our total mobile subscriber base to 16.9 million.

We added 121,000 retail fixed broad band and 163,000 customers on a fixed bundle.

We also now have more than 500,000 customers registered to use Telstra Air, including more than 120,000 mobile customers.

Turning to the NBN, Telstra received $636 million under the NBN Definitive Agreements. We also announced we had signed a Memorandum of Understanding to negotiate a significant contract to support the NBN network build in areas currently covered by Telstra's hybrid fibre-coaxial footprint.

Separately, we won two contracts to complete work as a network operations and maintenance services provider to NBN. These two contracts, both expected to start in March this year, have estimated combined first year revenue of approximately $80m and cover a variety of fault fixing and connection work.

Our customers continue to embrace technology and connected mobility. The amount of data carried over our mobile network was 42% higher in the month of December 2015 than it was in December 2014.

The Telstra Thanks rewards program continues to grow in popularity with special deals and offers for movies, live music, sporting events and now includes some of Australia's best galleries and performing arts.

Our customers accessed 1.6 million tickets in the Half, an increase of over 20% compared to the prior year driving increased customer loyalty.

In GES we continued to launch innovative products to meet the changing needs of businesses, government and multi-national corporations around the world.

NAS income increased 32.7% to $1.3 billion with strong underlying performance across all offerings and the achievement of significant contractual milestones on major accounts.

With Pacnet, we are tracking ahead of our targeted integration synergies and the teams of the two companies have been successfully combined across branding, products, pricing and customer relationships.

We remain confident we will realise our acquisition criteria and run-rate synergies.

Most importantly and while we still have more to do to improve customer advocacy, our NPS improved by 3 points compared to 2014.

With that let me now hand to Warwick who will take you through the results in more detail.

WARWICK BRAY - CFO

SLIDE 7 – TELSTRA HALF YEAR RESULTS ANNOUNCEMENT 2016

Thank you Andy and good morning everybody.

SLIDE 8 - AGENDA

The presentation this morning breaks down as:

Firstly, the overall results and comments on performance against guidance and the prior period.

Secondly, the business unit and product performance.

Thirdly, our expenses and productivity.

Fourthly, an update on our main balance sheet movements and our capital position; and

Finally, some comments on guidance for FY16.

First, the overall performance of the business.

SLIDE 9 – GROUP RESULTS – INCOME STATEMENT

On a reported basis:

- Sales revenue for the half was up 7.8% to $13.6bn
- Total income was up 9.1% to $14.2bn; and
- EBITDA was up 1.7% to $5.4bn

We have reported an increase in depreciation and amortisation of 2.5% mostly due to our acquisition of 700Mhz spectrum in the first half of FY15. Excluding amortisation - depreciation of PP&E decreased by 1.0%.

Net finance costs were down 3.7% to $340m due to:

- an economic benefit from lower average gross borrowing costs – from 5.9% to 5.6% - partly offset by increased average gross debt.
- We also had a small non cash benefit from adoption of AASB 9. AASB 9 has enabled us to significantly reduce volatility associated with the fair value movement of our derivatives.

Net finance costs paid in cash were down 4.7% to $382m.

Income tax was up 3.3% to $905m. We paid over $1.7b for the 2014 income year and were the 7th largest company tax payer, paying around 2.6% of total company tax, based on large public company tax data published by the ATO in December 2015 .

Net profit after tax was up 0.8% to $2.1bn, and Basic EPS was up 1.8%.

On a guidance basis, our growth was broadly in line with reported growth. On a guidance basis, we have excluded a $16m impact from the implementation of the ACCC Final Access Determination for fixed line services from 1 November 2015, and a small amount of M&A.

On a guidance basis:

- Total income was up 9.2%; and
- EBITDA was up 2.1%

Income growth at 9.2% was influenced by the lower Australian dollar, and that has pushed us to the very upper end of guidance.

This is our first full six months operating with Pacnet, which was acquired in April 2015. As a result, our current numbers are impacted on a comparative basis.

Our income and EBITDA on a guidance basis **and** excluding Pacnet for the first half, most closely represents our underlying performance on a comparative basis. This is shown in the last column.

On a guidance basis and excluding Pacnet operating results:

- Income growth was 7.3%; and
- EBITDA growth was 1.4%

We now move to our other main financial measures.

SLIDE 10 – GROUP RESULTS – FINANCIAL MEASURES

Capex was up 20.0% to $2.1bn, including increased investment in our mobile network.

Our capex to sales ratio of 15.2% was consistent with our full year guidance of approximately 15%.

On a reported basis, free cash flow increased from $262m in the first half of FY15 to $1.9bn.

- A large part of the increase was due to the prior period including outflows for:
  - $1.3bn invested in spectrum; and
  - $508m related to M&A and associated transactions.
- In the current period, capex was $345m higher; and proceeds from the sale of property, plant and equipment have increased by $214m mainly due to the transfer of assets to NBN Co under the NBN Definitive Agreements.

As Andy mentioned, the Board has declared a fully franked interim dividend for first half of FY16 of 15.5 cents per share, up half a cent on the first half of FY15 interim dividend, and at the same level compared to the FY15 final dividend.

Our dividend policy remains unchanged and future dividends will be subject to the Board's normal semi-annual approval process, and in line with our capital management framework that sets out our goal to seek to increase the dividend over time based on growth in EPS on a sustainable basis.

Return on Equity and Return on Invested Capital both fell due to increased net debt and equity, including investment in growth businesses, down 1.3 percentage points and 1.5 percentage points respectively.

Gearing fell 0.3 percentage points to 48.7%. Our credit metrics and balance sheet settings remain at the conservative end of our target zones and we retain our sound liquidity position.

Turning to income performance across our business units.

SLIDE 11 – BUSINESS UNIT RESULTS

We have seen income growth across all of our business units.

Total retail income was up 2.1% to $8.7bn.

- Consumer was up 2.8% to $6.2bn with growth in mobile subscriber additions, mobile hardware and fixed data.
- Business was up 0.5% due to NAS organic growth and acquisitions, including:
    - Telstra SNP Monitoring – which includes home and business security
    - AFN solutions – which provides intelligent security monitoring; and
    - Neto – an e-commerce enabler.
- Business growth was partially offset by fixed voice and ISDN subscriber declines.

Global enterprise and services income grew 21.2% including the acquisitions of Pacnet and our software businesses.

- GES domestic grew 7.3%, mostly organically, due to strong NAS growth and continued mobile services revenue growth. Within NAS, growth was across offerings and included the achievement of significant delivery milestones on some major accounts.
- GES global grew 81.7% to $0.8b. Including Pacnet, we have expanded our geographical presence and base of enterprise and wholesale customers.

Finally, Telstra Wholesale income was up 5.3% to $1.3bn largely due to an increase in ISA ownership receipts in line with the NBN rollout.

Telstra Wholesale income was reduced by the implementation of the ACCC Final Access Determination for fixed line services from 1 November 2015.

Turning now to our sales revenue performance by product.

SLIDE 12 – PRODUCT PERFORMANCE

We are reporting our product sales revenue on a different basis to previous periods. We have now incorporated our International business - as it relates to our fixed, data and IP and mobiles categories - into these respective product numbers. This has the largest impact on data and IP.

Overall, we saw continued growth in the first half of FY16, with sales revenue up 7.8% to $13.6bn on a reported basis; and up 7.9% on a guidance basis.

There has been a significant contribution made by our mobile, data and IP, and NAS businesses during the period.

- Fixed was down 1.5% including a domestic decline of 2.5%. We'll turn to our fixed product performance on the next slide, but we do continue to be encouraged by our fixed line performance.
- Mobiles was up $198m or 3.7%, a slower rate of growth than previous years.
- Data and IP was up $250m or 15.0% including Pacnet. Domestically, data and IP declined 1.6% broadly in line with previous halves.
- NAS continued its rate of growth, up $329m or 32.7%. NAS revenue has achieved more than 20% growth for five of the last seven halves and now has annualised revenues of around $2.5b. We will comment more on NAS growth in a moment.
- Autohome, in particular, contributed to the $253m growth in "Other". Other also includes NBN ISA access receipts, Health and Software.

Our investments in Telstra Health and the Telstra Software Group form part of our Growth agenda. We are continuing to invest in our new businesses to allow them to grow in scale, capability and reputation.

Turning to the product performance in detail starting with our fixed portfolio.

SLIDE 13 - FIXED

Overall, fixed product revenue was down 1.5% for the half.

The fixed voice revenue decline was contained to 7.6%, broadly in line with the prior corresponding period. Retail fixed voice customer line loss slowed to 129,000, or 2.2% in the first half of FY16, due to continued focus on retention through our save cells and good momentum from bundling. Our ARPU decline of 4.8% was in line with the prior corresponding period.

Fixed data revenue grew 6.7%. Retail fixed broadband subscriptions grew by 121,000 in the first half of FY16 – our best half of net subscriber additions in over three years. Average fixed data ARPU improved 0.1% despite data inclusions increasing. Our Belong offering was an important part of our fixed data performance.

The fixed voice margin fell by 2 points due to lower revenues, while the fixed data margin also fell by 1 point. Both fixed voice and data margins were negatively affected by the cost of connecting customers to the NBN, and the ongoing NBN network costs. Excluding NBN, underlying fixed data margins increased on the prior period and on the second half of FY15.

During the half we added 118,000 NBN connections. As at 31 December 2015, we had 329,000 NBN connections, made up of:

- 259,000 voice and data bundles;
- 18,000 data only services; and
- 52,000 voice only services.

Our NBN market share remains above our legacy data market share and was stable in the half. We differentiate our NBN services based on network quality and unique content experiences that are better with Telstra, such as Telstra TV and Telstra Air.

In June, we launched Telstra Air – our wifi offering – with over 320,000 customers joining by the end of H1. Telstra Air membership is now over 500,000 including more than 120,000 mobile customers.

Finally, we continued to see strong growth in retail bundles with consumer and business bundled customers up 163,000 to 2.4 million. 73% of our retail customer base is on a bundled plan, including our entertainment offers.

Turning to our mobiles performance.

SLIDE 14 - MOBILES

During the half, we added a further 235,000 domestic retail mobile services, including 80,000 postpaid handheld customers, to bring our total subscriber base to 16.9 million.

Overall mobile revenue grew 3.7% with services revenue up 0.5%.

In postpaid handheld, revenue was up 0.2% due to 1.5% customer growth and continued migration to higher minimum monthly commitment plans. Growth was offset by lower excess data and voice charges from Extra Data and higher level plans with unlimited voice. Extra Data gives customers the option to receive additional data in 1GB blocks when they reach their monthly data limit for a flat rate of $10 per block.

Postpaid handheld ARPU excluding MRO was down 68c to $69.03. However, postpaid ARPU was similar to the second half of FY15 at $69.08.

There were two key positives for postpaid handheld ARPU in the half:

- Firstly, more than two-thirds of our consumer postpaid handheld base are now on Extra Data plans; and
- Secondly, on aggregate for consumer stayers/leavers/ joiners, we are seeing positive trends. In particular, recontracting customers are migrating to a higher total minimum monthly commitment.

Prepaid handheld revenues fell 0.6% due to 4.5% unique user growth, offset by lower ARPU from increased allowances leading to fewer recharges. We remain focussed on improving the quality of our prepaid customer base, as reflected in the growth in prepaid unique users.

Mobile Broadband revenue fell 1.5% however we continue to see opportunity in consumer shared plans, and growth in connected tablets to help our business customers further improve their productivity, in particular, with field force and sales force solutions.

Machine to machine revenue grew 9.1%. In the half, we have implemented multiple M2M solutions. These solutions have addressed productivity, driver safety, asset utilisation, long-haul vehicle tracking and fleet management for our customers.

We added 167,000 M2M SIOs in the half; this level of net adds exceeds recent trends having added 124,000 in the first half of last year, and 162,000 in the second half of last year.

The EBITDA went up in dollar terms but the margin reduced 1 point to 39% due to the relative mix of mobile hardware revenue vs services revenue, and a lower services margin. Although we improved our hardware margin in the half in dollar terms, our increased hardware sales were dilutive on our overall mobiles margin expressed in percentage terms.

Our postpaid handheld churn was steady at 10.7%.

We have restated prior period churn numbers downwards to correct for some internal customer transfers that were previously stated as churn.

Turning now to data and IP.

SLIDE 15 – DATA & IP

In data and IP we saw revenue growth due to more global connectivity offerings including from our Pacnet acquisition.

Domestic data & IP revenue declined at 1.6% in line with recent trends, however we performed well against market with customers embracing our complementary NAS products; and Next IP network flexibility, scalability and security.

While we are achieving volume growth in IP access, we are still seeing some price competition. IP access declined 0.7% reflecting these yield trends, offset by growth in IP customer connections.

IP MAN revenue, which represents 68% of IP access, was up 4.7%, with connections up 8.8%, reflecting customer wins and demand for IP value added services.

ISDN declined 8.2% due to continued steady migration to IP access, unified communications and fixed data products.
The ISDN revenue decline reflected a slowing access line reduction of 6.7% and a 1.4% decline in ARPU.

Our domestic EBITDA margin of 62% was impacted by yield pressures in the IP market and the domestic revenue decline.

Turning to Pacnet. Pacnet is no longer stand-alone and is fully integrated into our business. We are on track to meet our acquisition criteria and also deliver on our previously announced synergies of A$65m per annum.

When comparing our disclosed Pacnet results to pre-acquisition performance, of around US$110m for a full year, our reported Pacnet EBITDA contribution was $33m for the half after adjusting for exchange rates and recognises:

- non cash fair value adjustments in the first half of FY16; and
- synergy benefits, offset by one off integration costs.

Now, turning to Network Applications and Services, or NAS.

SLIDE 16 - NAS

In NAS, we saw strong revenue growth of 32.7% to $1.3b.

NAS revenue has achieved more than 20% growth for five of the last seven halves, and now has annualised revenues of around $2.5b.

During the half, there was acceleration in NAS revenue growth with strong underlying performance across all offerings and the achievement of significant delivery milestones on some of our major accounts. Our NAS growth complements our data and IP portfolio.

We expect single-digit NAS revenue growth in the second half of FY16 due to the timing of milestones across FY16.

Across managed network services and unified communications, our enterprise customers are continuing to adopt standardised offerings to a much higher degree. This improves our speed of implementation and lowers our unit costs; and provides improved quality and reliability for our customers.

Managed network services revenue grew by 28.9% due to increased professional service and security activity, including growth from our Bridgepoint acquisition. We are pleased with the progress of this acquisition as it has brought greater capability in our managed network and security portfolio.

Unified communications revenue was up 15.5% as a result of increased IP telephony customer connections.

Cloud revenue grew by 50.8% due to infrastructure and data services, software as a service and professional services. Within Cloud as an example, we are working with a large supermarket to implement a world class hybrid cloud solution to deliver to our customer; speed to market, cost reductions and the ability to consume cloud services on demand.

Industry Solutions revenue growth of 44.2% was principally due to increased NBN commercial works and wireless network deployments.

Integrated Services revenue was up 66% due to the achievement of transition and transformation milestones on major accounts, and growth from annuity managed services.

We have been recognised externally with a number of industry awards for service excellence and innovation. These include:

- Asia-Pacific and Japan Collaboration Partner of the Year by Cisco; and
- Asia-Pacific Data Centre Transformation of the Year by Data Centre Dynamics.

From a segment perspective, we achieved particularly strong growth in the global sector, with revenue more than doubling to $86m.

Our telkomtelstra JV in Indonesia has had early customer wins, and is achieving strong delivery and a healthy pipeline across managed network services, cloud and SaaS.

GES domestic revenue was up 31.0% to $937m including the achievement of significant delivery milestones in the current half.

Finally, as outlined at our Investor Day in October last year, NAS is still in the growth phase. We are continuing to build momentum in terms of enhancing scale and capability and evolving the business mix for profitable growth. That said, margins will vary within a range both within a financial year and on a year to year basis. This is due to a mix of major contracts – both existing and new - and contract milestones.

Our domestic Direct Contribution Margin – or DCM – excludes corporate overheads allocated to this services business. The DCM improved 2 points to 11% through operational leverage, scalable standardised offerings and a lower cost global delivery model. We also achieved further improvements in EBITDA due to scale and DCM improvement.

Turning now to media and firstly Foxtel.

SLIDE 17 – MEDIA - FOXTEL

As reported by News Corp, Foxtel's revenue growth was up 5.5% due to subscriber growth.

Total subscribers were up to 2.9m due to cable and satellite subscribers increasing 7.4%, and higher Presto subscribers, despite increasing competition from SVOD participants.

Foxtel's first half net subscriber growth of 152,000 was underpinned by the pricing initiative and package changes from Nov-14 and lower churn. Churn for Foxtel hit a new record low in the half at just over 10%.

ARPU is down mid-single digits compared to the prior corresponding period.

EBITDA decreased 7.7% in the half due to:

- Firstly, planned increases in programming costs – particularly across sport, drama and local productions; and
- Secondly, expected increases in costs associated with higher sales volumes, the launch of Triple Play and continued marketing investment in Presto.

Sport is a critical offering in the local media market. Foxtel has now extended their rights to the NRL, which together with the AFL, are the leading sports in Australia. Fox Sports will have specialist channels for both sports, with rights secured until 2022.

Foxtel also completed the acquisition of an approximately 14% equity stake in the Ten Network during the last quarter.

The 0.5% decline in EBIT reflects the EBITDA decline and lower depreciation and amortisation.

In Telstra's books, the distribution received from Foxtel was down 26% to $37m, and cable access revenue was down 3.3% to $58m.

Now, moving to our other media assets.

SLIDE 18 – MEDIA

Telstra Media continued to deliver 'Better with Telstra' content experiences to create value from our core business through Media 'In the Home' and Media 'On the Go'.

In the Home, we continued our strategy to bundle with core fixed products, including the launch of Telstra TV in October.

Foxtel from Telstra revenue grew by 8.7% to $350m and subscribers grew 17.9% to 660,000. This growth was due to the increased take up of the Telstra entertainer bundles.

The shift in focus towards Foxtel from Telstra in our bundle offers has impacted IPTV revenues which were down 19.0%, reflecting the transition from T-Box sales to Telstra TV sales.

Excluding revenue from T-Box sales and Foxtel on T-Box, IPTV revenue grew 12.3% due to net IPTV subscriber growth.

IPTV subscriber growth of 17.9% included 92,000 new SVOD subscribers across T-Box and Telstra TV. SVOD growth was partially offset by a decline in Foxtel on T-Box subscribers – down from 190,000 subscribers in the first half of FY15, to 132,000 in this half.

As at 31 December, we had 43,000 Telstra TVs in market.

The Telstra TV represents an opportunity to provide a media experience for customers who aren't traditional Pay TV customers, but also capitalise on the rapidly changing media landscape. We know that customers who bundle media services are happier and stay with us for longer.

Media 'On the Go' revenue decreased 17.1% due to declining legacy mobile download services. This reflects a shift in strategy from direct media revenue towards differentiation and data usage across Telstra's core products. We achieved 41% revenue growth from our AFL and NRL subscribers.

The decline in movie downloads reflects the transition from T-Box to the Telstra TV platform.

Turning now to Autohome.

SLIDE 19 - AUTOHOME

Autohome, our e-commerce controlled entity in China, has continued to perform very strongly with revenue growth in local currency up 53.9%, while EBITDA grew at 24.7%. In A$ terms, revenue was $392m and EBITDA was $137m.

Revenue growth was due to increased advertising services revenue – up 55% – and from increased dealer subscriber revenue.

Dealer subscriber revenue growth came from expansion into new cites and provinces, and included 16.4% growth in the number of subscribers as well as increases in growth in average revenue per paying subscriber.

Autohome EBITDA growth was achieved despite additional labour and advertising costs supporting business expansion.

Our two key leading indicators of business activity are - average daily unique visitors who accessed Autohome's mobile websites and mobile applications. These leading indicators were both up by 79%, with average daily unique visitors up in total to 13.8 million.

Turning now to income from the NBN Definitive Agreements or "DA".

SLIDE 20 – NBN DA

As disclosed at our Investor Day, we have separated our Infrastructure Services Agreement income between "ducts, racks and backhaul" and "ownership receipts". You can think of the former as payments reflecting ongoing use of our assets, with the latter linked to the NBN roll out.

During the half we recognised NBN DA related income of $636m, up 65.2%. This included strong growth in income from the ISA ownership receipts and PSAA, which were up 119.6% and 203.9% respectively, in line with the progress of the NBN roll out.

Whilst the ownership receipts and PSAA will be influenced by the timing of the NBN rollout, the timing of related cashflows will vary between periods.

Revenue from the Commonwealth Agreements increased 31% due to the timing of income recognition from the Telstra Universal Service Obligation Performance Agreement. Within the Commonwealth Agreements, retraining deed revenues of around $10m per annum will continue to be recognised over the next two to three years.

The NBN DA income represented on this slide was recognised across "sales revenue" and "other income" categories in our financial statements. Sales revenue included NBN ISA revenue related to access to our infrastructure. Other income included the remainder of NBN DA income, including all income from the PSAA.

NBN DA income does not represent all of the income we receive from NBN Co. Outside the NBN DA, we also receive Industry Solutions revenue within NAS through the two commercial agreements – the

Planning Design Services Agreement and the Joint Deployment Works Contract - and we received additional data and IP sales revenue for wholesale ethernet transmission and facilities access.

Let me now turn to our expenses.

SLIDE 21 - PRODUCTIVITY

Total operating expenses increased 14.2% to $8.78b on a reported basis.

On an ex-Pacnet basis, costs grew at 11.4%. This 11.4% cost growth breaks down as:

- 5.3 points from the core sales costs – or DVCs – associated with revenue and customer growth. The efficiency of these costs increased.
- 5.1 points from new growth businesses; and
- An underlying 1.1%, or around $40m, decline from fixed costs in our core, excluding significant transactions and events.

Going through each of the three cost categories in turn:

First, growth in core sales costs (or DVCs).

These are the direct costs of funding growth in the core business. With these costs, we are less concerned with their growth, but we are very concerned with their efficiency. This means that they should be directly matched with revenue or there should be strong link to business growth.

Our core sales costs grew at 13.1%. The four biggest contributors to the increase in sales costs were:

- Mobile, where we saw overall revenue growth of 3.7% and hardware revenue growth of 18.5%. Our hardware margin increased in the half as a result of fewer handset recontracting events and lower unit subsidy levels.
- NAS, where we saw revenue growth of 32.7%, including margin expansion;
- NBN access payments, where we saw NBN connection growth in the half of 118,000; and
- Foxtel service fees where we saw revenue growth of 8.7%.

So, where we saw the largest increase in costs, this increase directly supported our growth categories across the core. Overall, we saw an increase in efficiency of our variable sales costs.

Second. Growth in costs in our new growth businesses.

Increase in these costs accounted for 5.1 points of the 11.4% growth and this category had the highest percentage increase of the three categories.

These costs supported:

- The 82.3% growth in Autohome revenue
- And growth in Health and the Telstra Software Group

Growth in these costs is an investment decision and we are continuing to invest in our new businesses to allow them to grow.

Third, growth in our core fixed costs.

Excluding significant deals and events, we are on track to meet our annual net cost reduction target with **core fixed costs declining 1.1% in the half.**

Significant transactions and events that had an impact on fixed costs included – increased NBN commercial works and DA costs; increased NAS labour on large, new contracts; and increased NBN migration costs.

In achieving the underlying fixed cost decline in the first half of FY16, our productivity and simplification program delivered another $206m of cost benefits. This level of productivity represents an increase on our first half FY15 productivity. In the future, we will report on underlying cost outcomes rather than productivity.

We continue to achieve cost benefits across our business units and in many cases, digitisation and simplification of our products and processes have led to better outcomes for our customers as well as cost benefits.

Turning now to our capital management framework.

SLIDE 22 – CAPITAL MANAGEMENT

Our capital management framework has been in place since 2012. This strategic framework remains that against which we make all capital decisions.

It's underpinned by a clear focus on optimising for:
- Maximising returns to shareholders
- Maintaining financial strength; and
- Retaining financial flexibility

These core objectives are supported by five principles that provide the structure and definition for what this means at a practical level. We went through these principles at our Investor Day in October last year, and these principles remain unchanged.

Our cumulative excess free cash was $2.2bn as at the end of December 2015. Our cumulative excess free cash represents the accumulation of free cash generated from operating activities net of capex since 2012.

Turning now to some of the more detailed capital and balance sheet movements in 2015.

SLIDE 23 – CAPITAL POSITION

Overall, our balance sheet remains strong.

On a reported basis, free cash flow increased from $262m in 1H15 to $1.9bn as outlined in our financial measures.

Capex was up 20.0% to $2.1bn, including increased investment in our mobile network.

Our cash outflows associated with acquisitions and other investments decreased in the half. Acquisitions and other investments in the half included:
- Health IQ – a health resource optimisation and patient flow business; and
- EOS Technologies – a community health care software business.

Liquidity increased in the first half to $2.2b.

Net debt increased to $14.1bn and we have reduced our average borrowing cost on our gross debt to 5.6%. Our average debt maturity has reduced to 4.6 years in the half from 5.0 at the full year. We continue to refinance at much lower average rates, as evidenced by our 7 year A$500m issue in September 2015 with interest payable at 4% per annum.

Our gearing ratio has increased slightly to 48.7% at 31 December 2015 reflecting the increase in net debt.

Importantly, all of our financial parameters remain at the conservative end of our target zones to meet our criteria of a long term single A credit rating.

We maintain strong investment grade long and short term credit ratings with S&P of A and A1, and Moody's of A2 and P1.

Finally, turning to guidance.

SLIDE 24 - GUIDANCE

I can confirm that our first half results put us on track to deliver against our full year guidance across income, EBITDA, capex and free cashflow.

This guidance assumes wholesale product price stability from the beginning of the financial year and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex.

There are a number of ACCC decisions that will impact the wholesale prices and hence our FY16 reported results. The timing of spectrum payments will also impact future reported results.

Regarding wholesale pricing, there have been two decisions that have been made by the ACCC since we announced our results in August last year which I will re-iterate.

- Firstly, the wholesale prices for Mobile Terminating Access Services, or MTAS. We estimate that the net effect of this in FY16 will not be material on reported EBITDA but will result in a reduction in reported revenue of approximately $350 million. We had not factored this into our capex to sales guidance and we will not make this adjustment to sales revenue for the purpose of setting our capex spend in 2016. There was no impact on our first half year results from MTAS.
- Secondly, the Final Access Determination, or FAD, for fixed line services. The estimated reduction in reported revenue and EBITDA in FY16 of the ACCC's FAD decision is expected to be up to $80m. This covers the period from 1 November from which the new prices take effect. The impact on our first half year results from the FAD was a $16m reduction in EBITDA.
- We have made an application for judicial review of the ACCC's FAD decision which will be heard in early March.

Regarding spectrum payments, the timing of spectrum payments also impacts our FCF on a guidance basis.

- The payment date for our recently announced $190 million investment in the 1800 MHz band has not yet been finalised, but the Auction Guide indicates it will be 1Q 2017.
- The payment date for the renewal of the 2100 MHz licences also has not been finalised. These licences expire on 11 Oct 2017 and payment will be prior to issue.

Coming back to guidance:

In FY16, we expect to deliver mid-single digit income growth and low single digit EBITDA growth.

For the full year FY16, our income growth will be influenced by the lower Australian dollar and second half single digit NAS revenue growth. Also Pacnet will have a lower PCP growth in the second half since we didn't own Pacnet in H1 2015 and owned Pacnet for around 2 months of H2 2015.

We expect to spend capex at approximately 15% of sales.

Lastly, we expect FY16 free cash flow to be in the range of $4.6 billion – $5.1 billion.

This is the end of the finance report, thank you and I will now hand back to Andy.

ANDREW PENN – CEO
SLIDE 26: OUR PURPOSE, VISION AND STRATEGY

Thank you Warwick.

Let me now provide some comments on how we are progressing our strategy including progress against key priorities in the first half of 2016.

We have a very clear Purpose - to create a brilliantly connected future for everyone.

To achieve this, our vision is to become a world class technology company that empowers people to connect:

A World Class technology company with:
- World class customer service
- World class technology built on
- World class networks and
- World class delivery.

Today's results reinforce that our strategy is working:
- Customer advocacy continues to improve;
- We continue to invest in and drive value and growth from our core businesses; and
- We are laying the foundations for future growth.

In October I shared with you the specific priorities for 2016:

- Consolidating our network leadership;
- Accelerating our productivity program;
- Winning in the NBN market and reducing our cost to acquire;
- Continuing to invest in long term growth; and
- Bringing to life what it means to be a world class technology company.

I will now comment on the progress we have made in relation to each of these in the first half.

SLIDE 27: CONTINUE TO CONSOLIDATE OUR NETWORK LEADERSHIP

Our first priority is to continue to consolidate and invest in network leadership.

We are approaching this on three fronts – mobile network leadership, fixed service differentiation and our Asian data network presence.

Firstly mobile.

We are committed to the quality of services across our network. We want to continue to offer our customers superior experiences and that includes great coverage, call and speed reliability, fewer drop outs and, increasingly, the reliable delivery of video which now accounts for about half of all mobile traffic.

Mobile network investment in the Half was $667 million and as you know we have committed to investing $5 billion over the three years to the end of June 2017.

Our 4G footprint now covers 96% of the Australian population and we are working towards 98% population coverage by the end of June 2016 and more than 99% by June 2017.

More than 1,200 sites have been upgraded to 4GX standard in the half and as I mentioned, our network is carrying 42% more data than it was a year ago.

4G now represents more than two thirds of traffic on our network which supports world leading peak device speeds of up to 600 Mbps on compatible devices for more capacity and a more reliable service.

What this means for our customers is that there is more 4G coverage and faster mobile speeds in more places delivering quicker websites, file downloads and videos with less buffering. It also means that at major events or in densely populated areas, our customers enjoy a consistent connection experience.

Finally, after commercially launching Australia’s first Voice over LTE – or VoLTE – service in September 2015, 130,000 customers have enabled VoLTE in their devices. Those customers made more than 9 million VoLTE calls in January and are enjoying superfast call setup times, HD voice calling to other fixed and mobile devices and low dropout rates.

The second element of our network leadership work is focussed on fixed service differentiation.

ADSL and HFC backhaul upgrades, port expansion and customer migration projects have improved the experience for more than 1.2 million retail and wholesale customers.

And that work goes on.

Fixed Broadband traffic was up 72% in the month of December 2015 compared to December 2014 reflecting higher data allowances and the penetration of SVOD among Australian homes.

We have 4,000 Telstra Air public hotspots in service and as of today, the membership base has grown to more than 500,000 customers, including more than 120,000 mobile customers.

Since launch, Telstra Air members have used over 207TB of data – the equivalent of sharing or downloading 207 thousand hours of high definition video.

And since December the usage per active member has approximately doubled.

The third area of focus for networks is our Asian data network presence.

We continue to launch new services and expand our network and data centre capacity in Asia.

With Pacnet, Telstra now operates an extensive submarine cable network across the region. In the Half year we added over 3Tbps of submarine cable capacity across 8 routes increasing total capacity to 33Tbps. Further upgrades are planned on three additional routes.

We also added new Points of Presence in Korea and the UAE as well as two virtual Points of Presence in India. This expands the depth of our coverage and provides our customers with access to more than 2000 Points of Presence globally.

This Half we also launched three new Network to Network Interconnections which complement our existing coverage in the Asia Pacific and in Latin America and allow us to leverage the networks of our partners.

SLIDE 28: ACCELERATE PRODUCTIVITY PROGRAMME

Our second priority for 2016 is to accelerate our productivity programme.

As Warwick said earlier we are on track with our productivity program, with a renewed focus on fixed costs and net benefits.

There are still many opportunities to simplify our systems and processes. Complexity drives bad experiences for our customers, our people, and adds cost for our business.

Our focus includes providing customers with improved options to self-serve and better first call resolution rates.

Of those customers that did need to contact us, first call resolution rates at the end of the half were 83%, a 2% improvement on December 2014 and a 6% improvement on December 2013.

Online self-service assurance interactions increased from 150,000 in the first half of last financial year to one million this half. This means we have become more proactive driving volume reductions through detecting and resolving issues prior to customer calls.

We have also simplified and redesigned our processes and policies to reduce the main causes of inbound calls. Inbound call volumes to our Global Call Centres have reduced by almost 7%.

Ultimately though we need to move our productivity program faster and harder which is what we are committed to do.

Customer advocacy remains our highest priority.

SLIDE 29: WIN THE NBN MARKET AND REDUCE COST TO ACQUIRE

Our third priority is winning in NBN and reducing the cost of migrating customers across.

As an access seeker, we are pleased to be Australia's leading provider of consumer and business services on the NBN.
It is a position we have fought hard to achieve and will fight hard to maintain.

The NBN rollout is not yet at scale but it is scaling quickly. We already have a total of 329,000 customers homes and businesses connected as at the end of December 2015, an increase of 118,000 over the last six months.

We continue to focus on ensuring our processes are effective, and this is not just about lowering costs, it is about improving our customers' experience.

Because we have seen a strong correlation between improving our processes, improving customer service, and reducing costs.

Our Consumer NBN Activation episode NPS score has increased 20 points over the last 12 months.

Our cost-to-connect has also improved 18% compared to the same time last year.

Our strategy is to differentiate our services based on network quality, unique products and content experiences. For example we were pleased to see 71% of our new Consumer NBN activations are subscribing to Telstra Air.

The transition to NBN is particularly important to our Business customers.

Six in every ten small business customers moving to the NBN with Telstra are taking up the Telstra Digital Office Technology bundle which brings together fixed voice, internet and mobile in a single package.

Our technology bundle represents an important first step for many businesses moving their operations into the cloud and gives customers clever call routing, remote working and messaging technology all configured in the cloud and controlled from a PC, tablet or smartphone screen.

SLIDE 30: INVESTING IN LONG TERM GROWTH

Our fourth priority is the acceleration of our long term growth agenda.

In addition to investing in our core business, we continue to pursue new growth opportunities in areas that leverage our core strengths.

This includes investments in Telstra Media, Telstra Health, the Telstra Software Group and Telstra Ventures.

We are focused on growing these businesses to scale, sooner.

Telstra Media continued to deliver content experiences to drive value from our core business, including content specifically tailored to be consumed in the home and on the go.

Telstra TV is the only Australian streaming device to offer the three major Subscription Video On Demand services Presto, Netflix and Stan and all free to air catch up services.

To give you some idea of the demand for these services, in the 3 months since the launch of Telstra TV, customers have streamed over 2.5 million hours of content on the platform.

During the Half we secured a new five year naming and mobile digital rights agreement with the NRL including mobile live broadcast rights through to 2022.

Similarly with the AFL we were able to secure a new 6 year mobile digital rights agreement including exclusive live streaming of all matches to mobile devices through to 2022.

Live video views of AFL and NRL content over the last calendar year increased by 25% and 74% respectively and we believe this can only grow in the future.

We also began a partnership with Apple Music and are the only Australian provider to offer our customers Apple Music as a plan inclusion.

In September we expanded our media services division to include a new service - Telstra Broadcast Services – which services customers in the broadcasting industry including direct to home satellite transmission and IPTV managed service.

One of the first deals reached saw Network Ten sign a multi-year contract for global content delivery via fibre.

In Telstra Health, we are now offering connected solutions in primary, aged and residential care, hospitals, radiology, pharmacy, health analytics and telemedicine.

Activities in the Half included acquiring Health IQ, a company that supplies hospital resource optimisation and patient flow software and community care software firm EOS Technologies.

MyCareManager, our integrated eHealth platform, is now servicing seven leading aged care agencies.

ReadyCare also entered into an agreement with a travel insurance provider to enable travellers to talk to a doctor in Australia via phone 24/7 and receive advice, diagnosis, prescriptions, care and treatment, should they require it.

PBS which we acquired via Pacnet is also an important part of our growth strategy and aligns with our aim to build new growth businesses that leverage the strengths of our NAS and network capabilities.

PBS gives us a footprint in China with an IP-VPN license, multiple data centres and points of presence. In the first half of 2016, we closed three major data centre deals which are expected to bring incremental revenue to the PBS business.

Our Telstra Software Group continues to play a key role in Telstra’s strategy to take advantage of the growth in the software-driven businesses including applications and integrated services.

Within that group Ooyala is our intelligent video platform.

Ooyala provides large-scale knowledge of viewer patterns to help media companies offer personalized customer viewing experiences. The viewership of Ooyala’s customers doubled and global served ad impressions grew 43% year-on-year from January 2015 to January 2016 and by the end of the Half Ooyala was delivering video programming of content to 450 million unique viewers worldwide.

Telstra uses Ooyala's technology to increase subscriber satisfaction across our own properties and those of our partners including the NRL, AFL and FOXTEL. Ooyala gives us a rapidly growing business doing the same for media companies including News Corporation, ITV, Disney and Sky.

Telstra Ventures has continued to invest in emerging technology companies globally and in the last 6 months this included:

- Enepath, a Singapore based company focused on innovative voice solutions for the global financial trading industry; and
- More recently Qiniu, a leading cloud-storage service provider that offers data hosting and processing for enterprises in China and across Asia.

Finally our Telkomtelstra joint venture in Indonesia is fully operational and serving its first customers as well as showcasing business offerings through Indonesia's first Customer Experience Centre.

SLIDE 31: BRINGING WORLD CLASS TO LIFE

Our fifth and final priority is to bring to life what it means to be a world class technology company.

Being able to provide our customers with a window into what is possible with technology today means staying ahead of the technology curve.

Telstra has a long history of innovation and we continue to invest in initiatives such as our incubator program muru-D which identifies and supports start-ups to create valuable digital technology products and services.

This program is working with some of Australia’s best digital talent and has now expanded to do the same in South East Asia through its Singapore office. We have also established a recent partnership in Israel.

The Gurrowa Innovation Lab opened in Melbourne in July. This is the centrepiece of our innovation and technology research capabilities.

Gurrowa is part of a network of facilities aimed at creating within Telstra, a global and virtual centre of excellence for innovation. The network includes our Sydney Customer Insights Centre and a Customer Experience Centre in Jakarta, both equipped to demonstrate state-of-the-art connectivity and technology solutions.

We have recently launched our global cloud collaboration platform across 20 countries. This is a market leading capability in Asia which has already been recognised externally with a number of industry awards for excellence.

During the Half we also announced plans to invest $10 million, plus in-kind support over the next five years to help the development of silicon quantum computing technology in Australia.

It is exciting to be involved in such a dynamic, world leading program. Our support will help fund the development of a silicon quantum integrated circuit – the first step in developing the world’s first silicon-based quantum computer.

The possibilities of quantum computing are very real for us, and we want to help these innovative possibilities become a reality.

In the Half we achieved several network engineering world firsts including the world’s first 200Gbps optical encryption, which was successfully demonstrated between Melbourne, Canberra and Sydney.

A high speed encryption solution will be a key differentiator in the market as data can now be secured as it leaves the private cloud and be protected as it traverses across the network, across any distance, without sacrificing the end user experience.

We also trialled the world’s first fully programmable optical layer “Liquid Spectrum” which enables adjustments within the optical network to adapt to network conditions. It is a capability that could be used to provide emergency restoration links in natural disasters, increase the capacity of busy links or provide temporary bandwidth.

Other achievements included world first commercial peak speed offerings in our mobile network of 600Mbps using Cat 11 devices and 450Mbps using Cat 9 devices, as well as a world first demonstration of 1 Gbps capability on a commercial mobile network. This all promises even faster speeds and enhanced consumer experience into the future.

We were fortunate to receive a number of industry awards for the work we have done including Gartner's 2015 "*Critical Capabilities for Network Services Asia Pacific*", which recognised our world class submarine cable infrastructure, optical networks, and reliability and performance in the region.

We also received the 2015 Queensland iAward for innovation for our work on a project to provide specialist radio voice and narrowband data communications networks to public safety and emergency response agencies.

Finally Telstra Air was recognised in the IDC Telecom Service Provider Innovation Awards for the Most Innovative Consumer Offering for the use of new technologies to enhance the customer experience.

SLIDE 32: SUMMARY

Let me summarise before opening up for questions.

Today's results reinforce our strategy:
- Customer advocacy has improved;
- We continue to invest in and drive value and growth from our core businesses; and
- We have continued to lay the foundations for growth in our new businesses.

On a reported basis total income, excluding finance income, for the half year increased 9.1% to $14.2bn; EBITDA was up 1.7% to $5.4bn; and NPAT was up 0.8 % to $2.1bn.

We declared an interim dividend of 15.5 cents per share, up 3.3% compared with the previous corresponding period.

We have very clear priorities for the year and we are making progress.

- Consolidating our network leadership;
- Accelerating our productivity program;
- Winning in the NBN market and reducing our cost to acquire;
- Continuing to invest in long term growth; and
- Bringing to life what it means to be a world class technology company.

Looking ahead our guidance for the 2016 financial year remains unchanged.

We expect to deliver mid single digit growth in income and low single digit growth in EBITDA. We expect free cash flow to be in the range of $4.6 billion to $5.1 billion and capital expenditure to be around 15% of sales to fund increased mobile network investment.

That concludes the formal presentations. Warwick and I would now be very pleased to take your questions.

[END]

HALF-YEAR RESULTS AND OPERATIONS REVIEW

Reported results

Our half-year results confirm that we are on track to meet our guidance for the full year. We have grown fixed bundle and mobile customer numbers, achieved income growth across all segments as well as higher net profit after tax.

Total income (excluding finance income) increased 9.1 per cent to $14,194 million. Telstra Directors confirmed a fully franked interim dividend of 15.5 cents, up 3.3 per cent, returning $1.9 billion to shareholders.

These results include the first full six months operating with Pacnet Limited, acquired in April 2015. On a guidance basis and excluding Pacnet operating results, total income (excluding finance income) increased by 7.3 per cent and EBITDA increased by 1.4 per cent.

This financial performance reflects the changing composition of Telstra's earnings mix which is influenced by a number of factors. These factors include the accelerating rollout of the National Broadband Network (NBN), increasing competition in the mobile market, in particular increased data allowances which has a flow on effect on average revenue per user (ARPU) and the EBITDA contribution of our new growth businesses which will take time before they make a more significant contribution.

We are continuing to invest in our core and new businesses that will underpin our future. We will also continue to invest to meet the needs of our customers to bring them world class technology and the best telecommunications networks — our customers are at the heart of everything we do.

The numbers and commentary in the product, expense and operating segment performance sections have been prepared on a continuing operations basis and align with the statutory financial statements.

Summary financial results

	1H16	1H15	Change
	$m	$m	%
Total revenue	13,681	12,720	7.6
Total income (excluding finance income)	14,194	13,014	9.1
Operating expenses	8,779	7,687	14.2
Share of net (loss) from joint ventures and associated entities	(5)	(10)	50.0
EBITDA	5,410	5,317	1.7
Depreciation and amortisation	2,038	1,989	2.5
EBIT	3,372	3,328	1.3
Net finance costs	340	353	(3.7)
Income tax expense	905	876	3.3
Profit for the period from continuing operations	2,127	2,099	1.3
Profit for the period from discontinued operation	8	19	(57.9)
Profit for the period from continuing and discontinued operations	2,135	2,118	0.8
Profit attributable to equity holders of Telstra	2,093	2,085	0.4
Capex(i)	2,073	1,728	20.0
Free cashflow from continuing and discontinued operations	1,918	262	n/m
Earnings per share (cents)	17.2	16.9	1.8

(i) Capex is defined as additions to property, equipment and intangible assets including capital lease additions, excluding expenditure on spectrum, measured on an accrued basis. Excludes externally funded capex.

n/m = not meaningful.

Results on a guidance basis(i)

	1H16	FY16 guidance
Total income growth(ii)	9.2%	Mid-single digit
EBITDA growth	2.1%	Low-single digit
Capex/sales ratio	15.2%	~ 15% of sales
Free cashflow	$1.9 billion	$4.6 - $5.1 billion

(i) This guidance assumes wholesale product price stability from the beginning of the financial year and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex. Please refer to the guidance versus reported results reconciliation on page 8. This reconciliation has been reviewed by our auditors.

(ii) Excludes finance income.

Guidance versus reported results[i]

	1H16 Reported results \$m	1H16 Adjustments \$m	1H16 Guidance basis \$m
Total income[ii]	**14,194**	**15**	14,209
EBITDA	**5,410**	**16**	5,426
Free cashflow	**1,918**	**9**	1,927

(i) This guidance assumes wholesale product price stability from the beginning of the financial year and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex. Please refer to the guidance versus reported results reconciliation on page 8. This reconciliation has been reviewed by our auditors.

(ii) Excludes finance income.

Operating segment performance

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

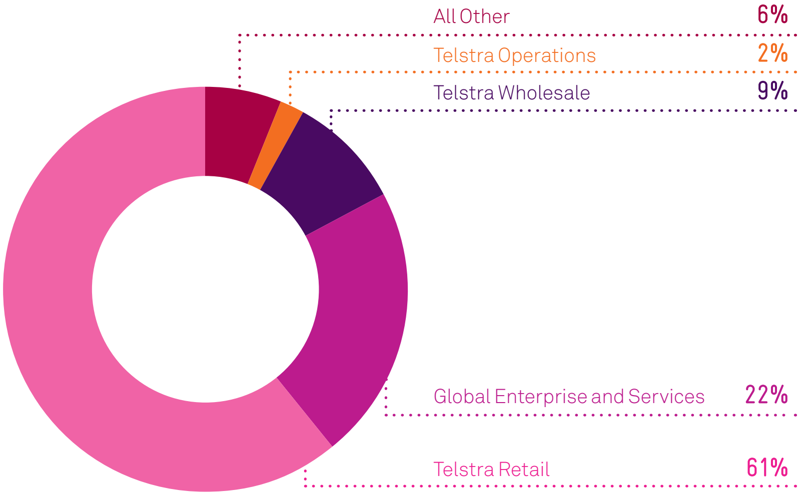
Telstra Retail
Telstra Retail provides a full range of telecommunications products, services and solutions to consumer customers and to Australia's small to medium sized enterprises. Income in this segment grew by 2.1 per cent to \$8,657 million while EBITDA declined by 2.6 per cent to \$4,665 million. The decline in EBITDA is largely a result of declines in fixed voice margins and lower mobile services revenue growth.

We continue to progress on our advocacy journey, improving our operational performance and reducing complaints. In our Consumer business unit, income grew by 2.8 per cent with growth in fixed data subscribers as a result of the continued success of our bundled offerings. In Telstra Business, income grew by 0.5 per cent. At a product level, revenue growth was strong in NAS, growing by 24.8 per cent as a result of a strong underlying performance across all product offerings. This revenue increase was offset by declines in fixed voice, which reduced by 9.0 per cent, and mobile services, declining by 1.3 per cent.

Global Enterprise and Services
Global Enterprise and Services (GES) is responsible for sales and contract management support for business and government customers in Australia and globally. It provides product management for advanced technology solutions including data and IP networks, and NAS products such as managed networks, unified communications, cloud, industry solutions and integrated services. GES provides technical delivery support for all NAS customers globally. The Telstra Software Group forms part of GES.

Income for GES increased by 21.2 per cent to \$3,180 million due to strong growth in NAS, our international GES customers which includes Pacnet, and the Telstra Software Group. While Pacnet made a positive contribution to EBITDA during the half-year, the overall EBITDA decline for GES was 1.7 per cent. This EBITDA decline was largely due to the inclusion of a full six months of costs associated with the Telstra Software Group, comprising Ooyala, Videoplaza and Nativ. An increase in lower margin customer premises equipment sales to some of our large customers also had an impact on the EBITDA decline.

Segment total income



	1H16 \$m	1H15 \$m	Change %
Telstra Retail	**8,657**	8,476	2.1
Global Enterprise and Services	**3,180**	2,623	21.2
Telstra Wholesale	**1,310**	1,244	5.3
Telstra Operations	**250**	182	37.4
All Other	**797**	489	63.0
Total Telstra segments	**14,194**	13,014	9.1

Telstra Wholesale
Telstra Wholesale is responsible for the provision of a wide range of domestic telecommunications products and services delivered over Telstra networks and associated support systems to other carriers, non-Telstra branded carriage service providers and internet service providers. Telstra Wholesale is also the provider of certain network assets and services to NBN Co under the NBN Definitive Agreements. Wholesale income grew by 5.3 per cent to $1,310 million. This was largely a result of an increase in revenue related to NBN access to our infrastructure, and infrastructure ownership receipts. These have increased in line with the NBN rollout. EBITDA contribution increased by 5.2 per cent to $1,210 million.

Telstra Operations
Telstra Operations is primarily a service delivery centre supporting the revenue generating activities of other segments. It is also a provider of certain network services to NBN Co under the NBN Definitive Agreements or commercial contracts. The EBITDA contribution improved by 0.6 per cent with increases in NBN commercial works and property revenue, partially offset by higher service contracts to support a wide range of activities across Telstra Operations including NBN and field work force related works.

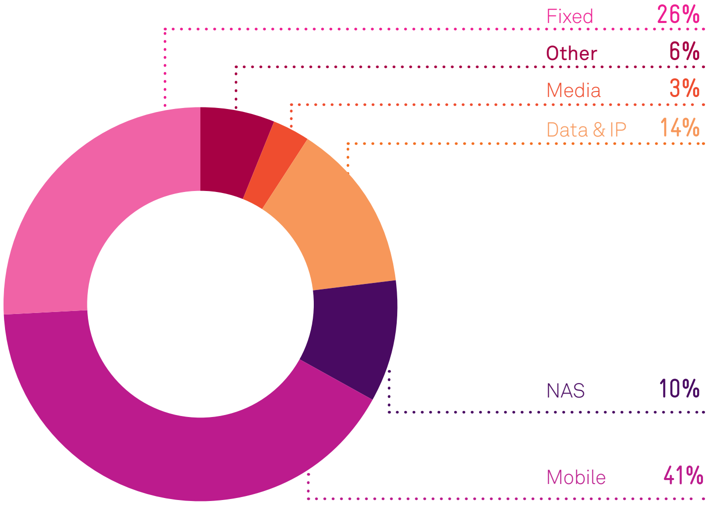
All Other
Certain items of income and expense relating to multiple reportable segments are recorded by our corporate areas and included in the All Other category. This category also includes the Telstra Ventures Group, International and New Business, Telstra Health and Media & Marketing. Telstra Health and Media & Marketing were previously part of the Telstra Retail operating segment.

Product performance

Fixed
Our fixed portfolio offers fast and reliable broadband, clear and reliable calling and premium entertainment. Fixed also includes expert technology advice through our Telstra Platinum service. We continue to build Australia's largest Wi-Fi network, Telstra Air. Telstra Air is an integrated Wi-Fi service which allows customers to use their home broadband allowance over Telstra's network of Wi-Fi hotspots across Australia as well as overseas (via our partnership with Fon). Membership has grown to over 320,000 since it was launched on 30 June 2015, reflecting our customers' increasing appetite for data and a desire to access this data worry-free.

Total fixed revenue declined by 1.5 per cent to $3,564 million. Fixed voice revenue decreased by 7.6 per cent to $1,772 million.

Product sales revenue breakdown



Key product revenue

	1H16 $m	1H15 $m	Change %
Fixed	**3,564**	3,620	(1.5)
Mobile	**5,526**	5,328	3.7
Data and IP	**1,914**	1,664	15.0
NAS	**1,336**	1,007	32.7

Product profitability EBITDA margins

	1H16 %	1H15 %	FY15 %	2H15 %
Mobile	**39**	40	**40**	40
Fixed voice(i)	**54**	56	**55**	54
Fixed data(i)	**41**	42	**41**	39
Data and IP	**62**	64	**64**	65

(i) Margins include NBN voice and data.

This was partially offset by an increase in fixed data revenue of 6.7 per cent to $1,254 million.

In fixed voice, retail fixed voice line loss was 129,000 in the half, taking total retail fixed voice customers to 5.9 million. Retention activity has steadied the rate of disconnections, which was comparable to the prior period. Fixed voice ARPU decline was broadly consistent with the prior period, decreasing by 4.8 per cent to $40.66.

The increase in fixed data revenue was a result of subscriber growth. ARPU remained flat, a strong result in a competitive environment. We now have 3.3 million retail fixed data subscribers, an increase of 121,000 during the half.

This is the strongest subscriber growth in over three years on the back of strong marketing initiatives, the continued success of our bundled offerings, which also include premium content and entertainment, and our Free Wi-Fi campaign which offers fixed data customers unmetered access to Telstra Air. Our challenger brand Belong, which provides consumers with a flexible, no contract broadband offer, also contributed to the growth in subscribers.

The total number of customers taking up a bundle has increased in the six months to 31 December 2015 by 163,000 and there are now 2.4 million customers, or 73 per cent of the retail fixed data customer base, on a bundled plan.

We are determined to become Australia's leading provider of consumer and business services on the NBN. We have a clear strategy to differentiate our services based on network quality and unique products and content experiences that are better with Telstra, such as Telstra Air and Telstra TV. As at 31 December 2015, we have a total of 329,000 NBN connections, made up of 259,000 voice and data bundles, 18,000 data only and 52,000 voice only services. This is an increase of 118,000 over the last six months.

Other fixed revenue, which includes inter-carrier services, payphones and customer premises equipment increased by 1.9 percent to $538 million. Inter-carrier services revenue declined by 5.2 per cent which includes the impact of the ACCC Final Access Determination for Fixed Line Services which took effect from 1 November 2015. This was offset by an increase in other fixed revenue of 11.9 per cent. Other fixed revenue includes revenue from our Telstra Platinum customers. Platinum customer numbers have grown since the service was launched in November 2013 to over 140,000 on our monthly tech help plans. Telstra Platinum has also provided one-off services such as setting up new devices, connecting and optimising Wi-Fi performance within the home and helping to resolve technical issues for over 350,000 customers.

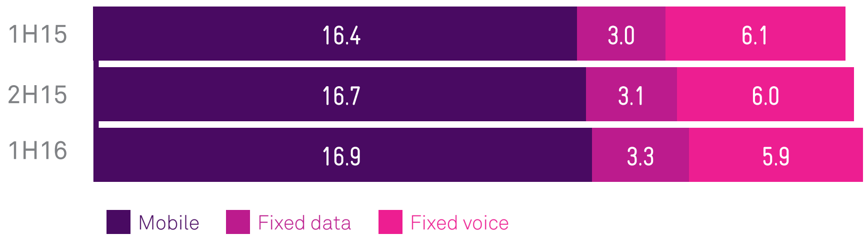
Fixed voice and data EBITDA margins declined as a result of the upfront costs of connecting our NBN customers, and increasing network payments to NBN Co. Compared to the second half of fiscal 2015, fixed data EBITDA margins improved. We continue to focus on reducing costs in our fixed product portfolio by progressively building out our digital sales and self-service functionality to establish online as the preferred point of contact for customers, and further automating and digitising the customer connection experience. We are already making progress with 63 per cent of our NBN customers choosing self-installation.

Mobile

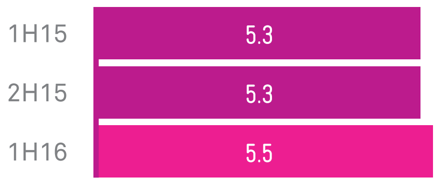
For the half-year ended 31 December 2015, mobile revenue increased by 3.7 per cent to $5,526 million. We are responding to our customers' needs by offering more data and exclusive content in our mobile plans. Mobile service revenue grew by 0.5 per cent and mobile hardware revenue grew by 18.5 per cent. Retail customer services increased by 235,000 in the six months to 31 December 2015, bringing the total to 16.9 million.

We are committed to maintaining our network leadership and the quality of services across our network, on which our customers rely. We want to offer superior experiences for what matters most to customers –coverage, call and speed reliability, fewer drop outs and the reliable delivery of video.

Domestic retail customer services (millions)



Mobile revenue ($b)



Our 4G network now covers 96 per cent of the Australian population and we are working towards 99 per cent coverage by June 2017. We now have 8.9 million 4G devices on our network.

Post-paid handheld revenue grew marginally to $2,706 million. Subscriber growth of 80,000 was solid on the back of a good Christmas trading period and in line with the prior period. We were pleased with our post-paid handheld churn which was relatively steady at 10.7 per cent. For the half, ARPU decreased by 1.4 per cent from $62.22 to $61.38 (including the impact of mobile repayment options). This was as a result of lower excess data rates and customer migration to new plans with improved data allowances. Compared to the second half of fiscal 2015, ARPU reduced only marginally.

Pre-paid handheld revenue declined by 0.6 per cent to $495 million. Unique user growth was strong with 72,000 unique users added during the half. Our offers such as Telstra Prepaid Freedom Plus, and an increased focus on retention contributed to this result. With higher data inclusions, pre-paid handheld ARPU declined by 1.4 per cent to $21.20, however was broadly flat compared to the second half of fiscal 2015.

Mobile broadband revenue declined by 1.5 per cent to $639 million with customer growth offset by a reduction in ARPU. In total, 48,000 customer services were added during the half.

Machine to machine revenue grew by 9.1 per cent to $60 million with strong subscriber growth, particularly in the utilities sector where we have implemented multiple solutions. These solutions have addressed productivity, driver safety, asset utilisation, long-haul vehicle tracking and fleet management for our customers.

Mobile hardware revenue grew by 18.5 per cent to $1,121 million largely a result of higher average recommended retail prices on high end smartphones.

EBITDA margins reduced to 39 per cent due to lower service revenue growth and increased hardware sales and commissions. Mobile hardware sales are margin dilutive to overall mobile performance.

Data and IP

Our data and IP product and service offerings enable Telstra to deliver world-class technology solutions for our customers.

Data and IP revenue increased by 15.0 per cent to $1,914 million largely as a result of revenue received from our GES international customers. Within data and IP, other data and calling products, which include wholesale internet and data, inbound calling products and other global products and solutions, increased by 39.0 per cent to $1,005 million. IP access and ISDN revenue declined by 0.7 and 8.2 per cent respectively, due to pricing pressures and as customers continue to migrate to next generation products, including unified communications within our NAS portfolio. Pacnet contributed $209 million to data and IP revenue.

EBITDA margins were impacted by yield trends in the IP market and domestic revenue decline, decreasing to 62 per cent.

Network Applications and Services (NAS)
NAS revenue grew by 32.7 per cent to $1,336 million with strong growth across all NAS products. During the half-year we achieved a number of milestones on existing contracts which had a positive impact on revenue. Pacnet also contributed $35 million to NAS revenue. Industry solutions revenue growth of 44.2 per cent was led by NBN commercial works. Managed network services revenue growth of 28.9 per cent was driven by increased professional service and security activity. Revenue growth of 15.5 per cent in unified communications was a result of increased IP telephony customer connections.

EBITDA margins improved through operational leverage, scalable standardised offerings, and a lower cost global delivery model.

NAS revenue ($b)

Media
Media product portfolio revenue increased by 2.4 per cent to $476 million. Telstra Media strategy is to drive profitable growth by aggregating differentiated content experiences across all Telstra platforms, channels and relevant products. We continued to deliver 'Better with Telstra' differentiated content experiences 'In the Home' and 'On the Go' driving value from our core products.

Media 'In the Home' includes Foxtel from Telstra, T-Box device sales, Foxtel on T-Box, BigPond Movies, Presto, and relationships with all free to air providers. In October 2014, Telstra TV was launched to drive further differentiation to the fixed products.

Foxtel from Telstra revenue increased by 8.7 per cent to $350 million and subscriber growth was 17.9 per cent due to the continued strategy of bundling Foxtel with our core Telstra products. Since launch, 43,000 customers have purchased a Telstra TV device. This is now the first streaming device to include access to all three Australian commercial streaming services – Stan, Presto and Netflix, plus catch-up applications for all the free to air channels and movie rentals through BigPond Movies.

Media 'On the Go' focuses on delivery of unique and exclusive content for our mobility customers. Media 'On the Go' renewed our partnerships with both the AFL and NRL for 2016 and beyond. In August 2015 we began offering Apple Music, driving further content usage across our core mobile products.

Cable revenue declined by 3.3 per cent to $58 million. This represents income from the supply of HFC cable services to Foxtel. While cable subscribers increased, this was offset by a decline in ARPU following price changes introduced last fiscal year.

Other
Other sales revenue includes revenue from our China digital media portfolio (Autohome), Telstra Health and Telstra Software. It also includes revenue related to NBN access to our infrastructure.

Other income includes gains and losses on asset and investment sales (including assets transferred under the NBN Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement (TUSOPA), income from NBN disconnection fees (Per Subscriber Address Amount (PSAA)), subsidies and other miscellaneous items. The increase in other income of 74.5 per cent during the period is largely a result of an increase in PSAA income and TUSOPA receipts.

Operating expenses

	1H16	1H15	Change
	$m	$m	%
Labour	**2,751**	2,432	13.1
Goods and services purchased	**3,920**	3,262	20.2
Other expenses	**2,108**	1,993	5.8
Total operating expenses	**8,779**	7,687	14.2

Expense performance

Labour
Total labour expenses increased by 13.1 per cent to $2,751 million. Our total full time staff and equivalents (FTE) increased by 3,413 to 36,991. The increase in FTE was mainly driven by continued growth in Autohome (1,546 FTE), FY15 acquisition activity across GES (in particular the acquisition of Pacnet) (912 FTE), Telstra Health (328 FTE), Telstra Business (149 FTE), Telstra Software Group (111 FTE) and increased NBN related activities (290 FTE). Offsetting these increases were reductions in FTE with restructuring activity conducted during the half across various parts of the core business.

Salary and associated costs increased by 12.1 per cent to $2,055 million as a result of the increase in FTE and salary and wage increases. Salary and wage expense also incorporated a 0.5 per cent increase in superannuation contributions for employees covered under Telstra's 2015-2018 Enterprise Agreement. This increase was offset by a favourable bond rate movement of $43 million on the calculation of employee long service leave and worker's compensation provisions during the period.

Labour substitution costs increased by 9.7 per cent to $442 million. This increase was largely a result of increased outsourcing of field volumes, the establishment of global operations to support the expansion of our NAS business and the impact of a weaker Australian dollar.

Redundancy costs increased by 102.3 per cent to $89 million, primarily as a result of an increased focus on accelerating restructuring activity in the first half.

Goods and services purchased
Goods and services purchased increased by 20.2 per cent to $3,920 million. Cost of goods sold (COGS) (which includes directly variable costs, including mobile handsets, tablets, dongles and broadband modems) increased by 17.1 per cent to $1,731 million impacted by increased mobile handset unit costs (largely a result of a weaker Australian dollar) and increased NAS COGS.

Network payments increased by 26.3 per cent to $1,028 million largely a result of the acquisition of Pacnet, increased NBN network access payments as we migrate customers to the NBN, and the impact of a weaker Australian dollar on offshore network payments within our GES business.

Managed services cost of sales increased by 71.1 per cent to $231 million. These are costs to connect, such as migration and activation, and maintenance services of Telstra supplied NAS equipment and increased during the period to support domestic NAS revenue growth within our GES and Telstra Business segments.

Other expenses
Total other expenses increased by 5.8 per cent to $2,108 million as a result of increased accommodation costs, promotion and advertising and service contract costs. These increases were partially offset by decreased consultancy and legal expenses.

Accommodation costs increased by 11.7 per cent to $546 million, driven by our acquisition of Pacnet, the impact of a weaker Australian dollar and higher power and facilities maintenance costs incurred as a result of the expansion of our 4G wireless network footprint.

Promotion and advertising costs increased by 21.2 per cent to $246 million, mainly in support of growth in our Autohome business and the impact of a weaker Australian dollar.

Service contract costs increased by 6.1 per cent to $519 million, impacted by increased NBN related activities, field activation and maintenance volumes in line with increased subscribers. The acquisitions of Ooyala, Nativ and Videoplaza last fiscal year also had an impact. Offsetting these increases were savings driven by the renegotiation of our network maintenance contracts.

Foreign Currency Impacts
For the purposes of reporting our consolidated results, the translation of foreign operations denominated in foreign currency to Australian dollars increased our expenses by 1.8 per cent or $139 million on the prior period, across labour, goods and services purchased, and other expenses. This foreign exchange impact has been offset by a benefit to sales revenue, resulting in a favourable EBITDA contribution of $14 million.

Net finance costs
Net finance costs decreased by 3.7 per cent or $13 million which reflects a net reduction in gross borrowing costs and other finance costs which were offset by lower finance income.

Gross borrowing costs (including finance leases) decreased by $2 million due to lower average interest yields. The average interest yield on gross debt for the period was 5.6 per cent compared to 5.9 per cent in the prior period. This reduction reflects debt refinancing at rates below our current average yield and the reduction in short term market base rates, which impacts our floating rate debt portfolio. This benefit was partially offset by higher interest expense from increased average debt levels.

Interest income on cash and cash equivalents decreased by $20 million predominantly due to a reduction in interest earned on cash and liquid investments from holding lower average cash balances period on period. Also contributing to the lower interest income was a fall in market interest rates.

Summary Statement of Cash Flows

	1H16	1H15	Change
	$m	$m	%
Net cash provided by operating activities	**3,677**	3,694	(0.5)
Total capital expenditure (inc investments)	**(2,244)**	(3,653)	(38.6)
Sale of shares in controlled entities (net of cash disposed)	**6**	(4)	n/m
Other investing cash flows	**479**	225	112.9
Net cash used in investing activities	**(1,759)**	(3,432)	(48.7)
Free cashflow	**1,918**	262	n/m
Net cash used in financing activities	**(1,160)**	(4,193)	(72.3)
Net increase/ (decrease) in cash and cash equivalents	**758**	(3,931)	119.3
Cash and cash equivalents at the beginning of the year	**1,396**	5,527	(74.7)
Effects of exchange rate changes on cash and cash equivalents	**11**	73	(84.9)
Cash and cash equivalents at the end of the period	**2,165**	1,669	29.7

Other finance costs decreased by $27 million, reflecting non-cash revaluation impacts of our offshore debt portfolio and associated hedges that result in a floating position (fair value hedges) and other accounting adjustments relating to the adoption of a new hedge accounting framework (under AASB 9 (2013)).

Financial position

Capital expenditure and cash flow
Our operating capital expenditure for the half was 15.2 percent of sales revenue or $2,073 million, in line with our fiscal year 2016 guidance of around 15 per cent of sales. We are spending much of the increased capital expenditure on mobile in particular to extend our 4G and 4GX networks to deliver more square kilometres of coverage, more reliable voice and data, fewer dropouts and faster download speeds.

Net cash provided by operating activities of $3,677 million was in line with the prior period. Reported free cashflow was $1,918 million, representing an increase of $1,656 million on the prior period. On a guidance basis, free cashflow was $1,927 million. Guidance adjustments in the prior period included spectrum payments of $1,302 million and payments for acquisitions of $508 million. This compares to acquisitions of $51 million in the current period.

Debt position
Gross debt as at 31 December 2015 was $16,246 million, comprising borrowings of $17,382 million (excluding bank overdrafts) and net derivative assets of $1,136 million.

Gross debt increased by $1,284 million from 30 June 2015, reflecting $1,074 million debt maturities offset by a $2,358 million increase in debt.

Increase in Debt

	$m
Drawn bank facilities(i)	800
Domestic bond debt issuance(ii)	498
Net short term commercial paper issuances	957
Other loans(iii)	39
Finance lease additions	38
Other revaluation impacts	26
Total	**2,358**

(i) Includes two new facilities implemented during the period.
(ii) Face value $500 million.
(iii) Includes loans from associated entities of $34 million.

Net debt as at 31 December 2015 was $14,081 million, an increase of $515 million from 30 June 2015. This movement comprises the increase in gross debt of $1,284 million offset by an increase in cash and cash equivalents of $769 million (net of bank overdrafts).

Debt related capital management parameters remain at the strong end of our target zones. The gearing ratio of 48.7 per cent at 31 December 2015 increased marginally from 48.3 per cent at 30 June 2015 and remains just below our target range. Debt servicing remains comfortable at around 1.3x. The average debt maturity profile decreased from 5.0 years at 30 June 2015 to 4.6 years at 31 December 2015, reflecting an increase in short term commercial paper issuance at the end of period.

Financial settings

	1H16	FY16
	Actual	Target zone
Debt servicing(i)	**1.3x**	1.3 – 1.8x
Gearing(ii)	**48.7%**	50% to 70%
Interest cover(iii)	**14.4x**	>7x

(i) Debt servicing ratio equals net debt to EBITDA.
(ii) Gearing ratio equals net debt to total capital (net debt plus equity).
(iii) Interest cover equals EBITDA to net interest.

Statement of Financial Position
Our balance sheet remains in a strong position with net assets of $14,820 million.

Current assets increased by 20.1 per cent to $8,374 million largely a result of an increase in cash and cash equivalents of $775 million. This increase reflects the build up of additional liquidity from short-term financing to provide prudent coverage for dividend and working capital requirements. Trade and other receivables increased by $323 million due to higher customer deferred debt as a result of an increase in the take up of mobile repayment option plans with higher average handset prices. Debtors also increased resulting from an increase in sales over the Christmas trading period.

Inventories increased by $218 million as a result of equipment purchased in advance to support our GES customers, and handset inventories purchased to meet anticipated demand over the Christmas trading period.

Non current assets increased by 1.9 per cent to $34,097 million. An increase of $287 million in derivative financial assets was driven by foreign currency movements, primarily the United States dollar and the Euro, and other valuation impacts arising from measuring to fair value.

Summary Statement of Financial Position

	1H16	FY15	Change
	$m	$m	%
Current assets	**8,374**	6,970	20.1
Non current assets	**34,097**	33,475	1.9
Total assets	**42,471**	40,445	5.0
Current liabilities	**8,470**	8,129	4.2
Non current liabilities	**19,181**	17,806	7.7
Total liabilities	**27,651**	25,935	6.6
Net assets	**14,820**	14,510	2.1
Total equity	**14,820**	14,510	2.1
Return on average assets (%)	**17.3**	18.9	(1.6)pp
Return on average equity (%)	**29.4**	30.3	(0.9)pp

As our derivatives are used to hedge foreign currency and interest rate exposures, the movement in derivative position is largely offset by corresponding movements in borrowings and equity.

Intangible assets increased by $179 million due to foreign currency exchange impacts on goodwill and higher deferred expenditure. The net book value of property, plant and equipment increased by $191 million with growth in communications assets to support the expansion of our 4G network and Business and Broadband products.

Current liabilities increased by 4.2 per cent to $8,470 million. Borrowings increased by $392 million primarily due to an increase in short term commercial paper, which is held principally to support working capital and liquidity requirements.

Revenue received in advance increased by $146 million mainly due to NBN related projects. These increases were partially offset by a reduction in current tax payable of $117 million, mainly due to an increase in PAYG tax instalments resulting from an increase in the PAYG instalment rate and PAYG instalment income.

Non current liabilities increased by 7.7 per cent to $19,181 million. Borrowings increased by $1,362 million primarily as a result of long term debt issuance, offset by the reclassification of debt due to mature within 12 months to current borrowings. Also driving the increase were unfavourable exchange rate movements impacting our offshore (non AUD denominated) borrowings.

As we hedge all foreign currency risk arising from offshore borrowings, this movement is fully offset by the increase in our net derivative asset position.

Derivative financial liabilities decreased by $120 million, driven by foreign currency movements and other valuation impacts arising from measuring to fair value.

Guidance versus reported results

This schedule details the adjustments made to the reported results for the current period to reflect the performance of the business on the basis which we provided guidance to the market. Our guidance assumes wholesale product price stability from the beginning of the financial year and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Capex to sales guidance excludes externally funded capex.

	Reported continuing operations Half-year ended 31 December			Adjustments Dec-15					Guidance Basis Half-year ended 31 December	
	2015	2014	Growth	M&A (i) Controlled Entities	M&A (i) JVs / Associates	M&A (i) Other Investments	M&A (i) Disposals	ACCC FAD (ii)	2015	Growth
	$m	$m		$m	$m	$m	$m	$m	$m	
Sales revenue	13,627	12,642	7.8%	(1)	0	0	0	16	13,642	7.9%
Total revenue	13,681	12,720	7.6%	(1)	0	0	0	16	13,696	7.7%
Total income (excl. finance income)	14,194	13,014	9.1%	(1)	0	0	0	16	14,209	9.2%
Labour	2,751	2,432	13.1%	(1)	0	0	0	0	2,750	13.1%
Goods and services purchased	3,920	3,262	20.2%	0	0	0	0	0	3,920	20.2%
Other expenses	2,108	1,993	5.8%	0	0	0	0	0	2,108	5.8%
Operating expenses	8,779	7,687	14.2%	(1)	0	0	0	0	8,778	14.2%
Share of net profit/(loss) from joint ventures and associated entities	(5)	(10)	50.0%	0	0	0	0	0	(5)	50.0%
EBITDA	5,410	5,317	1.7%	0	0	0	0	16	5,426	2.1%
Depreciation and amortisation	2,038	1,989	2.5%	0	0	0	0	0	2,038	2.5%
EBIT	3,372	3,328	1.3%	0	0	0	0	16	3,388	1.8%
Net finance costs	340	353	(3.7%)	0	0	0	0	0	340	(3.7%)
Profit before income tax expense	3,032	2,975	1.9%	0	0	0	0	16	3,048	2.5%
Income tax expense	905	876	3.3%	0	0	0	0	5	910	3.9%
Profit for the year from continuing operations	2,127	2,099	1.3%	0	0	0	0	11	2,138	1.9%
Profit/(loss) for the period from discontinued operation	8	19	(57.9%)	0	0	0	0	0	8	(57.9%)
Profit for the period from continuing and discontinued operations	2,135	2,118	0.8%	0	0	0	0	11	2,146	1.3%
Attributable to:										
Equity holders of Telstra Entity	2,093	2,085	0.4%	0	0	0	0	11	2,104	0.9%
Non controlling interests	42	33	27.3%	0	0	0	0	0	42	27.3%
Free cashflow	1,918	262		12	27	12	(58)	16	1,927	

This table has been subject to review by our auditors.

Note:

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

(i) **Mergers & Acquisitions:**
Adjustments relating to mergers and acquisition activities. This includes controlled entities Health IQ Pty Ltd , Joint Ventures/Associates including Shanghai You Che You Jia Financial Leasing Co Ltd and other Investments including Instart Logic Inc to 31 December 2015.
During this period we have disposed of several entities, including Box Inc, Elemental Technologies Inc, Pacnet Internet (Thailand) Limited and Elastica Inc.

(ii) **ACCC Final Access Determination adjustments:**
Adjustments for ACCC Final Access Determination (FAD) pricing for fixed services which became effective on 1 November 2015.

Results of operations

	Half Year ended 31 December			
	2015	2014	Change	**Change**
	$m	$m	$m	**%**
Sales revenue	**13,627**	12,642	985	**7.8**
Other revenue[(i)]	**54**	78	(24)	**(30.8)**
Total revenue	**13,681**	12,720	961	**7.6**
Other income[(ii)]	**513**	294	219	**74.5**
Total income (excl. finance income)	**14,194**	13,014	1,180	**9.1**
Labour	**2,751**	2,432	319	**13.1**
Goods and services purchased	**3,920**	3,262	658	**20.2**
Other expenses	**2,108**	1,993	115	**5.8**
Operating expenses	**8,779**	7,687	1,092	**14.2**
Share of net (loss) from joint ventures and associated entities	**(5)**	(10)	5	**50.0**
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	**5,410**	5,317	93	**1.7**
Depreciation and amortisation	**2,038**	1,989	49	**2.5**
Earnings before interest and income tax expense (EBIT)	**3,372**	3,328	44	**1.3**
Net finance costs	**340**	353	(13)	**(3.7)**
Profit before income tax expense	**3,032**	2,975	57	**1.9**
Income tax expense	**905**	876	29	**3.3**
Profit for the period from continuing operations	**2,127**	2,099	28	**1.3**
Profit for the period from discontinued operations	**8**	19	(11)	**(57.9)**
Profit for the period from continuing and discontinued operations	**2,135**	2,118	17	**0.8**
Attributable to:				
Equity holders of Telstra	**2,093**	2,085	8	**0.4**
Non-controlling interests	**42**	33	9	**27.3**
	2,135	2,118	17	**0.8**
Effective tax rate	**29.8%**	29.4%		**0.4 pp**
EBITDA margin on sales revenue	**39.7%**	42.1%		**(2.4) pp**
EBIT margin on sales revenue	**24.7%**	26.3%		**(1.6) pp**
			Change cents	**Change %**
Basic earnings per share from continuing operations[(iii)]	17.1	16.8	0.3	**1.8**
Diluted earnings per share from continuing operations[(iii)]	17.1	16.7	0.4	**2.4**
Basic earnings per share[(iii)]	17.2	16.9	0.3	**1.8**
Diluted earnings per share[(iii)]	17.1	16.9	0.2	**1.2**

(i) Other revenue primarily consists of distributions received from Foxtel (31 Dec 2015: $37m; 31 Dec 2014: $50m) and rental income.

(ii) Other income includes gains and losses on asset and investment sales (including assets transferred under the NBN Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, income from NBN disconnection fees, 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.

Revenue

	Half Year ended 31 December			
	2015	2014	Change	**Change**
	$m	$m	$m	**%**
Fixed products				
Fixed voice	**1,772**	1,917	(145)	**(7.6)**
Fixed data	**1,254**	1,175	79	**6.7**
Other fixed revenue(i)	**538**	528	10	**1.9**
Total fixed revenue	**3,564**	3,620	(56)	**(1.5)**
Mobiles				
Postpaid handheld	**2,706**	2,701	5	**0.2**
Prepaid handheld	**495**	498	(3)	**(0.6)**
Mobile broadband	**639**	649	(10)	**(1.5)**
Machine to Machine (M2M)	**60**	55	5	**9.1**
Satellite	**8**	8	0	**0.0**
Mobile interconnection	**448**	418	30	**7.2**
Mobile services revenue - wholesale resale	**49**	53	(4)	**(7.5)**
Total mobile services revenue	**4,405**	4,382	23	**0.5**
Mobiles hardware	**1,121**	946	175	**18.5**
Total mobile revenue	**5,526**	5,328	198	**3.7**
Data & IP				
ISDN products	**312**	340	(28)	**(8.2)**
IP Access	**597**	601	(4)	**(0.7)**
Other data and calling products	**1,005**	723	282	**39.0**
Total Data & IP	**1,914**	1,664	250	**15.0**
Network applications and services	**1,336**	1,007	329	**32.7**
Media				
Foxtel from Telstra (previously Premium Pay TV)	**350**	322	28	**8.7**
IPTV	**34**	42	(8)	**(19.0)**
Mobility and other content	**34**	41	(7)	**(17.1)**
Cable	**58**	60	(2)	**(3.3)**
Total media	**476**	465	11	**2.4**
Other sales revenue(ii)	**811**	558	253	**45.3**
Sales revenue	**13,627**	12,642	985	**7.8**
Other revenue(iii)	**54**	78	(24)	**(30.8)**
Total revenue	**13,681**	12,720	961	**7.6**
Other income(iv)	**513**	294	219	**74.5**
Total income	**14,194**	13,014	1,180	**9.1**

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

(ii) Other sales revenue includes China Digital Media, late payment fees and miscellaneous revenue. It also includes revenue related to NBN access to our infrastructure.

(iii) Other revenue primarily consists of distributions received from Foxtel (31 Dec 2015: $37m; 31 Dec 2014: $50m) and rental income.

(iv) Other income includes gains and losses on asset and investment sales (including assets transferred under the NBN Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, income from NBN disconnection fees, subsidies and other miscellaneous items.

Expenses

	Half Year ended 31 December			
	2015	2014	Change	**Change**
	$m	$m	$m	**%**
Salary and associated costs	**2,055**	1,834	221	**12.1**
Other labour expenses	**165**	151	14	**9.3**
Labour substitution	**442**	403	39	**9.7**
Redundancy	**89**	44	45	**102.3**
Total labour	**2,751**	2,432	319	**13.1**
Cost of goods sold	**1,731**	1,478	253	**17.1**
Network payments	**1,028**	814	214	**26.3**
Other	**1,161**	970	191	**19.7**
Total goods and services purchased	**3,920**	3,262	658	**20.2**
Service contracts and other agreements	**758**	762	(4)	**(0.5)**
Impairment expenses	**110**	99	11	**11.1**
Other	**1,240**	1,132	108	**9.5**
Total other expenses	**2,108**	1,993	115	**5.8**
Total operating expenses	**8,779**	7,687	1,092	**14.2**
Depreciation	**1,452**	1,467	(15)	**(1.0)**
Amortisation	**586**	522	64	**12.3**
Total depreciation and amortisation	**2,038**	1,989	49	**2.5**

Net Finance Costs

	Half Year ended 31 December			
	2015	2014	Change	**Change**
	$m	$m	$m	**%**
Borrowing costs	**428**	432	(4)	**(0.9)**
Finance leases	**12**	10	2	**20.0**
Interest on cash, loans and finance lease receivables	**(65)**	(85)	20	**(23.5)**
Net borrowing costs	**375**	357	18	**5.0**
Capitalised interest	**(33)**	(29)	(4)	**13.8**
Other	**(2)**	25	(27)	**(108.0)**
Net Finance Costs	**340**	353	(13)	**(3.7)**

Statement of cash flows

	Half Year ended 31 December			
	2015	2014	Change	**Change**
	$m	$m	$m	**%**
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax (GST))	15,642	14,243	1,399	**9.8**
Payments to suppliers and to employees (inclusive of GST)	(11,128)	(9,780)	(1,348)	**13.8**
Government grants received	152	158	(6)	**(3.8)**
Net cash generated by operations	4,666	4,621	45	**1.0**
Income taxes paid	(989)	(927)	(62)	**6.7**
Net cash provided by operating activities	**3,677**	**3,694**	**(17)**	**(0.5)**
Cash flows from investing activities				
Payments for property, plant and equipment	(1,606)	(1,398)	(208)	**14.9**
Payments for intangible assets	(589)	(1,766)	1,177	**(66.6)**
Capital expenditure (before investments)	**(2,195)**	**(3,164)**	**969**	**(30.6)**
- payments for business and shares in controlled entities (net of cash acquired)	(10)	(430)	420	**(97.7)**
- payments for joint ventures and associated entities	(27)	(15)	(12)	**80.0**
- payments for other investments	(12)	(44)	32	**(72.7)**
Total capital expenditure (including investments)	**(2,244)**	**(3,653)**	**1,409**	**(38.6)**
Proceeds from sale of property, plant and equipment	257	43	214	**n/m**
Proceeds from sale of shares in controlled entities (net of cash disposed)	6	(4)	10	**n/m**
Proceeds from sale of other investments	52	-	52	**100.0**
Proceeds from finance lease principal amounts	51	48	3	**6.3**
Distributions received from joint ventures and associated entities	81	63	18	**28.6**
Interest received	38	70	(32)	**(45.7)**
Other	-	1	(1)	**n/m**
Net cash used in investing activities	**(1,759)**	**(3,432)**	**1,673**	**(48.7)**
Operating cash flows less investing cash flows	**1,918**	**262**	**1,656**	**n/m**
Cash flows from financing activities				
Proceeds from borrowings	3,009	594	2,415	**n/m**
Repayment of borrowings	(1,782)	(1,805)	23	**(1.3)**
Repayment of finance lease principal amount	(7)	(40)	33	**(82.5)**
Share buy-back	-	(1,004)	1,004	**(100.0)**
Staff repayments of share loans	1	2	(1)	**(50.0)**
Purchase of shares for employee share plans	(68)	(54)	(14)	**25.9**
Proceeds from sale of controlled entity shares	-	333	(333)	**(100.0)**
Finance costs paid	(420)	(471)	51	**(10.8)**
Issue of equity by controlled entities	-	121	(121)	**(100.0)**
Proceeds from sale of controlled entity shares on behalf of non-controlling interests	10	33	(23)	**(69.7)**
Payments to non-controlling interests for sale of their shares in controlled entity (incl. tax paid on their behalf)	(9)	(36)	27	**(75.0)**
Dividends paid to equity holders of Telstra Entity	(1,893)	(1,866)	(27)	**1.4**
Dividends paid to non-controlling interests	(1)	-	(1)	**n/m**
Net cash used in financing activities	**(1,160)**	**(4,193)**	**3,033**	**(72.3)**
Net increase/(decrease) in cash and cash equivalents	**758**	**(3,931)**	**4,689**	**119.3**
Cash and cash equivalents at the beginning of the period	**1,396**	**5,527**	**(4,131)**	**(74.7)**
Effects of exchange rate changes on cash and cash equivalents	**11**	**73**	**(62)**	**(84.9)**
Cash and cash equivalents at the end of the period	**2,165**	**1,669**	**496**	**29.7**

Statement of financial position

	As at			
	31 Dec 15	30 Jun 15	Change	Change
	$m	$m	$m	%
Current assets				
Cash and cash equivalents	**2,171**	1,396	775	**55.5**
Trade and other receivables	**5,044**	4,721	323	**6.8**
Inventories	**709**	491	218	**44.4**
Derivative financial assets	**8**	7	1	**14.3**
Current tax receivables	**5**	9	(4)	**(44.4)**
Prepayments	**437**	346	91	**26.3**
Total current assets	**8,374**	6,970	1,404	**20.1**
Non current assets				
Trade and other receivables	**1,234**	1,171	63	**5.4**
Inventories	**34**	32	2	**6.3**
Investments - accounted for using the equity method	**172**	201	(29)	**(14.4)**
Investments - other	**146**	137	9	**6.6**
Property, plant and equipment	**20,641**	20,450	191	**0.9**
Intangible assets	**9,511**	9,332	179	**1.9**
Derivative financial assets	**2,077**	1,790	287	**16.0**
Deferred tax assets	**72**	66	6	**9.1**
Defined benefit assets	**210**	296	(86)	**(29.1)**
Total non current assets	**34,097**	33,475	622	**1.9**
Total assets	**42,471**	40,445	2,026	**5.0**
Current liabilities				
Trade and other payables	**4,052**	4,045	7	**0.2**
Provisions	**939**	970	(31)	**(3.2)**
Borrowings	**1,888**	1,496	392	**26.2**
Derivative financial liabilities	**158**	214	(56)	**(26.2)**
Current tax payables	**174**	291	(117)	**(40.2)**
Revenue received in advance	**1,259**	1,113	146	**13.1**
Total current liabilities	**8,470**	8,129	341	**4.2**
Non current liabilities				
Other payables	**71**	74	(3)	**(4.1)**
Provisions	**285**	284	1	**0.4**
Borrowings	**15,500**	14,138	1,362	**9.6**
Derivative financial liabilities	**791**	911	(120)	**(13.2)**
Deferred tax liabilities	**1,576**	1,558	18	**1.2**
Defined benefit liability	**4**	4	-	**0.0**
Revenue received in advance	**954**	837	117	**14.0**
Total non current liabilities	**19,181**	17,806	1,375	**7.7**
Total liabilities	**27,651**	25,935	1,716	**6.6**
Net assets	**14,820**	14,510	310	**2.1**
Equity				
Equity available to Telstra Entity shareholders	**14,355**	14,103	252	**1.8**
Non-controlling interests	**465**	407	58	**14.3**
Total equity	**14,820**	14,510	310	**2.1**
Gross debt	**16,246**	14,962	1,284	**8.6**
Net debt	**14,081**	13,566	515	**3.8**
EBITDA interest cover (times)(i)	**14.4**	15.0	(0.6)	**(4.0)**
Net debt to EBITDA	**1.3**	1.3	-	**0.0**
ROA - Return on average assets(ii)	17.3%	18.9%		**(1.6) pp**
ROE - Return on average equity(ii)	29.4%	30.3%		**(0.9) pp**
ROI - Return on average investment(ii)	23.8%	25.8%		**(2.0) pp**
ROIC - Return on invested capital(ii)	15.0%	16.4%		**(1.4) pp**
Gearing ratio (net debt to capitalisation)(ii)	48.7%	48.3%		**0.4 pp**

(i) EBITDA Interest cover equals EBITDA to net interest.

(ii) Ratio has been measured on a continuing and discontinuing basis.

n/m = not meaningful

ARPU ($)

	Half year ended			Dec 15 vs Dec 14		Dec 15 vs Jun 15	
	Dec 2015	Jun 2015	Dec 2014	Change	Change	Change	Change
	($)	($)	($)	($)	%	($)	%
Fixed voice	**40.66**	41.37	42.73	(2.07)	(4.8)	(0.71)	(1.7)
Fixed data	**51.60**	51.15	51.53	0.07	0.1	0.45	0.9
Mobile services retail (incl. Interconnect and MRO)	**43.24**	43.60	44.56	(1.32)	(3.0)	(0.36)	(0.8)
Postpaid handheld (incl. MRO)	**61.38**	61.45	62.22	(0.84)	(1.4)	(0.07)	(0.1)
Postpaid handheld (excl. MRO)	**69.03**	69.08	69.71	(0.68)	(1.0)	(0.05)	(0.1)
Prepaid handheld	**21.20**	21.19	21.50	(0.30)	(1.4)	0.01	0.0
Mobile broadband	**27.38**	27.84	28.89	(1.51)	(5.2)	(0.46)	(1.7)
M2M	**6.15**	6.58	6.93	(0.78)	(11.3)	(0.43)	(6.5)
Satellite	**43.60**	43.88	46.61	(3.01)	(6.5)	(0.28)	(0.6)

Services in operation

	Half year ended			Dec 15 vs Dec 14		Dec 15 vs Jun 15	
	Dec 2015	Jun 2015	Dec 2014	Change	Change	Change	Change
	('000)	('000)	('000)	('000)	%	('000)	%
Fixed products							
Basic access lines in service							
Retail(i)	**5,852**	5,981	6,104	(252)	(4.1)	(129)	(2.2)
Wholesale	**1,353**	1,338	1,318	35	2.7	15	1.1
Total fixed voice lines in service	**7,205**	7,319	7,422	(217)	(2.9)	(114)	(1.6)
Fixed data SIOs - retail(ii)	**3,265**	3,144	3,043	222	7.3	121	3.8
Fixed data SIOs - wholesale	**850**	841	816	34	4.2	9	1.1
Fixed data	**4,115**	3,985	3,859	256	6.6	130	3.3
ISDN access (basic line equivalents)	**1,102**	1,137	1,181	(79)	(6.7)	(35)	(3.1)
Unconditioned local loop (ULL) SIOs	**1,570**	1,563	1,528	42	2.7	7	0.4
Line spectrum sharing services (LSS)(iii)	**516**	544	569	(53)	(9.3)	(28)	(5.1)
Mobiles SIOs							
Postpaid handheld retail mobile	**7,387**	7,307	7,275	112	1.5	80	1.1
Prepaid handheld retail mobile	**3,864**	3,923	3,876	(12)	(0.3)	(59)	(1.5)
Total mobile broadband (data card)	**3,914**	3,866	3,809	105	2.8	48	1.2
M2M	**1,714**	1,547	1,385	329	23.8	167	10.8
Satellite	**29**	30	30	(1)	(3.3)	(1)	(3.3)
Total retail mobile	**16,908**	16,673	16,375	533	3.3	235	1.4
Total wholesale mobile	**478**	465	408	70	17.2	13	2.8
Prepaid handheld unique users(iv)	**2,603**	2,531	2,490	113	4.5	72	2.8
Foxtel from Telstra	**660**	623	560	100	17.9	37	5.9

(i) Includes NBN.
(ii) Includes NBN and Belong SIOs.
(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 15 vs Dec 14		Dec 15 vs Jun 15	
	Dec 2015	Jun 2015	Dec 2014	Change	Change	Change	Change
					%		%
Employee data							
Full time staff and equivalents	36,991	36,165	33,578	3,413	10.2	826	2.3

Note: Statistical data represents management's best estimates.

Segment information from continuing operations

	Total external income Half year ended 31 December			EBITDA contribution Half year ended 31 December		
	2015	2014	Change	2015	2014	Change
	$m	$m	%	$m	$m	%
Telstra Retail	**8,657**	8,476	**2.1**	**4,665**	4,789	**(2.6)**
Global Enterprise and Services	**3,180**	2,623	**21.2**	**1,163**	1,183	**(1.7)**
Telstra Wholesale	**1,310**	1,244	**5.3**	**1,210**	1,150	**5.2**
Telstra Operations	**250**	182	**37.4**	**(1,399)**	(1,408)	**0.6**
All Other	**797**	489	**63.0**	**(221)**	(378)	**41.5**
Total Telstra segments	**14,194**	13,014	**9.1**	**5,418**	5,336	**1.5**

Revenue by Business Segment

	Half year ended 31 December		
	2015	2014	Change
	$m	$m	%
Telstra Consumer			
Fixed voice	**994**	1,075	**(7.5)**
Fixed data	**883**	821	**7.6**
Mobile services revenue	**2,743**	2,721	**0.8**
Telstra Business			
Fixed voice	**434**	477	**(9.0)**
Fixed data	**184**	180	**2.2**
Mobile services revenue	**1,130**	1,145	**(1.3)**
Network applications and services	**312**	250	**24.8**
GES Australia			
Mobile services revenue	**471**	454	**3.7**
Data & IP	**831**	856	**(2.9)**
Network applications and services	**830**	673	**23.3**

Product profitability - EBITDA margins %

	Half year ended		
	Dec 2015	Jun 2015	Dec 2014
Mobile	**39%**	40%	40%
Fixed data[(i)]	**41%**	39%	42%
Fixed voice[(i)]	**54%**	54%	56%
Data & IP	**62%**	65%	64%

Note: product margins represent management's best estimates.
(i) Includes NBN Voice and Data.

Product profitability - EBITDA ($m)

	Half year ended		
	Dec 2015	Jun 2015	Dec 2014
Mobile	**2,128**	2,140	2,110
Fixed data[(i)]	**518**	471	495
Fixed voice[(i)]	**955**	982	1,076
Data & IP	**893**	920	933

Note: product margins represent management's best estimates.
(i) Includes NBN Voice and Data.

Telstra Corporation Limited
Half-yearly comparison
Half year ended 31 December 2015

Summary Reported Half-yearly Data ($ millions)	Half 1 Dec-12	PCP Growth	Half 2 Jun-13	PCP Growth	Full year Jun-13	PCP Growth	Half 1 Dec-13	PCP Growth	Half 2 Jun-14	PCP Growth	Full year Jun-14	PCP Growth	Half 1 Dec-14	PCP Growth	Half 2 Jun-15	PCP Growth	Full year Jun-15	PCP Growth	Half 1 Dec-15	PCP Growth
Revenue																				
Fixed products																				
Fixed voice(i)	2,219	(10.8%)	2,137	(8.2%)	4,356	(9.5%)	2,058	(7.3%)	1,974	(7.6%)	4,032	(7.4%)	1,917	(6.9%)	1,829	(7.3%)	3,746	(7.1%)	1,772	(7.6%)
Fixed data(i)	1,028	4.4%	1,059	5.7%	2,087	5.0%	1,090	6.0%	1,128	6.5%	2,218	6.3%	1,175	7.8%	1,204	6.7%	2,379	7.3%	1,254	6.7%
Fixed Other	234	47.2%	230	58.6%	464	52.1%	231	(1.3%)	231	0.4%	462	(0.4%)	219	(5.2%)	224	(3.0%)	443	(4.1%)	245	11.9%
Intercarrier Services	311	21.0%	290	8.2%	601	14.5%	288	(7.4%)	298	2.8%	586	(2.5%)	309	7.3%	311	4.4%	620	5.8%	293	(5.2%)
Total Fixed products(i)	**3,792**	**(2.5%)**	**3,716**	**(0.7%)**	**7,508**	**(1.6%)**	**3,667**	**(3.3%)**	**3,631**	**(2.3%)**	**7,298**	**(2.8%)**	**3,620**	**(1.3%)**	**3,568**	**(1.7%)**	**7,188**	**(1.5%)**	**3,564**	**(1.5%)**
Mobiles																				
Postpaid handheld	2,377	0.3%	2,427	5.4%	4,804	2.8%	2,495	5.0%	2,511	3.5%	5,006	4.2%	2,701	8.3%	2,688	7.0%	5,389	7.7%	2,706	0.2%
Prepaid handheld	351	7.7%	376	14.6%	727	11.2%	419	19.4%	460	22.3%	879	20.9%	498	18.9%	496	7.8%	994	13.1%	495	(0.6%)
Mobile broadband	576	16.8%	620	18.1%	1,196	17.5%	643	11.6%	644	3.9%	1,287	7.6%	649	0.9%	641	(0.5%)	1,290	0.2%	639	(1.5%)
Machine to Machine (M2M)	44	10.0%	46	15.0%	90	12.5%	47	6.8%	54	17.4%	101	12.2%	55	17.0%	58	7.4%	113	11.9%	60	9.1%
Satellite	7	0.0%	6	20.0%	13	8.3%	7	0.0%	7	16.7%	14	7.7%	8	14.3%	8	14.3%	16	14.3%	8	0.0%
Mobile interconnection	398	(2.2%)	372	2.8%	770	0.1%	407	2.3%	380	2.2%	787	2.2%	418	2.7%	431	13.4%	849	7.9%	448	7.2%
Mobile services - wholesale resale	48	(30.4%)	57	(16.2%)	105	(23.4%)	61	27.1%	43	(24.6%)	104	(1.0%)	53	(13.1%)	64	48.8%	117	12.5%	49	(7.5%)
Total mobile services	**3,801**	**2.4%**	**3,904**	**7.5%**	**7,705**	**4.9%**	**4,079**	**7.3%**	**4,099**	**5.0%**	**8,178**	**6.1%**	**4,382**	**7.4%**	**4,386**	**7.0%**	**8,768**	**7.2%**	**4,405**	**0.5%**
Mobile hardware	766	16.9%	731	7.0%	1,497	11.9%	784	2.3%	708	(3.1%)	1,492	(0.3%)	946	20.7%	940	32.8%	1,886	26.4%	1,121	18.5%
Total mobiles	**4,567**	**4.6%**	**4,635**	**7.5%**	**9,202**	**6.0%**	**4,863**	**6.5%**	**4,807**	**3.7%**	**9,670**	**5.1%**	**5,328**	**9.6%**	**5,326**	**10.8%**	**10,654**	**10.2%**	**5,526**	**3.7%**
Data & IP																				
ISDN products	398	(5.2%)	379	(6.7%)	777	(5.9%)	363	(8.8%)	349	(7.9%)	712	(8.4%)	340	(6.3%)	322	(7.7%)	662	(7.0%)	312	(8.2%)
IP access	559	8.1%	570	4.6%	1,129	6.3%	592	5.9%	598	4.9%	1,190	5.4%	601	1.5%	604	1.0%	1,205	1.3%	597	(0.7%)
Other data and calling products	752	24.1%	718	16.9%	1,470	20.5%	728	(3.2%)	723	0.7%	1,451	(1.3%)	723	(0.7%)	827	14.4%	1,550	6.8%	1,005	39.0%
Data & IP Total	**1,709**	**10.8%**	**1,667**	**6.5%**	**3,376**	**8.6%**	**1,683**	**(1.5%)**	**1,670**	**0.2%**	**3,353**	**(0.7%)**	**1,664**	**(1.1%)**	**1,753**	**5.0%**	**3,417**	**1.9%**	**1,914**	**15.0%**
Network applications and services	**662**	**15.3%**	**877**	**27.7%**	**1,539**	**22.0%**	**853**	**28.9%**	**1,110**	**26.6%**	**1,963**	**27.6%**	**1,007**	**18.1%**	**1,411**	**27.1%**	**2,418**	**23.2%**	**1,336**	**32.7%**
Media																				
Foxtel from Telstra	302	0.0%	293	(2.7%)	595	(1.3%)	297	(1.7%)	308	5.1%	605	1.7%	322	8.4%	340	10.4%	662	9.4%	350	8.7%
IPTV	31	10.7%	41	17.1%	72	14.3%	50	61.3%	44	7.3%	94	30.6%	42	(16.0%)	30	(31.8%)	72	(23.4%)	34	(19.0%)
Mobility and other content	54	(89.7%)	48	(94.9%)	102	(93.1%)	41	(24.1%)	40	(16.7%)	81	(20.6%)	41	0.0%	38	(5.0%)	79	(2.5%)	34	(17.1%)
Cable	61	5.2%	58	(3.3%)	119	0.8%	60	(1.6%)	60	3.4%	120	0.8%	60	0.0%	58	(3.3%)	118	(1.7%)	58	(3.3%)
Media - Total	**448**	**(50.9%)**	**440**	**(67.2%)**	**888**	**(60.6%)**	**448**	**0.0%**	**452**	**2.7%**	**900**	**1.4%**	**465**	**3.8%**	**466**	**3.1%**	**931**	**3.4%**	**476**	**2.4%**
Other																				
CSL New World	494	13.3%	517	21.9%	1,011	17.6%	630	27.5%	415	(19.7%)	1,045	3.4%	0	(100.0%)	0	(100.0%)	0	(100.0%)	0	n/m
TelstraClear	164	(35.7%)	0	(100.0%)	164	(67.3%)	0	(100.0%)	0	n/m	0	(100.0%)	0	n/m	0	n/m	0	n/m	0	n/m
Other sales revenue	288	65.5%	322	23.8%	610	40.6%	420	45.8%	470	46.0%	890	45.9%	558	32.9%	679	44.5%	1,237	39.0%	811	45.3%
Total sales revenue	**12,124**	**(2.3%)**	**12,174**	**(5.1%)**	**24,298**	**(3.7%)**	**12,564**	**3.6%**	**12,555**	**3.1%**	**25,119**	**3.4%**	**12,642**	**0.6%**	**13,203**	**5.2%**	**25,845**	**2.9%**	**13,627**	**7.8%**
Other revenue	67	378.6%	109	(10.7%)	176	29.4%	62	(7.5%)	139	27.5%	201	14.2%	78	25.8%	100	(28.1%)	178	(11.4%)	54	(30.8%)
Total revenue	**12,191**	**(1.8%)**	**12,283**	**(5.1%)**	**24,474**	**(3.5%)**	**12,626**	**3.6%**	**12,694**	**3.3%**	**25,320**	**3.5%**	**12,720**	**0.7%**	**13,303**	**4.8%**	**26,023**	**2.8%**	**13,681**	**7.6%**
Other income	110	34.1%	192	262.3%	302	123.7%	177	60.9%	799	316.1%	976	223.2%	294	66.1%	290	(63.7%)	584	(40.2%)	513	74.5%
Total income	**12,301**	**(1.6%)**	**12,475**	**(4.1%)**	**24,776**	**(2.9%)**	**12,803**	**4.1%**	**13,493**	**8.2%**	**26,296**	**6.1%**	**13,014**	**1.6%**	**13,593**	**0.7%**	**26,607**	**1.2%**	**14,194**	**9.1%**
Expenses																				
Labour	2,246	(11.9%)	2,281	(5.7%)	4,527	(8.9%)	2,367	5.4%	2,365	3.7%	4,732	4.5%	2,432	2.7%	2,489	5.2%	4,921	4.0%	2,751	13.1%
Goods and services purchased	3,135	(0.8%)	3,112	3.1%	6,247	1.1%	3,295	5.1%	3,170	1.9%	6,465	3.5%	3,262	(1.0%)	3,585	13.1%	6,847	5.9%	3,920	20.2%
Other expenses	1,978	(3.1%)	1,855	(10.9%)	3,833	(7.0%)	1,852	(6.4%)	2,136	15.1%	3,988	4.0%	1,993	7.6%	2,120	(0.7%)	4,113	3.1%	2,108	5.8%
Operating expense (before interest)	7,359	(5.1%)	7,248	(3.6%)	14,607	(4.3%)	7,514	2.1%	7,671	5.8%	15,185	4.0%	7,687	2.3%	8,194	6.8%	15,881	4.6%	8,779	14.2%
Share of net profit/(loss) from jointly controlled and associated entitie:	0	n/m	(1)	n/m	(1)	n/m	0	n/m	24	n/m	24	n/m	(10)	n/m	29	20.8%	19	(20.8%)	(5)	50.0%
EBITDA	**4,942**	**4.0%**	**5,226**	**(4.7%)**	**10,168**	**(0.6%)**	**5,289**	**7.0%**	**5,846**	**11.9%**	**11,135**	**9.5%**	**5,317**	**0.5%**	**5,428**	**(7.2%)**	**10,745**	**(3.5%)**	**5,410**	**1.7%**
Depreciation and amortisation	2,068	(5.4%)	2,010	(9.7%)	4,078	(7.6%)	2,013	(2.7%)	1,937	(3.6%)	3,950	(3.1%)	1,989	(1.2%)	1,994	2.9%	3,983	0.8%	2,038	2.5%
EBIT	**2,874**	**12.1%**	**3,216**	**(1.3%)**	**6,090**	**4.6%**	**3,276**	**14.0%**	**3,909**	**21.5%**	**7,185**	**18.0%**	**3,328**	**1.6%**	**3,434**	**(12.2%)**	**6,762**	**(5.9%)**	**3,372**	**1.3%**
Net finance costs	477	20.5%	456	(7.3%)	933	5.1%	490	2.7%	467	2.4%	957	2.6%	353	(28.0%)	336	(28.1%)	689	(28.0%)	340	(3.7%)
Profit before income tax expense	2,397	10.6%	2,760	(0.2%)	5,157	4.5%	2,786	16.2%	3,442	24.7%	6,228	20.8%	2,975	6.8%	3,098	(10.0%)	6,073	(2.5%)	3,032	1.9%
Income tax expense	758	10.0%	759	(7.6%)	1,517	0.5%	825	8.8%	854	12.5%	1,679	10.7%	876	6.2%	911	6.7%	1,787	6.4%	905	3.3%
Profit for the period from continuing operations	**1,639**	**10.8%**	**2,001**	**2.9%**	**3,640**	**6.3%**	**1,961**	**19.6%**	**2,588**	**29.3%**	**4,549**	**25.0%**	**2,099**	**7.0%**	**2,187**	**(15.5%)**	**4,286**	**(5.8%)**	**2,127**	**1.3%**
Profit/(loss) for the period from discontinued operations	**(53)**	**n/m**	**204**	**n/m**	**151**	**n/m**	**(221)**	**317.0%**	**17**	**(91.7%)**	**(204)**	**(235.1%)**	**19**	**(108.6%)**	**0**	**(100.0%)**	**19**	**n/m**	**8**	**(57.9%)**
Profit for the period	**1,586**	**7.2%**	**2,205**	**13.4%**	**3,791**	**10.7%**	**1,740**	**9.7%**	**2,605**	**18.1%**	**4,345**	**14.6%**	**2,118**	**21.7%**	**2,187**	**(16.0%)**	**4,305**	**(0.9%)**	**2,135**	**0.8%**

(i) Includes NBN.

Telstra Corporation Limited

Half-yearly comparison

Half year ended 31 December 2015

Summary Reported Half-yearly Data	Half 1 Dec-12	PCP Growth	Half 2 Jun-13	PCP Growth	Full year Jun-13	PCP Growth	Half 1 Dec-13	PCP Growth	Half 2 Jun-14	PCP Growth	Full year Jun-14	PCP Growth	Half 1 Dec-14	PCP Growth	Half 2 Jun-15	PCP Growth	Full year Jun-15	PCP Growth	Half 1 Dec-15	PCP Growth
Selected statistical data																				
Fixed Voice																				
Retail basic access lines in service (thousands)	6,695	(4.8%)	6,524	(5.1%)	6,524	(5.1%)	6,356	(5.1%)	6,245	(4.3%)	6,245	(4.3%)	6,104	(4.0%)	5,981	(4.2%)	5,981	(4.2%)	5,852	(4.1%)
Wholesale basic access lines in service (thousands)	1,207	0.6%	1,239	5.0%	1,239	5.0%	1,277	5.8%	1,285	3.7%	1,285	3.7%	1,318	3.2%	1,338	4.1%	1,338	4.1%	1,353	2.7%
Fixed voice lines in service (thousands)[i]	**7,902**	**(4.0%)**	**7,763**	**(3.6%)**	**7,763**	**(3.6%)**	**7,633**	**(3.4%)**	**7,530**	**(3.0%)**	**7,530**	**(3.0%)**	**7,422**	**(2.8%)**	**7,319**	**(2.8%)**	**7,319**	**(2.8%)**	**7,205**	**(2.9%)**
Unconditioned local loop (ULL) services in operation (thousands)	1,245	17.3%	1,322	14.0%	1,322	14.0%	1,400	12.4%	1,482	12.1%	1,482	12.1%	1,528	9.1%	1,563	5.5%	1,563	5.5%	1,570	2.7%
Number of local calls (millions)	1,292	(18.0%)	1,143	(19.4%)	2,435	(18.7%)	1,053	(18.5%)	938	(17.9%)	1,991	(18.2%)	876	(16.8%)	750	(20.0%)	1,626	(18.3%)	727	(17.0%)
National long distance minutes (millions)	2,066	(14.6%)	1,868	(17.7%)	3,934	(16.1%)	1,706	(17.4%)	1,539	(17.6%)	3,245	(17.5%)	1,378	(19.2%)	1,175	(23.7%)	2,553	(21.3%)	1,170	(15.1%)
Fixed to mobile minutes (millions)	1,371	(8.8%)	1,287	(11.2%)	2,658	(10.0%)	1,241	(9.5%)	1,170	(9.1%)	2,411	(9.3%)	1,112	(10.4%)	996	(14.9%)	2,108	(12.6%)	1,016	(8.6%)
International direct minutes (millions)	222	(7.9%)	240	5.3%	463	(1.3%)	273	23.0%	274	14.2%	546	17.9%	256	(6.2%)	209	(23.7%)	465	(14.8%)	256	0.0%
Average fixed voice revenue per user per month ($)	46.34	(7.3%)	45.49	(4.5%)	45.90	(6.1%)	44.54	(3.9%)	43.42	(4.6%)	43.94	(4.3%)	42.73	(4.1%)	41.37	(4.7%)	42.05	(4.3%)	40.66	(4.8%)
Fixed data																				
Fixed data SIOs - Retail (thousands)	2,684	7.2%	2,772	6.7%	2,772	6.7%	2,847	6.1%	2,955	6.6%	2,955	6.6%	3,043	6.9%	3,144	6.4%	3,144	6.4%	3,265	7.3%
Broadband wholesale SIOs (thousands)	761	(6.6%)	769	0.3%	769	0.3%	777	2.1%	789	2.6%	789	2.6%	816	5.0%	841	6.6%	841	6.6%	850	4.2%
Fixed data SIOs (thousands)[i]	**3,445**	**3.8%**	**3,541**	**5.2%**	**3,541**	**5.2%**	**3,624**	**5.2%**	**3,744**	**5.7%**	**3,744**	**5.7%**	**3,859**	**6.5%**	**3,985**	**6.4%**	**3,985**	**6.4%**	**4,115**	**6.6%**
Wholesale line spectrum site sharing (LSS) SIOs (thousands)	658	(8.2%)	631	(9.3%)	631	(9.3%)	614	(6.7%)	589	(6.7%)	589	(6.7%)	569	(7.3%)	544	(7.6%)	544	(7.6%)	516	(9.3%)
Average fixed data revenue per user per month ($)	50.29	0.9%	50.52	1.1%	50.34	0.8%	50.75	0.9%	50.99	0.9%	50.74	0.8%	51.53	1.5%	51.15	0.3%	51.31	1.1%	51.60	0.1%
ISDN																				
ISDN access (basic access line equivalents) (thousands)	1,282	(1.7%)	1,285	(0.9%)	1,285	(0.9%)	1,265	(1.3%)	1,225	(4.7%)	1,225	(4.7%)	1,181	(6.6%)	1,137	(7.2%)	1,137	(7.2%)	1,102	(6.7%)
ISDN average revenue per user per month ($)	51.47	(3.9%)	49.25	(5.5%)	50.19	(5.1%)	47.41	(7.9%)	46.79	(5.0%)	47.29	(5.8%)	47.07	(0.7%)	46.31	(1.0%)	46.70	(1.2%)	46.39	(1.4%)
IP MAN SIOs (thousands)	28	7.7%	31	14.8%	31	14.8%	32	14.3%	33	6.5%	33	6.5%	34	6.3%	35	6.1%	35	6.1%	37	8.8%
IP WAN SIOs (thousands)	106	0.0%	109	2.8%	109	2.8%	110	3.8%	110	0.9%	110	0.9%	109	(0.9%)	111	0.9%	111	0.9%	113	3.7%
Mobiles																				
Total retail mobile SIOs (thousands)	14,423	9.2%	15,072	9.1%	15,072	9.1%	15,811	9.6%	16,009	6.2%	16,009	6.2%	16,375	3.6%	16,673	4.1%	16,673	4.1%	16,908	3.3%
Postpaid handheld mobile SIOs (thousands)	6,861	7.2%	7,019	6.4%	7,019	6.4%	7,122	3.8%	7,194	2.5%	7,194	2.5%	7,275	2.1%	7,307	1.6%	7,307	1.6%	7,387	1.5%
Mobile broadband (data cards) SIOs (thousands)	3,336	21.5%	3,570	14.5%	3,570	14.5%	3,672	10.1%	3,679	3.1%	3,679	3.1%	3,809	3.7%	3,866	5.1%	3,866	5.1%	3,914	2.8%
Prepaid mobile handheld unique users (thousands)	2,102	5.7%	2,197	8.3%	2,197	8.3%	2,347	11.7%	2,446	11.3%	2,446	11.3%	2,490	6.1%	2,531	3.5%	2,531	3.5%	2,603	4.5%
Machine to Machine (M2M) (thousands)	888	19.4%	970	19.9%	970	19.9%	1,086	22.3%	1,261	30.0%	1,261	30.0%	1,385	27.5%	1,547	22.7%	1,547	22.7%	1,714	23.8%
Satellite (thousands)	26	8.3%	27	8.0%	27	8.0%	28	7.7%	30	11.1%	30	11.1%	30	7.1%	30	0.0%	30	0.0%	29	(3.3%)
Total wholesale SIOs (thousands)	67	3.1%	241	322.8%	241	322.8%	348	419.4%	379	57.3%	379	57.3%	408	17.2%	465	22.7%	465	22.7%	478	17.2%
Mobile voice telephone minutes (millions)	9,906	22.9%	10,504	18.5%	20,410	20.6%	11,633	17.4%	12,194	16.1%	23,827	16.7%	13,240	13.8%	13,395	9.8%	26,635	11.8%	14,363	8.5%
Number of SMS sent (millions)	6,771	15.1%	6,992	13.4%	13,763	14.2%	7,475	10.4%	7,846	12.2%	15,321	11.3%	8,642	15.6%	9,011	14.8%	17,653	15.2%	9,146	5.8%
Blended average revenue per user (incl. interconnection and MRO) ($)	44.30	(7.1%)	43.48	(1.0%)	43.85	(4.8%)	43.36	(2.1%)	42.49	(2.3%)	43.29	(1.3%)	44.56	2.8%	43.60	2.6%	44.12	1.9%	43.24	(3.0%)
Average postpaid handheld revenue per user (excl. MRO) ($)	65.34	(3.1%)	65.92	2.4%	65.90	(0.5%)	66.80	2.2%	66.20	0.4%	66.57	1.0%	69.71	4.4%	69.08	4.4%	69.51	4.4%	69.03	(1.0%)
Average postpaid handheld revenue per user (incl. MRO) ($)	58.88	(7.1%)	58.29	(1.3%)	58.80	(4.4%)	58.81	(0.1%)	58.47	0.3%	58.70	(0.2%)	62.22	5.8%	61.45	5.1%	61.94	5.5%	61.38	(1.4%)
Average prepaid handheld revenue per user ($)	17.79	6.1%	18.44	10.6%	17.94	6.3%	18.90	6.2%	19.79	7.3%	19.98	11.4%	21.50	13.8%	21.19	7.1%	21.32	6.7%	21.20	(1.4%)
Average mobile broadband revenue per user per month ($)	29.75	(8.5%)	29.93	0.3%	29.80	(4.7%)	29.60	(0.5%)	29.20	(2.4%)	29.59	(0.7%)	28.89	(2.4%)	27.84	(4.7%)	28.49	(3.7%)	27.38	(5.2%)
Average machine to machine revenue per user per month ($)	8.66	(9.8%)	8.30	(2.4%)	8.46	(6.9%)	7.69	(11.2%)	7.60	(8.4%)	7.54	(10.9%)	6.93	(9.9%)	6.58	(13.4%)	6.70	(11.1%)	6.15	(11.3%)
Average satellite revenue per user per month ($)	43.47	(7.6%)	39.46	13.8%	41.32	1.5%	40.43	(7.0%)	40.44	2.5%	39.98	(3.2%)	46.61	15.3%	43.88	8.5%	45.07	12.7%	43.60	(6.5%)
Premium pay TV																				
Foxtel from Telstra (thousands)	507	0.6%	500	(0.2%)	500	(0.2%)	500	(1.4%)	526	5.2%	526	5.2%	560	12.0%	623	18.4%	623	18.4%	660	17.9%
Labour																				
Full time staff and equivalents	35,157	15.6%	34,679	14.8%	34,679	14.8%	35,807	1.8%	32,354	(6.7%)	32,354	(6.7%)	33,578	(6.2%)	36,165	11.8%	36,165	11.8%	36,991	10.2%

(i) Includes NBN

Note: statistical data represents management's best estimates.