

Telstra Corporation Limited
Full year end results and operations review
Year ended 30 June 2005

Strong result with revenue growth, earnings growth and cash growth

Highlights

- **Reported total revenue grew by 6.5%. Reported EBIT increased by 6.8%.**
- **Reported net profit grew by 8.0%. Reported EPS was up by 9.6% to 35.5 cents.**
- **Growth in underlying sales revenue of 3.7% and domestic sales revenue of 3.5%.**
- **Underlying EBITDA grew by 2.9% and EBITDA margin was 49.4% down 0.4%.**
- **Underlying EBIT grew by 3.0% and EBIT margin was 32.1 % down 0.2%.**
- **Underlying net profit after tax increased by 4.6%.**
- **A special dividend of 6 cents per share has been declared, along with an ordinary final dividend of 14 cents per share**
- **Free cashflow grew by 4.6%**

Financial Highlights

Year ended 30 June 2005

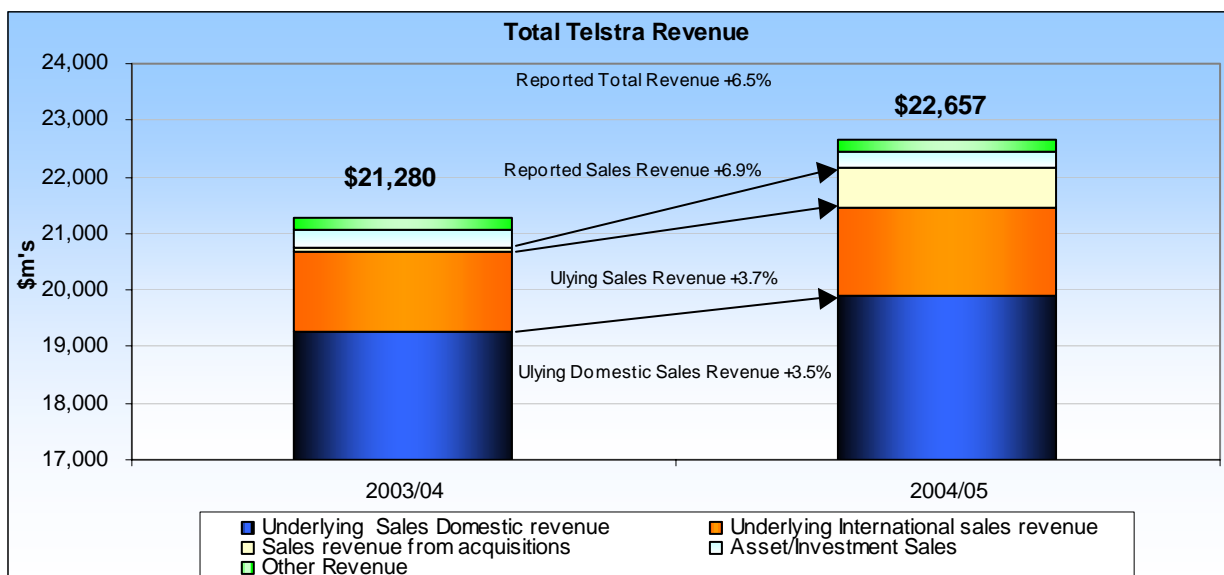
Telstra Corporation Limited reported a profit after tax (PAT) of \$4,447 million for the year ended 30 June 2005, an increase of \$329 million or 8.0% on the prior year. Earnings per share (EPS) grew by 9.6% to 35.5 cents. Reported earnings before interest and tax (EBIT) grew by 6.8% or \$445 million to \$7.0 billion.

After adjusting to allow like for like comparisons with the prior year ended 30 June 2004, as detailed on the normalisation schedule, underlying¹ PAT increased by 4.6% or \$193 million to \$4,349 million, and underlying¹ EPS grew by 6.7% to 34.8 cents. Underlying¹ EBIT increased by 3.0% or \$198 million to \$6,888 million, and underlying¹ earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 2.9% or \$295 million to \$10,596 million. Underlying¹ margins declined slightly with a decrease in underlying¹ EBIT margin of 0.2% to 32.1% and an underlying¹ EBITDA margin decrease of 0.4% to 49.4%.

Revenue

Reported total revenue grew by 6.5% or \$1.4 billion in the current year to \$22.7 billion, which included revenue of \$700 million generated in the year from recently acquired entities.

Underlying¹ total revenue increased by 3.5% or \$723 million. Underlying¹ sales revenue increased by 3.7% or \$770 million, due mainly to growth in broadband, mobiles, advertising and directories, pay TV bundling, and offshore services revenue, offset by a decline in PSTN calling products as migration to other products continued. Underlying¹ domestic sales revenue increased by 3.5% or \$666 million to \$19,914 million.



Expenses

Reported total expenses (before interest and tax) grew by 6.3% or \$932 million to \$15.7 billion, which included expenses incurred by the newly acquired entities of \$666 million in the current year. The prior year included the provision for non-recoverability of the Reach loan of \$226 million.

Underlying¹ operating expenses (before depreciation, amortisation and interest) rose by 4.0% or \$428 million due to increased goods and services purchased and labour costs supporting revenue growth and improved customer service, partly offset by cost reduction programs. Underlying¹ total expenses (before interest and tax) increased by 3.7% or \$525 million which included depreciation and amortisation growth of 2.7%.

Reported net borrowing costs grew by 3.4% from \$712 million to \$736 million due to an increase in net debt following the share buy back, acquisitions and higher levels of capital expenditure.

Reported tax expense increased by 5.3% from \$1,731 million to \$1,822 million due to the growth in net profit of 7.2% and the prior year inclusion of the \$58 million benefit from the adoption of tax consolidation, offset

by the tax impact of the non-deductible provision against the Reach loan of \$65 million and lower under provision adjustments of \$22 million. **Underlying¹ tax expense** has decreased by 0.8% or \$15 million.

Cash flow

Free cash flow (operating cash flow less cash flow used in investing activities) of \$4.4 billion increased by 4.6% or \$191 million due to higher cash provided by operating activities of \$730 million from higher cash profits, lower tax payments and working capital improvements. This growth was partially offset by higher cash flows used in investing activities of \$539 million due to higher operating capital expenditure.

Capital Expenditure

Domestic core operating capital expenditure increased by 16% or \$449 million to \$3.3 billion mainly due to growth in demand for broadband ADSL services.

Treasury operations

Telstra's financial position remained strong with current long-term credit ratings of A+, A1 and A+ from S&P, Moody's and Fitch respectively. Both S&P and Moody's have Telstra on a negative outlook due to uncertainty surrounding T3. The net debt position was \$11.8 billion, an increase of \$623 million or 5.6%, following the share buyback, acquisitions and higher capital expenditure during the year. The **statement of financial position** (Balance Sheet) was maintained with strong capital settings.

Dividend

A fully franked final ordinary dividend of 14 cents per share has been declared and is payable on 31 October 2005. This was an increase of 8% on the final ordinary dividend declared in the corresponding prior period bringing the full year ordinary dividend to 28 cents per share.

Capital Management

A 6 cents per share fully franked special dividend has been declared and will be paid in conjunction with the ordinary dividend. The special dividend is part of the second tranche of our three year, \$1.5 billion per annum, capital management program. We have also disclosed the intention to pay a fully franked special dividend of 6 cents per share as part of the interim dividend in fiscal 2006.

Customer Service

Customer Service performance continued at a high level across Australia as evident in the recent Australian Communications Authority report for the March 2005 quarter. National Customer Service Guarantee (CSG) performance for connections was 93% and for fault repairs was 91%. During the March quarter 99.07% of customers did not experience a fault.

Outlook

A full scale strategic review of the business is being conducted under the leadership of Sol Trujillo. The outlook may change once the review is finalised and plans are implemented.

As things currently stand:

The core commercial focus is the customer – this will not change post completion of the review. Knowing the customer by accurate market segmentation and tailoring services to meet customer needs is core to any business's success.

In terms of the current revenue outlook, the PSTN voice decline will continue to put pressure on the company's top line and margins. Total PSTN voice revenue is expected to fall again this year at an accelerated rate.

On the positive side our growth drivers of broadband and Sensis are each expected to be strong in the year ahead, but there is increasing aggressive pricing in the mobiles segment.

Cashflow will be impacted in fiscal 2006 by the payments to Hutchison, higher capital expenditure to meet broadband demand and investment in a number of business improvement projects, such as a broadband management system, customer access network rehabilitation and new billing platforms.

Margin pressure is expected to continue as our revenue mix changes. Earnings will likely decline in 05/06 at the EBITDA and EBIT lines. EBITDA will be impacted by the accelerating decline in high margin PSTN product revenue. EBIT will be impacted by both the accelerating PSTN revenue decline, and an increase in depreciation and amortisation with the effect of 3G network and spectrum amortisation. In this environment, new sources of revenue and further cost reductions will be necessary for earnings growth in the future. This is a focus of the strategic review.

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All results stated in \$A unless otherwise indicated.

N/M refers to not meaningful.

All statistical data represents management's best estimates and excludes all Telstra internal usage statistics.

Footnotes:

1. Underlying results are produced to allow like for like comparison by removing those items which are either not of a comparable nature owing to structural changes to the business e.g. acquisitions/consolidations, significant and non recurring or not part of the core operations of the business.

The years ended 30 June 2005 and 2004 underlying results EXCLUDE:

The impact of the acquisitions of Trading Post, Kaz Group, PSINet Group, Telstra Business Systems (formerly Damovo) and Universal Publishers, proceeds from and book value of property and investment sales, the diminution in value of investments, prior year IBMGSA contract exit costs and the tax benefit from the accounting impact of tax consolidation.

2. Domestic core operating capital expenditure is operating capital expenditure excluding HKCSL & TelstraClear operating capital expenditure and capital expenditure on international capacity.

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Statement of financial performance for the year ended 30 June 2005

| | 2005 | | 2004 | | Year Ended 30 June 2005 | | Reported Change % | Underlying ¹ Change % |
|---|---------------|---|---------------|-------------------------|-------------------------|------------------------------------|-------------------|----------------------------------|
| | Reported | Underlying ¹ (in \$ millions) | Reported | Underlying ¹ | Reported Change \$m | Underlying ¹ Change \$m | | |
| Mobiles | | | | | | | | |
| Mobile services | 3,760 | 3,760 | 3,470 | 3,470 | 290 | 290 | 8.4 | 8.4 |
| Mobile handsets | 381 | 381 | 352 | 352 | 29 | 29 | 8.2 | 8.2 |
| Total Mobiles | 4,141 | 4,141 | 3,822 | 3,822 | 319 | 319 | 8.3 | 8.3 |
| Internet and IP solutions | | | | | | | | |
| BigPond narrowband | 275 | 275 | 295 | 295 | (20) | (20) | (6.8) | (6.8) |
| BigPond broadband | 463 | 463 | 274 | 274 | 189 | 189 | 69.0 | 69.0 |
| Wholesale broadband | 261 | 261 | 143 | 143 | 118 | 118 | 82.5 | 82.5 |
| Wholesale internet direct and data | 31 | 31 | 16 | 16 | 15 | 15 | 93.8 | 93.8 |
| Internet direct | 123 | 123 | 117 | 117 | 6 | 6 | 5.1 | 5.1 |
| IP solutions | 207 | 207 | 160 | 160 | 47 | 47 | 29.4 | 29.4 |
| Other | 17 | 17 | 8 | 8 | 9 | 9 | 112.5 | 112.5 |
| Internet and IP solutions | 1,377 | 1,377 | 1,013 | 1,013 | 364 | 364 | 35.9 | 35.9 |
| PSTN Products | | | | | | | | |
| Basic access | 3,362 | 3,362 | 3,237 | 3,237 | 125 | 125 | 3.9 | 3.9 |
| Local calls | 1,284 | 1,284 | 1,504 | 1,504 | (220) | (220) | (14.6) | (14.6) |
| PSTN value added services | 250 | 250 | 259 | 259 | (9) | (9) | (3.5) | (3.5) |
| National long distance calls | 1,013 | 1,013 | 1,121 | 1,121 | (108) | (108) | (9.6) | (9.6) |
| Fixed to mobile | 1,566 | 1,566 | 1,597 | 1,597 | (31) | (31) | (1.9) | (1.9) |
| International direct | 234 | 234 | 266 | 266 | (32) | (32) | (12.0) | (12.0) |
| Total PSTN | 7,709 | 7,709 | 7,984 | 7,984 | (275) | (275) | (3.4) | (3.4) |
| Specialised Data | 966 | 966 | 1,035 | 1,035 | (69) | (69) | (6.7) | (6.7) |
| ISDN Products | 890 | 890 | 927 | 927 | (37) | (37) | (4.0) | (4.0) |
| Advertising and Directories | 1,585 | 1,419 | 1,341 | 1,297 | 244 | 122 | 18.2 | 9.4 |
| Intercarrier services | 1,146 | 1,146 | 1,103 | 1,103 | 43 | 43 | 3.9 | 3.9 |
| Solutions management | 931 | 537 | 508 | 508 | 423 | 29 | 83.3 | 5.7 |
| HK CSL | 734 | 734 | 726 | 726 | 8 | 8 | 1.1 | 1.1 |
| TelstraClear | 625 | 625 | 574 | 574 | 51 | 51 | 8.9 | 8.9 |
| Offshore Services Revenue | 252 | 181 | 131 | 131 | 121 | 50 | 92.4 | 38.2 |
| Inbound calling products | 449 | 449 | 476 | 476 | (27) | (27) | (5.7) | (5.7) |
| Pay TV Bundling | 263 | 263 | 154 | 154 | 109 | 109 | 70.8 | 70.8 |
| Customer premises equipment | 229 | 172 | 184 | 184 | 45 | (12) | 24.5 | (6.5) |
| Payphones | 121 | 121 | 141 | 141 | (20) | (20) | (14.2) | (14.2) |
| Other sales & service | 743 | 733 | 618 | 618 | 125 | 115 | 20.2 | 18.6 |
| Sales revenue | 22,161 | 21,463 | 20,737 | 20,693 | 1,424 | 770 | 6.9 | 3.7 |
| Other revenue | 496 | 207 | 543 | 254 | (47) | (47) | (8.7) | (18.5) |
| Total revenue | 22,657 | 21,670 | 21,280 | 20,947 | 1,377 | 723 | 6.5 | 3.5 |
| Expenses: | | | | | | | | |
| Labour | 3,693 | 3,363 | 3,218 | 3,204 | 475 | 159 | 14.8 | 5.0 |
| Goods and services purchased | 4,147 | 3,941 | 3,554 | 3,543 | 593 | 398 | 16.7 | 11.2 |
| Other expenses | 4,055 | 3,779 | 4,255 | 3,821 | (200) | (42) | (4.7) | (1.1) |
| Expenses before equity acc/depr/amort/interest | 11,895 | 11,083 | 11,027 | 10,568 | 868 | 515 | 7.9 | 4.9 |
| Share of net (profit) loss from associates and joint venture entities | (9) | (9) | 78 | 78 | (87) | (87) | (111.5) | (111.5) |
| Total operating expenses before depr/amort/interest | 11,886 | 11,074 | 11,105 | 10,646 | 781 | 428 | 7.0 | 4.0 |
| EBITDA | 10,771 | 10,596 | 10,175 | 10,301 | 596 | 295 | 5.9 | 2.9 |
| Depreciation | 2,946 | 2,931 | 2,873 | 2,872 | 73 | 59 | 2.5 | 2.1 |
| Amortisation (excl goodwill) | 675 | 655 | 619 | 619 | 56 | 36 | 9.0 | 5.8 |
| Goodwill amortisation | 145 | 122 | 123 | 120 | 22 | 2 | 17.9 | 1.7 |
| Total depreciation/amortisation | 3,766 | 3,708 | 3,615 | 3,611 | 151 | 97 | 4.2 | 2.7 |
| Total operating expenses before interest | 15,652 | 14,782 | 14,720 | 14,257 | 932 | 525 | 6.3 | 3.7 |
| EBIT | 7,005 | 6,888 | 6,560 | 6,690 | 445 | 198 | 6.8 | 3.0 |
| Net borrowing costs | 736 | 731 | 712 | 712 | 24 | 19 | 3.4 | 2.7 |
| Profit before income tax | 6,269 | 6,157 | 5,848 | 5,978 | 421 | 179 | 7.2 | 3.0 |
| Tax ⁽ⁱ⁾ | 1,822 | 1,808 | 1,731 | 1,823 | 91 | (15) | 5.3 | (0.8) |
| Profit after tax (bef. Outside equity interests) | 4,447 | 4,349 | 4,117 | 4,155 | 330 | 194 | 8.0 | 4.7 |
| Outside equity interests | 0 | 0 | 1 | 1 | (1) | (1) | (100.0) | (100.0) |
| Profit after tax | 4,447 | 4,349 | 4,118 | 4,156 | 329 | 193 | 8.0 | 4.6 |
| Effective tax rate ⁽ⁱⁱ⁾ | 29.1% | 29.4% | 29.6% | 30.5% | | | (0.5%) | (1.1%) |
| EBITDA margin on sales revenue ⁽ⁱⁱ⁾ | 48.6% | 49.4% | 49.1% | 49.8% | | | (0.5%) | (0.4%) |
| EBIT margin on sales revenue ⁽ⁱⁱ⁾ | 31.6% | 32.1% | 31.6% | 32.3% | | | (0.0%) | (0.2%) |
| Earnings per share (cents) ⁽ⁱⁱⁱ⁾ | 35.5 | 34.8 | 32.4 | 32.6 | 3.1 | 2.2 | 9.6% | 6.7% |

(i) Underlying tax calculations represent management's best estimates

(ii) The reported and underlying percentage growth represents the percentage movement from the prior corresponding period.

(iii) 2005 EPS uses a weighted average of 12,513 million shares following the share Buy Back, 2004 EPS was based on 12,581 million shares.

Product definitions have been reviewed and where necessary in the Year Ended 30 June 2004, comparative figures have been adjusted to align with changes in presentation in the Year Ended 30 June 2005. (Refer reconciliation on page 42).

Cash flow summary

For the year ended 30 June 2005

Cash Flow Summary

| | Year Ended 30 June 2005 | | | |
|--|-------------------------|----------------|--------------|----------------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | |
| | | | | % |
| Receipts from Customers | 24,526 | 22,954 | 1,572 | 6.8 |
| Payments to Suppliers/Employees | (12,754) | (11,816) | (938) | 7.9 |
| Net Interest and Finance Charges | (799) | (795) | (4) | 0.5 |
| Income Tax Paid | (1,718) | (1,856) | 138 | (7.4) |
| Dividends Received | 2 | 2 | - | 0.0 |
| GST Remitted to the ATO | (1,094) | (1,056) | (38) | 3.6 |
| Operating Cash Flow | 8,163 | 7,433 | 730 | 9.8 |
| Operating Capital Expenditure | (3,623) | (3,087) | (536) | 17.4 |
| Less Capitalised Interest | 90 | 74 | 16 | 21.6 |
| Operating Capital Expenditure | (3,533) | (3,013) | (520) | 17.3 |
| Investment Expenditure | (590) | (668) | 78 | (11.7) |
| Patents, Trademarks and Licences (including 3G spectrum) | (6) | (2) | (4) | 200.0 |
| Capital Expenditure - excluding Capitalised Interest | (4,129) | (3,683) | (446) | 12.1 |
| Receipts from Asset Sales/Other Proceeds | 320 | 413 | (93) | (22.5) |
| Cash flow used in Investing Activities | (3,809) | (3,270) | (539) | 16.5 |
| Operating Cash Flow less Cash Flow used in Investing Activities | 4,354 | 4,163 | 191 | 4.6 |
| Movements in Borrowings/Finance Leases | 1,393 | (379) | 1,772 | N/M |
| Employee Share Loans (Net) | 19 | 24 | (5) | (20.8) |
| Loan to associated Entity | (37) | (226) | 189 | (83.6) |
| Dividends Paid | (4,131) | (3,186) | (945) | 29.7 |
| Share Buy Back | (756) | (1,009) | 253 | (25.1) |
| Net Financing Activities | (3,512) | (4,776) | 1,264 | (26.5) |
| Net Cash Flow | 842 | (613) | 1,455 | (237.4) |

Statement of financial position summary

As at 30 June 2005

Statement of Financial Position - Summary

| | As at 30 June 2005 | | | |
|---|--------------------|--------|--------|--------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | |
| | | | | % |
| Current Assets | 6,177 | 5,327 | 850 | 16.0 |
| Intangibles | 3,868 | 3,605 | 263 | 7.3 |
| Property, Plant and Equipment | 23,351 | 22,863 | 488 | 2.1 |
| Total Non-Current Assets | 30,133 | 29,666 | 467 | 1.6 |
| Net Debt | 11,790 | 11,167 | 623 | 5.6 |
| Total Liabilities | 21,429 | 19,632 | 1,797 | 9.2 |
| Gross Debt | 13,330 | 11,854 | 1,476 | 12.5 |
| Net Assets/Shareholders' Equity | 14,881 | 15,361 | (480) | (3.1) |
| Ratios | | | | |
| EBITDA Interest Cover (times) | 13.0 | 12.9 | 0.10 | 0.8 |
| Net Debt to EBITDA | 1.1 | 1.1 | 0 | 0.0 |
| Return on average assets ⁽ⁱ⁾ | 20.4% | 19.4% | | 1.0% |
| Return on average equity ⁽ⁱ⁾ | 29.4% | 26.8% | | 2.6% |
| Net debt to capitalisation ⁽ⁱ⁾ | 44.2% | 42.1% | | 2.1% |

(i) The percentage growth represents the percentage movement from the prior corresponding period.

Statistical data summary

For the year ended 30 June 2005

Statistical Summary

| | Year Ended 30 June 2005 | | | |
|---|-------------------------|--------------|---------------|--------------|
| | 2005 | 2004 | Change | Change % |
| Billable traffic data (in millions) | | | | |
| Local calls (number of calls) | 8,469 | 9,397 | (928) | (9.9) |
| National long distance minutes ⁽ⁱ⁾ | 7,743 | 8,520 | (777) | (9.1) |
| Fixed-to-mobile minutes | 4,375 | 4,226 | 149 | 3.5 |
| International direct minutes | 580 | 651 | (71) | (10.9) |
| Mobile voice telephone minutes ⁽ⁱⁱ⁾ | 6,746 | 6,145 | 601 | 9.8 |
| Number of SMS sent ⁽ⁱⁱⁱ⁾ | 2,289 | 1,944 | 345 | 17.7 |
| Network and operations data | | | | |
| Basic access lines in service ^(iv) | | | | |
| Residential | 5.60 | 5.87 | (0.27) | (4.6) |
| Business | 2.45 | 2.57 | (0.12) | (4.7) |
| Total retail customers | 8.05 | 8.44 | (0.39) | (4.6) |
| Domestic wholesale | 2.07 | 1.84 | 0.23 | 12.5 |
| Total basic access lines in services (in millions) | 10.12 | 10.28 | (0.16) | (1.6) |
| ISDN access (basic lines equivalents) (in thousands) ^(v) | 1,327 | 1,288 | 39 | 3.0 |
| Mobile services in operation (SIO) (in thousands)^(vi) | | | | |
| GSM | 6,894 | 6,653 | 241 | 3.6 |
| CDMA | 1,333 | 951 | 382 | 40.2 |
| Mobile services in operations | 8,227 | 7,604 | 623 | 8.2 |
| Total Wholesale mobile SIO (in thousands) | 83 | 61 | 22 | 36.1 |
| Online subscribers (in thousands) | | | | |
| Narrowband subscribers | 1,205 | 1,194 | 11 | 0.9 |
| Broadband subscribers - Retail ^(vii) | 856 | 427 | 429 | 100.5 |
| Broadband subscribers - Wholesale ^(viii) | 888 | 379 | 509 | 134.3 |
| Total Broadband subscribers^(vii) | 1,744 | 806 | 938 | 116.4 |
| Total online subscribers | 2,949 | 2,000 | 949 | 47.5 |
| Total FOXTEL subscribers | 1,023 | 904 | 119 | 13.2 |
| Employee data | | | | |
| Domestic full-time staff - reported ^(ix) | 39,657 | 36,159 | 3,498 | 9.7 |
| Domestic full-time staff - underlying ^(ix) | 36,406 | 35,823 | 583 | 1.6 |
| Full-time staff and equivalents - reported ^(x) | 46,336 | 41,941 | 4,395 | 10.5 |
| Full-time staff and equivalents - underlying ^(x) | 42,739 | 41,343 | 1,396 | 3.4 |

⁽ⁱ⁾ Includes national long distance minutes from our public switched telephone network (PSTN) and independently operated payphones. Excludes minutes related to calls from non-PSTN networks, such as ISDN and virtual private networks.

⁽ⁱⁱ⁾ Includes all calls made from mobile telephones including long distance and international calls, excludes Data, messagebank, international roaming and Hong Kong CSL.

⁽ⁱⁱⁱ⁾ SMS numbers have been restated for 02/03, 03/04 and 04/05 to include up to 20 million messages per quarter of business access manager and online sms previously excluded in error.

^(iv) Excludes Incontact services (a free service with restrictive calling access) and advanced access services, such as ISDN services

^(v) Expressed in equivalent number of clear voice channels.

^(vi) Excludes Hong Kong CSL SIOs

^(vii) Broadband subscriber numbers for 03/04 and 04/05 have been restated to include up to 5000 business subscribers previously overlooked in error

^(viii) Within Broadband, retail products include cable, satellite, HyperConnect, ADSL and Business DSL, while wholesale products include DSL Layer 1, DSL Layer 2, DSL layer 3, Spectrum Sharing and vISP Broadband.

^(ix) Excludes offshore, casual and part time employees

^(x) Includes all domestic and offshore employees, including controlled entities.

Operating and Financial Review

Results of operation

The following table illustrates reported and underlying¹ results for the years ended 30 June 2005 and 2004.

Results of operations

| | 2005 | | Year Ended 30 June 2005 | | Reported Change % | Underlying ¹ Change % |
|--|------------------|-------------------------|-------------------------|---------------------------------|-------------------|----------------------------------|
| | Reported | Underlying ¹ | 2004 Reported | 2004 Underlying ¹ | | |
| | (in \$ millions) | | | | | |
| Sales revenue | 22,161 | 21,463 | 20,737 | 20,693 | 6.9 | 3.7 |
| Other revenue | 496 | 207 | 543 | 254 | (8.7) | (18.5) |
| Total revenue | 22,657 | 21,670 | 21,280 | 20,947 | 6.5 | 3.5 |
| Expenses before equity acc/depn/amort/interest | 11,895 | 11,083 | 11,027 | 10,568 | 7.9 | 4.9 |
| Share of net loss from associates and joint venture entities | (9) | (9) | 78 | 78 | (111.5) | (111.5) |
| Total operating expenses before depn/amort/interest | 11,886 | 11,074 | 11,105 | 10,646 | 7.0 | 4.0 |
| Total depreciation/amortisation | 3,766 | 3,708 | 3,615 | 3,611 | 4.2 | 2.7 |
| Total operating expenses before interest | 15,652 | 14,782 | 14,720 | 14,257 | 6.3 | 3.7 |
| Earnings before interest & tax (EBIT) | 7,005 | 6,888 | 6,560 | 6,690 | 6.8 | 3.0 |

Reported earnings before interest and tax (EBIT) grew by 6.8% or \$445 million, however some transactions occurred in the current and previous years that do not allow like for like comparisons. After excluding the impact of these transactions, underlying¹ EBIT increased by 3.0% or \$198 million.

The non-comparable items excluded from the underlying¹ results are reflected on the normalisation schedule on page 39, and consist of:

- Trading Post EBIT \$52 million and prior year EBIT of \$9 million, acquired in March 2004;
- Kaz Group EBIT loss of \$13 million, acquired in July 2004;
- PSINet Group EBIT of \$6 million, acquired in August 2004;
- Telstra Business Systems (formerly Damovo) EBIT loss of \$11 million, acquired in September 2004;
- Universal Publishers EBIT of nil, acquired December 2004;
- Diminution of investments of \$6 million in the current year and \$227m in the prior year attributable to the provision for non-recoverability of the Reach loan;
- EBIT from the sale of property and investments and other costs of \$89 million in the current year and \$88 million in the prior year.

Operating revenues

The following table includes reported and underlying¹ operating revenues for the years ended 30 June 2005 and 2004.

Operating revenue by major product and service category

| | 2005 | | Year Ended 30 June 2005 | | Reported Change % | Underlying ¹ Change % |
|--|------------------|-------------------------|-------------------------|---------------------------------|-------------------|----------------------------------|
| | Reported | Underlying ¹ | 2004 Reported | 2004 Underlying ¹ | | |
| | (in \$ millions) | | | | | |
| Mobiles | | | | | | |
| Mobile services | 3,760 | 3,760 | 3,470 | 3,470 | 8.4 | 8.4 |
| Mobile handsets | 381 | 381 | 352 | 352 | 8.2 | 8.2 |
| Total Mobiles | 4,141 | 4,141 | 3,822 | 3,822 | 8.3 | 8.3 |
| Internet & IP Solutions | | | | | | |
| BigPond narrowband | 275 | 275 | 295 | 295 | (6.8) | (6.8) |
| BigPond broadband | 463 | 463 | 274 | 274 | 69.0 | 69.0 |
| Wholesale broadband | 261 | 261 | 143 | 143 | 82.5 | 82.5 |
| Wholesale internet direct | 31 | 31 | 16 | 16 | 93.8 | 93.8 |
| Internet direct | 123 | 123 | 117 | 117 | 5.1 | 5.1 |
| IP solutions | 207 | 207 | 160 | 160 | 29.4 | 29.4 |
| Other | 17 | 17 | 8 | 8 | 112.5 | 112.5 |
| Total Internet and IP solutions | 1,377 | 1,377 | 1,013 | 1,013 | 35.9 | 35.9 |
| PSTN Products | | | | | | |
| Basic access | 3,362 | 3,362 | 3,237 | 3,237 | 3.9 | 3.9 |
| Local calls | 1,284 | 1,284 | 1,504 | 1,504 | (14.6) | (14.6) |
| PSTN value added services | 250 | 250 | 259 | 259 | (3.5) | (3.5) |
| National long distance calls | 1,013 | 1,013 | 1,121 | 1,121 | (9.6) | (9.6) |
| Fixed to mobile | 1,566 | 1,566 | 1,597 | 1,597 | (1.9) | (1.9) |
| International direct | 234 | 234 | 266 | 266 | (12.0) | (12.0) |
| Total PSTN | 7,709 | 7,709 | 7,984 | 7,984 | (3.4) | (3.4) |
| Specialised Data | 966 | 966 | 1,035 | 1,035 | (6.7) | (6.7) |
| ISDN Products | 890 | 890 | 927 | 927 | (4.0) | (4.0) |
| Advertising and Directories | 1,585 | 1,419 | 1,341 | 1,297 | 18.2 | 9.4 |
| Intercarrier services | 1,146 | 1,146 | 1,103 | 1,103 | 3.9 | 3.9 |
| Solutions management | 931 | 537 | 508 | 508 | 83.3 | 5.7 |
| HK CSL | 734 | 734 | 726 | 726 | 1.1 | 1.1 |
| TelstraClear | 625 | 625 | 574 | 574 | 8.9 | 8.9 |
| Offshore Services Revenue | 252 | 181 | 131 | 131 | 92.4 | 38.2 |
| Inbound calling products | 449 | 449 | 476 | 476 | (5.7) | (5.7) |
| Pay TV Bundling | 263 | 263 | 154 | 154 | 70.8 | 70.8 |
| Customer premises equipment | 229 | 172 | 184 | 184 | 24.5 | (6.5) |
| Payphones | 121 | 121 | 141 | 141 | (14.2) | (14.2) |
| Other sales & service | 743 | 733 | 618 | 618 | 20.2 | 18.6 |
| Sales revenue | 22,161 | 21,463 | 20,737 | 20,693 | 6.9 | 3.7 |
| Other revenue | 496 | 207 | 543 | 254 | (8.7) | (18.5) |
| Total revenue | 22,657 | 21,670 | 21,280 | 20,947 | 6.5 | 3.5 |
| Domestic sales revenue | | 19,914 | | 19,248 | | 3.5 |

Reported total revenue increased by 6.5% or \$1,377 million which included proceeds from property and investment sales of \$287 million in the current year, compared with \$289 million in the prior year, and revenue generated from recently acquired entities of \$700 million in the current year and \$44 million in the prior year.

Underlying¹ total revenue increased by 3.5% or \$723 million for the year.

Revenue growth was attributable to increases in broadband, mobiles, advertising and directories, pay TV bundling, offshore revenue and other sales & service, partially offset by a decline in revenues from PSTN calling products.

Underlying¹ domestic sales revenue grew by 3.5% in the year.

Mobiles

Mobiles

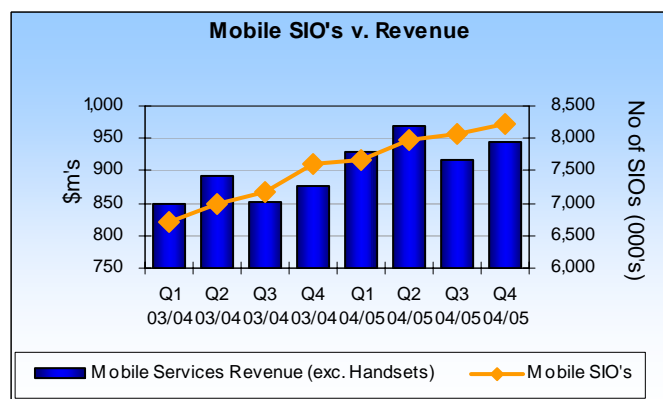
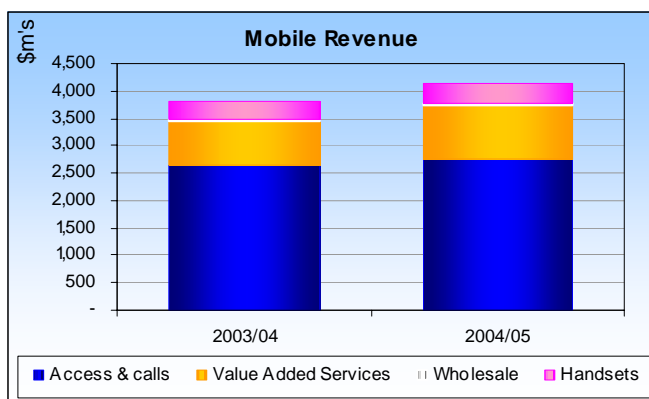
| | Year Ended 30 June 2005 | | | |
|---|--|-------|--------|--------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions except for statistical data) | | | |
| | | | | % |
| Access fees and call charges | 2,765 | 2,649 | 116 | 4.4 |
| Value added services | | | | |
| International roaming | 243 | 174 | 69 | 39.7 |
| Mobile messagebank | 187 | 178 | 9 | 5.1 |
| Mobile data | 541 | 454 | 87 | 19.2 |
| Total value added services | 971 | 806 | 165 | 20.5 |
| Mobile services revenue - Retail | 3,736 | 3,455 | 281 | 8.1 |
| Mobile services revenue - Wholesale | 24 | 15 | 9 | 60.0 |
| Total mobile services revenue | 3,760 | 3,470 | 290 | 8.4 |
| Mobile handset sales | 381 | 352 | 29 | 8.2 |
| Total mobiles goods and services revenue ⁽ⁱ⁾ | 4,141 | 3,822 | 319 | 8.3 |
| GSM mobile SIO (in thousands) | 6,894 | 6,653 | 241 | 3.6 |
| CDMA mobile SIO (in thousands) | 1,333 | 951 | 382 | 40.2 |
| Total mobile SIO (in thousands) | 8,227 | 7,604 | 623 | 8.2 |
| Prepaid mobile SIO (in thousands) | 3,570 | 3,102 | 468 | 15.1 |
| Postpaid mobile SIO (in thousands) | 4,657 | 4,502 | 155 | 3.4 |
| Total mobile SIO (in thousands) | 8,227 | 7,604 | 623 | 8.2 |
| GSM wholesale mobile SIO (in thousands) | 21 | 6 | 15 | 250.0 |
| CDMA wholesale mobile SIO (in thousands) | 62 | 55 | 7 | 12.7 |
| Total wholesale mobile SIO (in thousands) | 83 | 61 | 22 | 36.1 |
| Number of SMS sent (in millions) ⁽ⁱⁱ⁾ | 2,289 | 1,944 | 345 | 17.7 |
| Deactivation rate | 19.2% | 17.1% | 2.1% | |
| Mobile retail voice telephone minutes (in millions) | 6,746 | 6,145 | 601 | 9.8 |
| Average retail revenue per user per month ⁽ⁱⁱⁱ⁾ | 39.33 | 40.62 | (1.29) | (3.2) |
| Average retail prepaid revenue per user per month ⁽ⁱⁱⁱ⁾ | 12.24 | 13.84 | (1.60) | (11.6) |
| Average retail postpaid revenue per user per month ⁽ⁱⁱⁱ⁾ | 59.06 | 57.05 | 2.01 | 3.5 |
| Average Mobile data revenue per user per month | 5.70 | 5.34 | 0.36 | 6.7 |

⁽ⁱ⁾ Excludes revenue from:

- call termination charges, including calls from our fixed network which we categorise as fixed to mobile;
- Hong Kong CSL which is recognised as HK CSL

⁽ⁱⁱ⁾ Includes retail SMS numbers which have been restated for 02/03, 03/04 and 04/05 to include up to 20 million messages per quarter of business access manager and online sms previously excluded in error.

⁽ⁱⁱⁱ⁾ Average revenue per user per month is calculated using average SIOs and includes mobile data, messagebank and roaming revenues.



Telstra Corporation Limited and controlled entities

Mobile services revenue, including wholesale mobiles, grew by 8.4% or \$290 million. Including growth in mobile handset revenue of 8.2% or \$29 million, total mobile revenue achieved growth of 8.3% or \$319 million to \$4.1 billion.

Access fees and call revenue increased by 4.4% or \$116 million due to the growth in the number of services in operation of 8.2% to 8.23 million, with the number of calling minutes increasing by 9.8%, offset by yield reductions due to the various chat promotions on the Bonus Options offers. The increase comprised:

- growth in postpaid revenues of 3.8% or \$88 million resulting from a 3.4% increase in the number of postpaid services in operation and an increase in calling minutes of 8.9%. Yield reductions from increases in customer usage of the included call allowance, together with Bonus Options, Telstra Rewards and T-Time have offset the growth;
- growth in prepaid revenues of 9.9% or \$28 million due to the increase in services in operation of 15% and prepaid calling minutes of 20%. Yield reductions due to offers such as 1c per minute and double recharge offers on Telstra prepaid plus has offset the volume growth.

Value added services increased by 21% or \$165 million and comprised:

- international roaming revenue growth of 40% or \$69 million due to a 19% increase in outbound roaming minutes due to the continuing growth in international travel. Contributing to this growth was the increase in inbound roaming prices charged to wholesale partners to align Telstra's charging structure with international standards.
- mobile data revenue increases of 19% or \$87 million due to growth in:
 - Short Message Service (SMS) revenue of 12% or \$48 million, with 2.3 billion messages sent for the year. The 18% increase in the number of messages was attributable to the growth in the total subscriber base as well as increased SMS usage. Revenue growth was offset by increased discounting initiatives, such as Telstra Rewards and Bonus Options, which provide free text and picture messaging or 15c text messaging;
 - other mobile data growth of 87% or \$39 million due to the continuing growth in the corporate segment from higher usage of General Packet Radio Service (GPRS) products, including Blackberry and Telstra Mobile Broadband™ on the CDMA network;
 - Messagebank revenue increases of 5.1% or \$9 million attributable to the 8.9% increase in minutes, offset by a slight reduction in yield as a result of discounting initiatives.

Wholesale mobiles grew by 60% or \$9 million due to increased resale of services and minutes of use.

Blended average revenue per user (ARPU) fell by 3.2%, due to the continuing growth of prepaid services. Postpaid ARPU increased by 3.5% due to increases in SMS and international roaming revenue, but prepaid ARPU declined by 12% due to the myriad of discounting initiatives on offer for prepaid customers. Mobile data ARPU continued to grow, representing 14% of retail mobile services revenue.

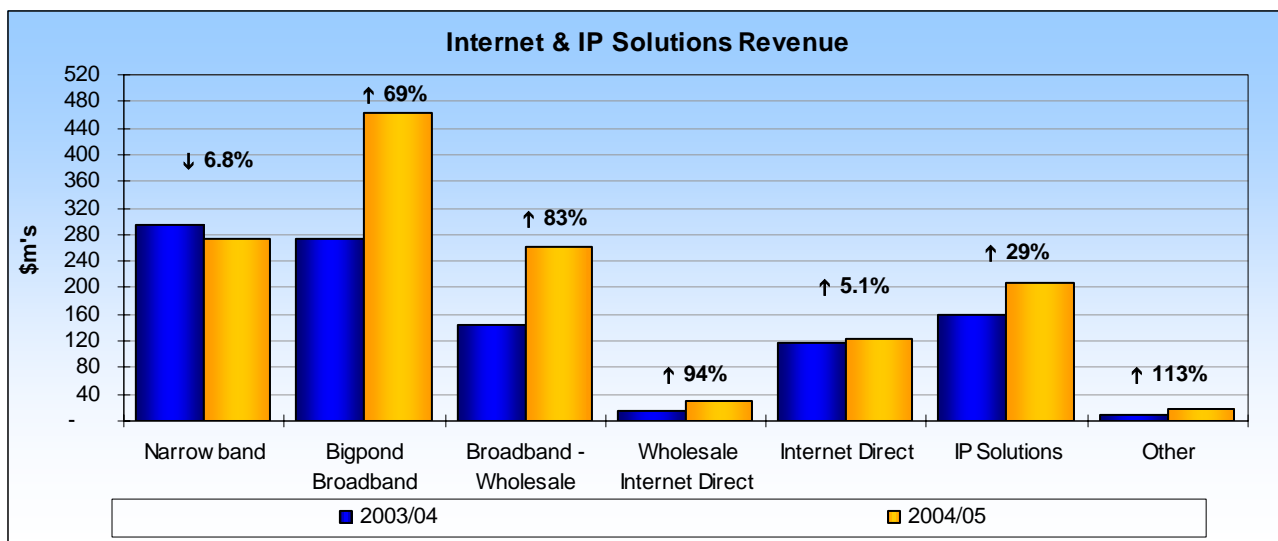
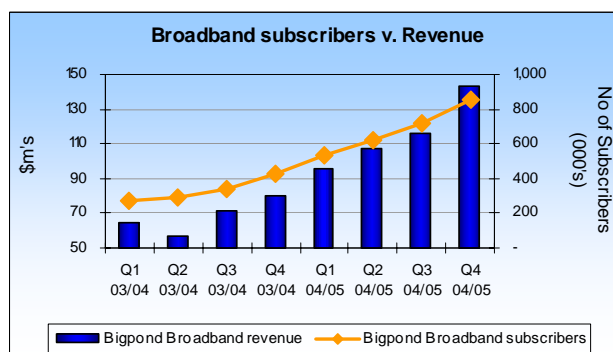
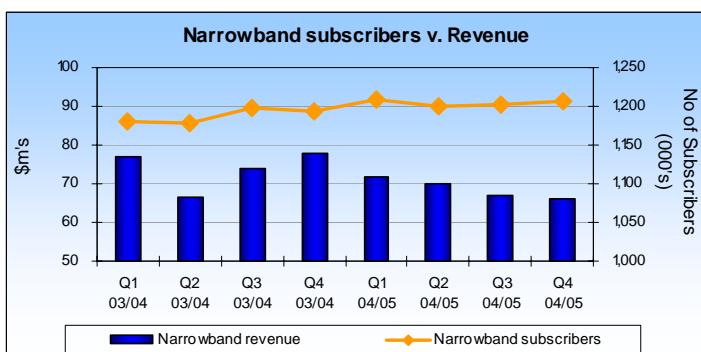
Mobile handset revenue grew by 8.2% or \$29 million, which was attributable to the increase in the number of prepaid phones sold, driven by growth in the number of CDMA prepaid customers taking advantage of the CDMA double recharge offers.

Internet and IP solutions

Internet and IP solutions

| | Year Ended 30 June 2005 | | | Change % |
|--|-------------------------|--------------|------------|--------------|
| | 2005 | 2004 | Change | |
| (in \$ millions except for statistical data) | | | | |
| Internet & IP solutions revenue | | | | |
| BigPond narrowband | 275 | 295 | (20) | (6.8) |
| BigPond broadband | 463 | 274 | 189 | 69.0 |
| Wholesale broadband | 261 | 143 | 118 | 82.5 |
| Wholesale internet direct | 31 | 16 | 15 | 93.8 |
| Internet direct | 123 | 117 | 6 | 5.1 |
| IP solutions | 207 | 160 | 47 | 29.4 |
| Other | 17 | 8 | 9 | 112.5 |
| Total Internet & IP solutions revenue | 1,377 | 1,013 | 364 | 35.9 |
| Broadband subscribers - Retail (in thousands) ⁽ⁱ⁾ | 856 | 427 | 429 | 100.5 |
| Broadband subscribers - Wholesale (in thousands) | 888 | 379 | 509 | 134.3 |
| Total Broadband subscribers (in thousands) | 1,744 | 806 | 938 | 116.4 |
| Narrowband subscribers - Retail (in thousands) | 1,205 | 1,194 | 11 | 0.9 |
| Total online subscribers (in thousands) | 2,949 | 2,000 | 949 | 47.5 |

⁽ⁱ⁾ Broadband subscriber numbers for 03/04 and 04/05 have been restated to include up to 5000 business subscribers previously overlooked in error.



Telstra Corporation Limited and controlled entities

Total Broadband revenue growth of \$307 million is the major component of Internet and IP solutions revenue growth of \$364m or 36%.

Growth in BigPond® broadband revenue of \$189 million was driven by subscriber growth of 101%, with significant growth in both ADSL and cable subscribers. The high growth of this product was attributable to increased internet usage, self install kits and successful broadband marketing campaigns accompanied by new pricing plans. Business DSL has also contributed to the revenue growth after being launched in August 2003 with key customer contracts driving physicals growth and the migration of customers from premium data services.

Wholesale broadband growth of 83% or \$118 million was driven by subscriber growth of 134%. However, this level of growth has been partially offset by a decline in yields per service in operation due to significant price competition.

IP solutions revenue grew by 29% or \$47 million. IP MAN/Ethernet grew by \$30 million as a result of major government contract wins and expansions of existing services. IP WAN grew by \$14 million, driven by the implementation of large corporate contracts as customers migrate from older product technologies such as frame relay and ISDN.

Wholesale internet direct increased due to wins with larger internet service providers, growth in traffic driven by broadband uptake and customer migration to high-speed global internet direct connectivity.

Other internet products increased due to BigPond® Movies, BigPond® Music and BigPond® webhosting.

Internet direct increased due to a new VISIP product launch, which saw an increase in customers, and the growing demand for highspeed global internet direct connectivity.

Offset by:

Narrowband revenue declined by 6.8% or \$20 million due to competitive price reductions and the migration of high yield users to broadband services to be replaced by lower yielding customers.

PSTN products

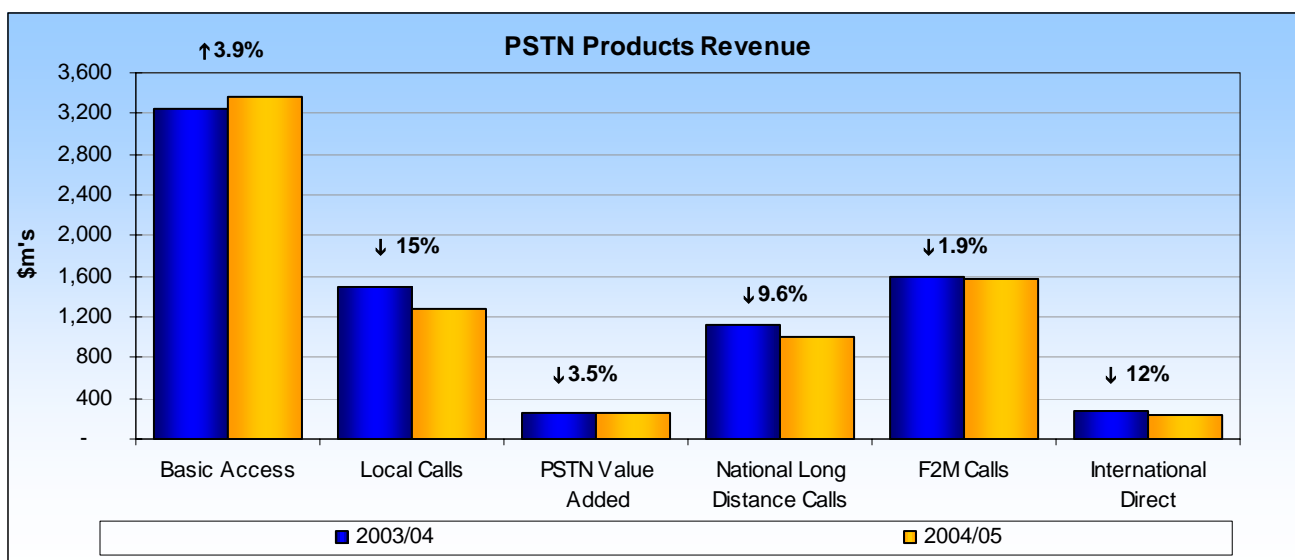
Total PSTN products revenue declined by 3.4% or \$275 million.

An increase in basic access revenue was due to previous rebalancing initiatives, offset by a decline in basic access lines and volume reductions across local calls, international direct® and national long distance products. The local calls yield has also declined due to competitive pricing pressures and package discounts. Continued growth in fixed to mobile volumes has been offset by competitive pricing pressures, particularly in the business market.

PSTN Products

| | Year Ended 30 June 2005 | | | |
|--|--|-------|--------|--------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions except for statistical data) | | | |
| Basic access revenue | | | | |
| Retail | 2,725 | 2,717 | 8 | 0.3 |
| Domestic wholesale | 637 | 520 | 117 | 22.5 |
| Total basic access revenue | 3,362 | 3,237 | 125 | 3.9 |
| Local call revenue | 1,284 | 1,504 | (220) | (14.6) |
| PSTN value added services revenue | 250 | 259 | (9) | (3.5) |
| National long distance call revenue | 1,013 | 1,121 | (108) | (9.6) |
| Fixed to mobile revenue | 1,566 | 1,597 | (31) | (1.9) |
| International direct revenue | 234 | 266 | (32) | (12.0) |
| Total PSTN revenue | 7,709 | 7,984 | (275) | (3.4) |
| Basic access lines in service (in millions) ⁽ⁱ⁾ | | | | |
| Residential | 5.60 | 5.87 | (0.27) | (4.6) |
| Business | 2.45 | 2.57 | (0.12) | (4.7) |
| Retail | 8.05 | 8.44 | (0.39) | (4.6) |
| Domestic wholesale | 2.07 | 1.84 | 0.23 | 12.5 |
| Total access lines in service (in millions) | 10.12 | 10.28 | (0.16) | (1.6) |
| Number of local calls (in millions) | 8,469 | 9,397 | (928) | (9.9) |
| National long distance minutes (in millions) | 7,743 | 8,520 | (777) | (9.1) |
| Fixed to mobile minutes (in millions) | 4,375 | 4,226 | 149 | 3.5 |
| International direct minutes (in millions) | 580 | 651 | (71) | (10.9) |

⁽ⁱ⁾ Retail basic access lines in service have been restated to exclude incontact services in the prior period.



Telstra Corporation Limited and controlled entities

Basic access retail revenue has increased due to a price increase in June 2004 as part of the rebalancing initiatives, offset by a decline in the number of basic access lines due to competition and migration to other products such as ISDN, broadband and mobiles.

Basic access wholesale revenue growth was due to an increase in the number of access lines due to churn from retail as well as price increases as part of rebalancing initiatives.

Local call revenue declined mainly as a result of the 9.9% reduction in the number of calls due to product substitution to mobiles, fixed to mobile and internet products. The yield has declined in the consumer market as a result of higher package discounts and free call offers, with an acceleration of these discounts in the second half of the year. The yield has also declined in the business market due to competitive pricing pressures and in the wholesale market due to increased volume discounts. Customer churn to wholesale has also contributed to a lower yield.

The reduction in revenue for PSTN value added services included a decline in Messagebank[®] due to discounts offered as part of feature packaging and a lower number of Messagebank[®] users because of continued migration to the free product offering Telstra Home Message 101[™]. Call Return (*10#) usage has declined after a steady increase in calling number display subscriptions and higher call completion rates. Also products such as PABX indial and siteline are at the end of their lifecycle, resulting in customer migration to other products such as ISDN and customnet.

The reduction in national long distance revenue was attributable to the 9.1% decline in call minutes due to shorter call durations and product substitution to mobiles, fixed to mobile and internet products. Yield also declined slightly due to increased use of capped calling rates and competitive pricing pressures, partly offset by flagfall increases.

Fixed to mobile yield has decreased due to increased competitive pricing pressures in the business sector, offset by a higher yield in the consumer market due to flagfall increases. This was offset by a 3.5% increase in volumes due to the continued growth in the number of mobile services in the Australian market.

The International direct[®] revenue decline was mostly due to the reduction in minutes of 11%. This reduction was due to the continued migration to aggressively priced prepaid calling cards and customers using other products such as e-mail and internet chat facilities.

Specialised Data

Specialised Data

| | Year Ended 30 June 2005 | | | Change % |
|--|--|--------------|-------------|--------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions except for statistical data) | | | |
| Data revenue | | | | |
| Frame relay | 351 | 371 | (20) | (5.4) |
| ATM | 90 | 79 | 11 | 13.9 |
| Digital data services | 226 | 256 | (30) | (11.7) |
| Leased lines | 236 | 258 | (22) | (8.5) |
| International private lines | 26 | 32 | (6) | (18.8) |
| Other specialised data | 37 | 39 | (2) | (5.1) |
| Total data revenue | 966 | 1,035 | (69) | (6.7) |
| Domestic Frame access ports (in thousands) | 34 | 30 | 4 | 13.3 |

Data revenue declined by 6.7% reflecting a decline in mature products such as leased lines and digital data services (DDS), where customers have migrated to IP and DSL based product options.

Frame relay revenue declined by 5.4% due to customer migration to new technologies and discounting to retain existing business.

ATM revenue growth of 14% was due to new Government contracts, new global ATM contracts and the introduction of a new Ethernet MAN product.

DDS revenue declined by 12% due to customers migrating to new technologies such as DSL and competitive pricing pressures.

Leased lines declined due to Austpac customers migrating off Austpac to Internet, Dial IP or BDSL.

International private lines revenue declined by 19% due to intense competition and excess capacity in the market driving prices down in the Asian region.

ISDN

ISDN Products

| | Year Ended 30 June 2005 | | | Change % |
|--|--|-------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions except for statistical data) | | | |
| ISDN revenue | | | | |
| Access | 421 | 401 | 20 | 5.0 |
| Calls | | | | |
| Data | 165 | 221 | (56) | (25.3) |
| Voice | 304 | 305 | (1) | (0.3) |
| Total calls | 469 | 526 | (57) | (10.8) |
| Total ISDN revenue | 890 | 927 | (37) | (4.0) |
| ISDN access lines (basic access line equivalents) (in thousands) | 1,327 | 1,288 | 39 | 3.0 |

ISDN access revenue increased by 5.0% due to growth within the SME and consumer market, as corporate customers migrate to new advanced data products. Services in operation increased by 3.0% due to campaign activity in the SME and consumer market.

The 11% reduction in calling revenue includes a 25% decline in data call revenue as the customer mix changes.

Voice call revenue declined slightly due to a reduction in yield as a result of competitive pricing pressure.

Advertising and Directories

Advertising and Directories

| | Year Ended 30 June 2005 | | | Change % |
|--|-------------------------|-------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Advertising and Directories - Reported | 1,585 | 1,341 | 244 | 18.2 |
| Less Adjustments | 166 | 44 | 122 | N/M |
| Advertising and Directories - Underlying | 1,419 | 1,297 | 122 | 9.4 |

Reported advertising and directories revenue grew by 18%. After excluding Trading Post and Universal Publishers revenue, underlying advertising and directories revenue increased by 9.4%.

White Pages revenue increased by 14% or \$33 million due to the introduction of new initiatives, such as additional colour listing options and quarter page listing advertisements. Yellow Pages revenue grew by 4.9% or \$48million which was attributable to the introduction of full-page advertising options into additional categories and guide panel display enhancements. Other directory products grew by 48% or \$39 million, mainly in the area of Yellow Pages Online advertising from customer and yield growth, and increase in location and navigation products such as Where Is and Citysearch.

Intercarrier Services

Intercarrier services

| | Year Ended 30 June 2005 | | | Change % |
|-------------------------------|-------------------------|-------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Intercarrier services revenue | 1,146 | 1,103 | 43 | 3.9 |

The 3.9% or \$43 million increase in intercarrier services revenue was driven by:

Increased wholesale mobile solutions of \$24 million, due to higher SMS interconnect revenue of 29% or \$18 million from growth in mobiles services and the continued popularity of the text messaging, and higher mobile domestic roaming as a result of Hutchison roaming on to the Telstra network.

Higher wholesale transmission solutions of \$23 million driven by an increase in international revenue due to higher volumes resulting from special rate offers on international carriage and the introduction of the Global Links "Lite" product pitched at the calling card market and high yield Global Linx "Premium" product taken up by Vodafone. In addition, domestic wholesale leased transmission increased by 6.1% due to growth in services of 30%, partially offset by lower yields from oversupply of capacity in the market over recent years.

Growth in facilities access revenue of 28% or \$13 million from increased demand for exchange and associated equipment, as well as mobile tower access as other carriers seek to expand their infrastructure over time.

Growth in mobiles terminating access revenue of 1.8% or \$8 million due to higher volumes of 13% from increased mobile services including non-Telstra mobiles, offset by yield reductions arising from regulatory pricing pressures on mobile terminating rates.

Offset by:

Reductions in PSTN/ISDN interconnect access of 8% or \$27 million due to yield reduction arising from price rebalancing initiatives.

Solutions Management

Solutions management

| | Year Ended 30 June 2005 | | | Change % |
|---|-------------------------|------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Solutions management revenue - Reported | 931 | 508 | 423 | 83.3 |
| Less Adjustments | 394 | 0 | 394 | N/M |
| Solutions management revenue - Underlying | 537 | 508 | 29 | 5.7 |

Reported solutions management revenue increased by 83% and included revenue from Kaz Group and Telstra Business Systems (formerly Damovo), acquired by Telstra in July and September 2004 respectively.

Underlying solutions management revenue increased by 5.7%. Managed services revenue increased due to major corporate contract activity. Radio Services revenue increased due to the construction of government radio sites.

Hong Kong CSL

HK CSL

| | Year Ended 30 June 2005 | | | |
|---------------|-------------------------|------|--------|--------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | % |
| HKCSL revenue | 734 | 726 | 8 | 1.1 |

Hong Kong CSL increased sales revenues by 1.1% or \$8 million. In Hong Kong dollars, revenue growth of 7.0% was achieved, partially offset by unfavourable currency fluctuations. Increases in international voice, data and prepaid revenues were achieved as well as growth in mobile handset sales due to the move into new markets and the launch of new models with advanced features. Continued aggressive price competition has caused a decline in local voice revenue.

TelstraClear

TelstraClear

| | Year Ended 30 June 2005 | | | |
|----------------------|-------------------------|------|--------|--------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | % |
| TelstraClear revenue | 625 | 574 | 51 | 8.9 |

TelstraClear achieved revenue growth of 8.9% or \$51 million from continued strong retail revenue growth and favourable foreign currency movements. In New Zealand dollars, TelstraClear revenue increased by 3.7% which was attributable to retail growth in the consumer and small-medium enterprise sector with the introduction of HomePlan into the mass market. Revenue for the year included the acquisition of Sytec in November 2004.

Offshore services revenue

Offshore services revenue

| | Year Ended 30 June 2005 | | | Change % |
|--|-------------------------|------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Total offshore services revenue - Reported | 252 | 131 | 121 | 92.4 |
| Less Adjustments | 71 | 0 | 71 | N/M |
| Total offshore services revenue - Underlying | 181 | 131 | 50 | 38.2 |
| Comprising: | | | | |
| Telstra Europe | 130 | 88 | 42 | 47.7 |
| Telstra Inc | 33 | 35 | (2) | (5.7) |
| Other CE | 18 | 8 | 10 | N/M |
| | 181 | 131 | 50 | 38.2 |

Reported offshore revenue has increased by 92% or \$121 million for the year. This increase included revenue generated by PSINet Group, acquired by Telstra in August 2004, of \$71 million.

Excluding PSINet Group revenue, underlying offshore services revenue grew by 38% or \$50 million, attributable to:

- Growth achieved by Telstra Europe of \$42 million due to the development of the Voice Reseller sales channel and the acquisition of customer and network bases from Powergen and Cable Telecom in the UK in October 2003 and February 2004 respectively; and
- Other offshore services revenue of \$10 million, which was generated by new business operations of Telstra Singapore and Telstra Hong Kong in providing international connectivity to multinational corporations.

Inbound calling products

Inbound calling products

| | Year Ended 30 June 2005 | | | Change % |
|----------------------------------|--|-------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions except for statistical data) | | | |
| Inbound calling products revenue | 449 | 476 | (27) | (5.7) |
| B party minutes (in millions) | 2,773 | 2,708 | 65 | 2.4 |
| A party calls (in millions) | 940 | 938 | 2 | 0.2 |

Inbound calling products revenue has declined by 5.7% or \$27 million due to:

- Reduction in Freecall™ 1800 of \$10 million from intense pricing competition leading to a yield reduction offset by higher call minutes.
- B Party revenue declined by \$8 million due to competitive market pressures resulting in lower yields offset by higher call minutes.
- Other Inbound product revenue including Infocall (190) decreased \$8 million due to product substitution and lower usage.

Pay TV Bundling

Pay TV Bundling

| | Year Ended 30 June 2005 | | | Change % |
|--|-------------------------|------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Pay TV Bundling revenue | 263 | 154 | 109 | 70.8 |
| FOXTEL Pay TV Bundling subscribers (thousands) | 280 | 235 | 45 | 19.1 |
| Austar Pay TV Bundling subscribers (thousands) | 55 | 23 | 32 | 139.1 |
| Bundled Pay TV subscribers (thousands) | 335 | 258 | 77 | 29.8 |

Pay TV bundling has continued to grow rapidly with the launch of FOXTEL Digital and the free installation/upgrade campaigns run through the year. Revenue increased by 71% or \$109 million in the year due to an increase in the number of services provided and the spend per subscriber for both FOXTEL and Austar. Subscribers on Foxtel bundles increased by 19% and Austar bundles have more than doubled, increasing by 32,000 subscribers.

Customer premises equipment

Customer premises equipment

| | Year Ended 30 June 2005 | | | Change % |
|--|-------------------------|------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Customer premises equipment revenue - Reported | 229 | 184 | 45 | 24.5 |
| Less Adjustments | 57 | 0 | 57 | N/M |
| Customer premises equipment revenue - Underlying | 172 | 184 | (12) | (6.5) |

Reported customer premises equipment revenue increased by 25%. This includes the acquisition of Telstra Business Systems (formerly Damovo), which was acquired in the current year to accelerate Telstra's access into the fast growing IP customer premises equipment sector.

After adjusting for PABX equipment sales for Telstra Business Systems (formerly Damovo) underlying customer premises equipment revenue decreased by 6.5%. This decline was due to product substitution by mobile phones and retail competition for fixed line handset sales.

Payphones

Payphones

| | Year Ended 30 June 2005 | | | Change % |
|--------------------------|--|------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions except for statistical data) | | | |
| Payphones revenue | 121 | 141 | (20) | (14.2) |
| Payphones (in thousands) | 61 | 64 | (3) | (4.7) |

Payphone revenue declined by 14%, due to the combined effect of lower usage from product substitution to prepaid calling cards and mobile phones and the increased competition from private payphone operators.

The reduction of payphone services in operation was due to the loss of some privately operated payphones and the reduction of low usage public payphones.

Other Sales & Services

Other sales and services

| | Year Ended 30 June 2005 | | | |
|---|-------------------------|------|--------|--------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | % |
| Total other sales and services revenue - Reported | 743 | 618 | 125 | 20.2 |
| Less Adjustments | 10 | 0 | 10 | N/M |
| Total other sales and services revenue - Underlying | 733 | 618 | 115 | 18.6 |
| Total other sales and services | | | | |
| Telstra information and connection services | 134 | 128 | 6 | 4.7 |
| Customnet & spectrum | 112 | 113 | (1) | (0.9) |
| Card services | 59 | 64 | (5) | (7.8) |
| Virtual private network | 15 | 21 | (6) | (28.6) |
| Security Products | 33 | 51 | (18) | (35.3) |
| HFC Cable | 65 | 44 | 21 | 47.7 |
| Conferlink | 47 | 46 | 1 | 2.2 |
| Commercial & recoverable works | 58 | 41 | 17 | 41.5 |
| External Construction | 85 | 70 | 15 | 21.4 |
| Other | 125 | 40 | 85 | 212.5 |
| Total other sales and services | 733 | 618 | 115 | 18.6 |

Reported other sales and services revenue grew by \$125 million. After excluding other sales and services from the KAZ Group, underlying other sales and services grew by \$115 million.

Telstra information and connection services revenue has grown by 4.7% as the result of the launch of Sensis 1234 Call Connect at the end of April 2004.

Security Products revenue has declined by \$18 million due to a change in accounting treatment, with a revenue reduction for revenue shared with security companies reclassified from goods and services purchased expense.

HFC Cable usage revenue increased due to higher activity associated with increased product demand mainly associated with pay TV digitalisation.

Commercial & recoverable works growth was due to infrastructure revenue associated with upgrading existing Foxtel analogue customers to digital and increased commercial work requests, as customers are more aware of the available services.

External construction revenue increased by 21%, due to new projects and the commencement of the Hutchison asset sharing agreement in December 2004 relating to the maintenance and build out of the 3G network.

Other represents growth in overdue account fees, payment processing fees, which were introduced in July 2004 and release of pensioner discount provision no longer required. The previous year result included a negative prior period accounting adjustment.

Other Revenue

Other revenue

| | Year Ended 30 June 2005 | | | Change % |
|--|-------------------------|------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Total other revenue - Reported | 496 | 543 | (47) | (8.7) |
| Less Adjustments | 289 | 289 | 0 | 0.0 |
| Total other revenue - Underlying | 207 | 254 | (47) | (18.5) |
| <i>Comprising:</i> | | | | |
| Sale of plant and equipment | 13 | 41 | (28) | (68.3) |
| USO Levy Receipts | 63 | 71 | (8) | (11.3) |
| Government subsidies | 71 | 69 | 2 | 2.9 |
| Rental/Leases | 20 | 23 | (3) | (13.0) |
| Miscellaneous revenue | 40 | 50 | (10) | (20.0) |
| | 207 | 254 | (47) | (18.5) |
| <i>Where adjustments comprise:</i> | | | | |
| <i>Proceeds from sale of:</i> | | | | |
| Listed securities and other corporations | 74 | 24 | 50 | 208.3 |
| Associates | 0 | 204 | (204) | (100.0) |
| Investments | 148 | 0 | 148 | N/M |
| Joint Venture Entities | 30 | 0 | 30 | N/M |
| Sale of investments | 252 | 228 | 24 | 10.5 |
| Sale of PP&E in acquired entities | 2 | 0 | 2 | N/M |
| Land and Buildings | 35 | 61 | (26) | (42.6) |
| Total adjustments | 289 | 289 | 0 | 0.0 |

Reported other revenue of \$496 million included proceeds from the sale of Infonet, Intelstat, Stellar and redemption of the PCCW convertible note. In the prior corresponding period, investment sales included IBMGSA, PT Mitra and Commander Communications.

The reduction in reported other revenue was due to:

- Lower proceeds from the sale of land and buildings due to the sale of North Sydney exchange in the prior year;
- Lower sales of plant and equipment due to the prior year sale of midrange equipment;
- Lower USO levy subsidies received from the government;
- Lower rental and lease revenue due to reduction of vehicle fleet leases in the current year;
- Reduction in miscellaneous revenue due to prior year refund of sales tax and settlement of a damages claim;

Offset by:

- Higher government subsidies due to the initiative providing higher bandwidth services to rural and remote communities (HIBis), offset by a reduction in subsidies due to the completion of the untimed local calls and Besley initiatives;

Excluding sales for land, buildings and investments, underlying other revenue decreased by \$47 million.

Operating expenses

Operating expenses

| | 2005 | | Year Ended 30 June 2005 | | Reported Change % | Underlying ¹ Change % |
|--|------------------|-------------------------|-------------------------|-------------------------|-------------------|----------------------------------|
| | Reported | Underlying ¹ | 2004 Reported | Underlying ¹ | | |
| | (in \$ millions) | | | | | |
| Expenses | | | | | | |
| Labour | 3,693 | 3,363 | 3,218 | 3,204 | 14.8 | 5.0 |
| Goods and services purchased | 4,147 | 3,941 | 3,554 | 3,543 | 16.7 | 11.2 |
| Other expenses | 4,055 | 3,779 | 4,255 | 3,821 | (4.7) | (1.1) |
| Expenses before equity acc/depn/amort/interest | 11,895 | 11,083 | 11,027 | 10,568 | 7.9 | 4.9 |
| Share of net loss from associates and joint venture entities | (9) | (9) | 78 | 78 | (111.5) | (111.5) |
| Total operating expenses before depn/amort/interest | 11,886 | 11,074 | 11,105 | 10,646 | 7.0 | 4.0 |
| Total depreciation/amortisation | 3,766 | 3,708 | 3,615 | 3,611 | 4.2 | 2.7 |
| Total operating expenses before interest | 15,652 | 14,782 | 14,720 | 14,257 | 6.3 | 3.7 |

Reported operating expenses increased by 6.3%. Operating expenses in the current year included expenses incurred by newly acquired entities of \$666 million and costs of property and investments sold of \$198 million. The prior year included provision for non-recoverability of the Reach loan of \$226 million, IBMGSA contract exit costs of \$130 million, costs of property and investments sold of \$71 million and Trading Post expenses of \$35 million.

After excluding these items, underlying operating expenses increased by 3.7%. Excluding depreciation and amortisation, underlying operating expenses grew by 4.0%.

The increase in expenses was due to higher cost of sales, including network payments, pay TV service fees, mobile handset subsidies and cost of handsets sold; higher service contracts from volume increases in broadband and PSTN activations, fault rectifications, Bigpond and directory assistance call centres; additional staff to meet customer service improvements and salary increases. These increases were offset by cost reduction initiatives of \$303 million and lower redundancy costs.

Labour expense

| Labour expense | Year Ended 30 June 2005 | | | Change % |
|---|--|--------|--------|-------------|
| | 2005 | 2004 | Change | |
| | (in \$ millions except for statistical data) | | | |
| Total labour expense - Reported | 3,693 | 3,218 | 475 | 14.8 |
| Less Adjustments | 330 | 14 | 316 | N/M |
| Labour expense - Underlying | 3,363 | 3,204 | 159 | 5.0 |
| Full time staff & equivalents - Reported ⁽ⁱ⁾ | 46,336 | 41,941 | 4,395 | 10.5 |
| Less Adjustments | 3,597 | 598 | 2,999 | N/M |
| Full time staff & equivalents - Underlying ⁽ⁱ⁾ | 42,739 | 41,343 | 1,396 | 3.4 |

⁽ⁱ⁾ Includes NDC full time & equivalents. Corresponding labour expense for NDC was recorded in costs of external contracting and cost of sales prior to integration in September 2003.

Reported Labour expenses increased by 15% mainly due to the acquisition of new entities, such as Trading Post and Kaz Group. After excluding acquisitions underlying labour expenses increased by 5.0% due to:

- Salary increases of \$93 million or 3.9% due to enterprise agreements and normal annual salary reviews;
- Underlying full time staff and equivalents increased by 3.4%, resulting from increases in full time staff and the use of part time staff to provide improved customer service and account management, and flexibility to meet customer requirements;
- Increase in the use of overtime and contract and agency payments to improve front of house service and meet increased field volumes across broadband and pay TV; and
- A change in the NDC capitalised overhead process, from a reduction against labour costs to capitalised overheads in other expenses.

These increases were partially offset by:

- A decrease in redundancy expense of \$79 million; and
- A higher number of staff working on capital projects.

An actuarial investigation of Telstra Super based on the fund's position as at 30 June 2003 confirmed that a surplus continued to exist in the fund. As per the recommendations of the actuary we did not contribute to Telstra Super during 2004-05. The continuation of the holiday is, however, dependent on the performance of the fund and we will continue to closely monitor the situation in the light of the current financial market performance. As at 30 June 2005, the Vested Benefits Index (the ratio of fund assets to members' vested benefits) of the defined benefits divisions was approximately 111%.

Goods and services purchased

Goods and services purchased

| | Year Ended 30 June 2005 | | | |
|---|-------------------------|-------|--------|--------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | % |
| Total goods and services purchased - Reported | 4,147 | 3,554 | 593 | 16.7 |
| Less Adjustments | 206 | 11 | 195 | N/M |
| Total goods and services purchased - Underlying | 3,941 | 3,543 | 398 | 11.2 |
| <i>Comprising:</i> | | | | |
| Goods and services purchased - underlying | | | | |
| Cost of goods sold | 630 | 543 | 87 | 16.0 |
| Usage commissions | 289 | 241 | 48 | 19.9 |
| Handset subsidies | 361 | 286 | 75 | 26.2 |
| Network payments | 1,870 | 1,788 | 82 | 4.6 |
| Commercial Project Payments | 60 | 69 | (9) | (13.0) |
| Service Fees | 273 | 157 | 116 | 73.9 |
| Managed Services | 162 | 190 | (28) | (14.7) |
| Other | 296 | 269 | 27 | 10.0 |
| | 3,941 | 3,543 | 398 | 11.2 |

Note: Effective 1st July 2004, new expenditure categories were created in "Goods and Services Purchased" to capture directly variable costs associated with the managed services customer contracts, where a direct relationship exists between the costs incurred and the revenues earned. Prior year costs of \$134 million recorded against "Other Operating Expenses" have been restated.

Reported goods and services purchased increased by 17%. After adjusting for Trading Post, Kaz Group, Telstra Business Systems (formerly Damovo), PSINet Group and Universal Publishers in the current year, underlying goods and services purchased increased by 11% or \$398 million.

Service Fees increased by \$116 million due to increased bundling of pay TV services for both Foxtel and Austar and higher costs of digital content paid to Foxtel.

Cost of goods sold (COGS) increased by \$87 million or 16 % due to:

- Reclassification of the subsidised cost of prepaid handsets from handset subsidies to cost of goods sold due to an accounting treatment change;
- Commencement of the 2-way satellite service for the HiBis scheme;
- Growth in handset volumes sold by Hong Kong CSL, partially offset by an exchange rate movement which had a favourable effect on reported cost;
- Growth in ADSL demand due to broadband growth; and
- Maintaining and building the 3G network under the asset sharing agreement with Hutchison.

Network payments grew by 4.6% due to increased international network payments driven by higher international mobile roaming volumes of 19%. The impact of incurring international network payments for a full 12 month period in relation to Telstra Europe acquisitions, resulted in an increase of \$27 million. TelstraClear network payments increased due to foreign exchange impacts and growth in retail revenue. International network payments to Reach increased as a result of increased volumes.

Increased handset subsidies of \$75 million was the result of increased levels of subsidy amortisation following the impact of subsidies on offer in the prior year and higher handset sales and related subsidies in Hong Kong CSL. This growth was partly offset by the reclassification of the subsidised portion of prepaid handsets to cost of goods sold.

Usage commissions increased by \$48 million, due to increased commissions primarily due to dealer activity, with a small increase for marketing commissions.

Other goods and services rose by \$27 million due to the impact of amortisation of dealer incentive payments deferred in 2003/04, partially offset by security product revenue sharing with security companies, which was reclassified to a revenue reduction in the current year.

Telstra Corporation Limited and controlled entities

Offset by:

Managed services decreased by \$28 million due to the completion of the defence contract, a reduction in major outsource contracts and lower costs in supporting major corporate customer contracts.

Commercial project payments decreased by \$9 million due to a change in accounting treatment of external construction project work, which is now allocated directly against individual expense items.

Other expenses

| Other expenses | Year Ended 30 June 2005 | | | |
|--|-------------------------|-------|--------|----------|
| | 2005 | 2004 | Change | Change % |
| | (in \$ millions) | | | |
| Total other expenses - Reported | 4,055 | 4,255 | (200) | (4.7) |
| Less Adjustments | 276 | 434 | (158) | (36.4) |
| Total other expenses - Underlying | 3,779 | 3,821 | (42) | (1.1) |
| Comprising: | | | | |
| Rental expense on operating leases | 581 | 529 | 52 | 9.8 |
| Bad debts/recovery costs/doubtful debts | 149 | 182 | (33) | (18.1) |
| Inventory Writedowns | 11 | 5 | 6 | 120.0 |
| Net foreign currency conversion losses/(gains) | (9) | 17 | (26) | (152.9) |
| Audit fees | 7 | 8 | (1) | (12.5) |
| Service contracts and other agreements | 1,550 | 1,473 | 77 | 5.2 |
| Marketing | 326 | 333 | (7) | (2.1) |
| General administration | 779 | 803 | (24) | (3.0) |
| Other operating expense | 371 | 428 | (57) | (13.3) |
| Cost of Property plant & Equipment (exc. Land & Buildings) | 14 | 43 | (29) | (67.4) |
| Total other expenses - underlying | 3,779 | 3,821 | (42) | (1.1) |
| Where adjustments comprise: | | | | |
| Net book value of assets sold: | | | | |
| Cost of Land & Buildings | 25 | 21 | 4 | 19.0 |
| Investments in joint venture entities | 14 | 0 | 14 | N/M |
| Investments in associated entities | 0 | 34 | (34) | (100.0) |
| Investments in listed entities and other corporations | 159 | 16 | 143 | N/M |
| | 198 | 71 | 127 | 178.9 |
| Acquisitions | 72 | 6 | 66 | N/M |
| Reduction in value of investments | 6 | 1 | 5 | N/M |
| Reduction in value of amounts owed by Joint Venture | 0 | 226 | (226) | (100.0) |
| Other adjustments (IBMGSA Exit Costs) | 0 | 130 | (130) | (100.0) |
| Total Adjustment | 276 | 434 | (158) | (36.4) |

Note: Effective 1st July 2004, new expenditure categories were created in "Goods and Services Purchased" to capture directly variable costs associated with the managed services customer contracts, where a direct relationship exists between the costs incurred and the revenues earned. Prior year costs of \$134 million recorded against "Other Operating Expenses" have been restated.

The reported other expenses decreased by 4.7% which reflected the impact in the prior year of the provision against the Reach loan, and the one-off payment made to exit the IBMGSA IT services contract. In the current year other expenses has increased as a result of the inclusion of recently acquired entities and an increase in the book value of property and investment sales.

After excluding these items, underlying other expenses decreased by 1.1% due to:

Lower other operating expenses because of:

- Higher capitalised overheads due to a change in the capitalised overhead process from direct allocation following the completion of NDC integration into Telstra; and
- Lower bank costs due to a shift in customer payment preferences away from payment options that incur a merchant service fee after a processing fee was introduced on credit card payments in July 2004; offset by
- Write-off of cancelled capital projects totalling \$17 million.

A decrease in bad and doubtful debts due to proceeds from the sale of debt in the current year and improved credit management practices. There was no sale of debt in the prior year.

A decline in the book value of plant and equipment sales due a decline in the number of motor vehicles sold.

Currency gains in the current period are primarily related to hedging of the Reach loan.

Lower general administration costs due to:

- Reduced IT costs, including a reclassification of contract payments to service contracts in the current year, savings achieved in IT repairs and maintenance through entering new arrangements, and lower project costs, offset by an increase in new licensing agreements; and
- Decreased legal expenses from bringing more legal work in-house and lower travel and fares due to our focus on discretionary costs; and

Reduced marketing costs from due to focussed and well-managed campaigns.

Offset by:

Higher service contracts and other agreements due to:

- Volume based increases, including activations and fault rectifications particularly for broadband, digital pay TV and the PSTN network and higher volumes in call centres for Bigpond and Sensis 1234;
- Increased network maintenance activation;
- A change in the NDC capitalised overhead process, from direct allocation against service contracts to capitalised overhead; and
- New contract for the shipment of goods from Telstra warehouses to dealers and retail shops;

Offset by:

- Reduced IT services costs resulting from renegotiation of contracts and cost reduction initiatives; and

Increased rental expenses on operating leases due to a reclassification of costs following the completion of NDC integration into Telstra, a property lease termination payment in Hong Kong and increased rental rates and property requirements.

Share of net (profit) loss from associates and joint venture entities

Share of net (profit) loss from associates and joint venture entities

| | Year Ended 30 June 2005 | | | Change % |
|---|-------------------------|-----------|-------------|----------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Share of net (profit) loss from associates and joint venture entities | (9) | 78 | (87) | (111.5) |

The current year share of equity profits comes from Keycorp, Xantic and Stellar, offset by the write-off of the \$5 million equity injection in Foxtel.

The prior year share of equity losses included Foxtel losses prior to equity accounting suspension and the impact of Xantic goodwill and intangible write-downs.

Depreciation and Amortisation

Depreciation and amortisation

| | Year Ended 30 June 2005 | | | Change % |
|--|-------------------------|-------|--------|----------|
| | 2005 | 2004 | Change | |
| | (in \$ millions) | | | |
| Total depreciation and amortisation - Reported | 3,766 | 3,615 | 151 | 4.2 |
| Less Adjustments | 58 | 4 | 54 | N/M |
| Total depreciation and amortisation - Underlying | 3,708 | 3,611 | 97 | 2.7 |
| <i>Comprising:</i> | | | | |
| Depreciation | 2,931 | 2,872 | 59 | 2.1 |
| Amortisation (excl goodwill) | 655 | 619 | 36 | 5.8 |
| Goodwill amortisation | 122 | 120 | 2 | 1.7 |
| | 3,708 | 3,611 | 97 | 2.7 |

Reported depreciation and amortisation increased by 4.2% or \$151 million. This increase was mainly attributable to the growth in communications plant and software assets required to support the increasing demand for broadband ADSL services. In addition, an increase of \$54 million was due to depreciation and amortisation attributable to acquired entities. These increases were offset by reductions from service life reviews for communications assets of \$65 million.

Excluding the depreciation and amortisation from our recent acquisitions of \$54m, underlying depreciation and amortisation increased by 2.7%.

International

Hong Kong CSL financial summary

Hong Kong CSL Financial Summary

| | Year Ended 30 June 2005 | | | |
|-------------------------|-------------------------|-------|--------------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| | (in A\$ millions) | | (in HK\$ millions) | |
| Total revenue | 735 | 726 | 4,308 | 4,022 |
| Total operating expense | 524 | 492 | 3,073 | 2,729 |
| EBITDA | 211 | 234 | 1,235 | 1,293 |
| EBIT | (15) | 9 | 375 | 477 |
| CAPEX | 128 | 94 | 755 | 524 |
| EBITDA margin | 28.7% | 32.2% | 28.7% | 32.1% |

Amounts presented in HK\$ have been prepared in accordance with AGAAP.

Amounts presented in A\$ represent amounts included in Telstra's consolidated result.

In HK\$, CSL total revenue growth was 7.1%, with increases across all revenue streams, except local voice which continued to be impacted by pricing competition. However, despite declines in local voice revenue, CSL average revenue per user still remained well above the market average.

Over the past 12 months, significant revenue increases were achieved in data, international voice and prepaid revenues as well as in mobile handset sales due to the continued focus on the move into the mass market, as well as the launch of new models with advanced features.

The increase in total revenue has been offset by an increase in total operating expense of 13%, excluding exchange rate movements, mainly due to higher handset costs, including subsidies and commissions, as well as disbursement charges. The EBITDA margin has reduced by 3.4 percentage points to 28.7%.

Over the past 6 months, in addition to launching its Integrated 3G network, CSL has had a number of Asian and World first launches, including first Chinese language support for Blackberry. On mobile entertainment services and content, CSL launched Hong Kong's first Full Song Download over 3G, MP3 Ringtone, Interactive Online Game and Mobile Drama.

TelstraClear financial summary

TelstraClear Financial Summary

| | Year Ended 30 June 2005 | | | |
|-------------------------|-------------------------|-------|--------------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| | (in A\$ millions) | | (in NZ\$ millions) | |
| Total revenue | 625 | 574 | 676 | 652 |
| Total operating expense | 512 | 469 | 554 | 533 |
| EBITDA | 113 | 105 | 122 | 119 |
| EBIT | (35) | (33) | (36) | (33) |
| CAPEX | 115 | 94 | 125 | 106 |
| EBITDA margin | 18.1% | 18.3% | 18.0% | 18.3% |

Amounts presented in NZ\$ have been prepared in accordance with AGAAP.
Amounts presented in A\$ represent amounts included in Telstra's consolidated result.

Total revenue growth of 3.7% or NZ\$24 million was achieved. On a stand-alone basis, including intercompany revenue, TelstraClear revenue increased by 3.5%. Revenue growth was achieved from continued strong retail revenue growth, particularly in the consumer and small-medium enterprise sector. Included in this was the acquisition of Sytec in November 2004, which added NZ\$11 million in revenue. This was partially offset by a decrease in wholesale revenue due to rate reductions in the wholesale market.

Total operating expense has increased by 3.9% or NZ\$21 million. The acquisition of Sytec contributed NZ\$10 million in expense, with additional staff numbers increasing labour expense.

In Australian dollars, revenue increased by 8.9% to \$625 million, which included the positive impact of a more favourable exchange rate.

Net borrowing costs

Net borrowing costs

| | Year Ended 30 June 2005 | | | |
|----------------------------------|-------------------------|------|--------|--------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | % |
| Gross borrowing costs - Reported | 929 | 841 | 88 | 10.5 |
| less capitalised interest | (90) | (74) | (16) | 21.6 |
| Borrowing costs - Reported | 839 | 767 | 72 | 9.4 |
| Interest received/receivable | 103 | 55 | 48 | 87.3 |
| Net borrowing costs - Reported | 736 | 712 | 24 | 3.4 |
| <i>less adjustment</i> | 5 | 0 | 5 | N/M |
| Net borrowing costs - Underlying | 731 | 712 | 19 | 2.7 |

The increase in reported gross borrowing costs of 11% was attributable to higher average borrowings following the share buy back, investment acquisitions and the increased levels of capital expenditure. There was a benefit from the impact of lower interest rates on the new and refinanced long-term debt.

The growth in borrowing costs was partially offset by an increase in capitalised interest of \$16 million, attributable to higher work in progress associated with higher capital expenditure. In addition, the 87% increase in interest receivable was due to the increased holdings of short term liquid assets and recognition of interest earned on the Reach capacity prepayment and loan following the change in Reach's operating model.

Net borrowing costs, excluding Kaz Group and PSINet Group, increased by 2.7% from \$712 million to \$731 million.

Income tax expense

Income Tax Expense

| | Year Ended 30 June 2005 | | | |
|---------------------------------|-------------------------|-------|--------|---------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | % |
| Income Tax Expense - Reported | 1,822 | 1,731 | 91 | 5.3 |
| Less adjustments | 14 | (92) | 106 | (115.2) |
| Income Tax Expense - Underlying | 1,808 | 1,823 | (15) | (0.8) |

Reported income tax expense increased by 5.3% or \$91 million attributable to increased reported profits, the impact in the prior year of a \$58 million benefit arising from the adoption of the tax consolidation legislation and the tax effect for lower non-assessable profits on sale of investments of \$37 million. These increases are partially offset by reductions due to the tax effect on the non-deductible provision for the Reach loan in the prior year of \$65 million, increased deductions for the partnership losses of \$39 million and lower under provision adjustments of \$22 million.

Excluding the income tax expense of acquisitions, the prior year tax consolidation benefit and tax effect on IBMGSA contract exit costs, underlying income tax expense decreased by 0.8% or \$15 million.

Cash flow

Cash flow data

| | Year Ended 30 June 2005 | | | Change % |
|---|--------------------------|---------|--------|-------------|
| | 2005 (in \$ millions) | 2004 | Change | |
| Net cash provided by operating activities | 8,163 | 7,433 | 730 | 9.8 |
| Net cash used in investing activities | (3,809) | (3,270) | (539) | 16.5 |
| Operating Cash Flow less Cash Flow used in Investing Activities | 4,354 | 4,163 | 191 | 4.6 |
| Net cash used in financing activities | (3,512) | (4,776) | 1,264 | (26.5) |
| Net increase/(decrease) in cash | 842 | (613) | 1,455 | 237.4 |

Operating cash flow less cash flow used in investing activities (free cash flow) increased by 4.6% for the year ended 30 June 2005.

Net cash provided by operating activities of \$8.2 billion increased by 9.8% due to higher cash profits, timing of payments to creditors resulting in higher creditor balances at 30 June 2005 and reductions in the amount of tax paid resulting from a significantly lower final payment for the 2003/2004 financial year.

Net cash used in investing activities of \$3.8 billion increased by 17% or \$539 million due to the growth in the operating capital program of 17%, attributable to increased spending to support growth in broadband ADSL services, 3G programs of work, Hong Kong CSL 3G programs and the purchase of international cable capacity. Cash proceeds from the sale of investments of \$320 million was \$93 million lower than the prior year. Acquisitions of \$590 million was \$78 million lower than the prior year.

Net cash used in financing activities of \$3.5 billion decreased by \$1.3 billion or 27% with \$1.8 billion attributable to the refinancing of borrowings which matured during the year, including the EUR1.5 billion borrowing of \$2.4 billion. The share buy back of \$756 million was \$253 million lower than the prior year with loans to associated entities \$189m lower attributable to the Reach loan in the prior year. Dividend payments increased \$945 million due to the special dividend and higher ordinary dividends.

Net cash used in investing activities

| | Year Ended 30 June 2005 | | | |
|--|-------------------------|--------------|------------|-------------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | % |
| Switching | 344 | 298 | 46 | 15.4 |
| Transmission | 367 | 378 | (11) | (2.9) |
| Customer access ⁽ⁱ⁾ | 887 | 794 | 93 | 11.7 |
| Mobile telecommunications networks | 511 | 416 | 95 | 22.8 |
| International assets | 279 | 192 | 87 | 45.3 |
| Capitalised software | 543 | 452 | 91 | 20.1 |
| Specialised Network Functions ⁽ⁱⁱ⁾ | 307 | 221 | 86 | 38.9 |
| Other ⁽ⁱ⁾⁽ⁱⁱⁱ⁾ | 385 | 336 | 49 | 14.6 |
| Operating capital expenditure | 3,623 | 3,087 | 536 | 17.4 |
| Capitalised interest included in above | (90) | (74) | (16) | (21.6) |
| Capital expenditure excluding capitalised interest | 3,533 | 3,013 | 520 | 17.3 |
| Add: patents, trademarks and licences (including 3G spectrum) | 6 | 2 | 4 | 200.0 |
| Add: investments | 590 | 668 | (78) | (11.7) |
| Capitalised expenditure (excl. int.) and investments | 4,129 | 3,683 | 446 | 12.1 |
| Sale of capital equipment, investments and other | (320) | (413) | 93 | 22.5 |
| Net cash used in investing activities | 3,809 | 3,270 | 539 | 16.5 |
| Operating Capital expenditures | 3,623 | 3,087 | 536 | 17.4 |
| Less: offshore operating capital expenditure | 237 | 192 | 45 | 23.4 |
| Less: International Cable Capacity | 42 | 0 | 42 | 0.0 |
| Domestic core operating capital expenditure⁽ⁱⁱⁱ⁾ | 3,344 | 2,895 | 449 | 15.5 |

(i) Correction of expenditure classification between customer access to other of \$50m for 2004

(ii) Specialised Network Functions - refers to specialised (ADP type) hardware and software dedicated to the telecommunications network that performs a network function associated with the provision of products, services or functionality. This expenditure was previously classified in "Other".

(iii) Domestic core operating capital expenditure is operating capital expenditure excluding HKCSL & TelstraClear operating capital expenditure and international cable capacity expenditure

Operating capital expenditure for the year ended 30 June 2005 increased by 17% or \$536 million to \$3.6 billion. Domestic core operating expenditure of \$3.3 billion, increased by 16% or \$449 million. The key areas of movement on capital expenditure for the period included:

Higher domestic switching expenditure of \$46 million due to the impact of increased demand for broadband ADSL and specialised wideband service driven by new government and large corporate customer contracts.

Increased expenditure on the customer access network of \$93 million was largely due to the significant increase in broadband ADSL demand.

Increased expenditure in the mobiles capital expenditure of \$95 million was driven by 3G programs of work and improvements in depth of coverage in the GSM and CDMA mobile networks. The 3G program includes the \$22 million cash payment associated with the asset sharing agreement with Hutchinson 3G Australia Pty Ltd, where Telstra acquired a 50% interest in the 3G assets for \$450 million, payable over 2 calendar years. In addition \$26 million of transaction costs have been paid in relation to the 3G asset purchase. Offsetting higher expenditure was a reduction in spending on the traditional 2G program along with 1XRTT and untimed local calls extended zone project.

Growth in international assets of \$87 million was due to the purchase of international transmission capacity to satisfy additional demand following the change to the operating model for Reach and increased expenditure by Hong Kong CSL of \$34 million, for developing its 3G infrastructure.

Increases in the software development program of \$91 million due to the purchase of the long term Microsoft desktop and SAP licenses, 3G software development and other specialised IT programs such as billing rationalisation, privacy compliance and next generation cost reduction programs.

Increased capital expenditure of specialised network functions of \$86 million for the provision of 3G mobile data solutions for i-mode content and development of a new Bigpond infranet for management and product billing as well as increased broadband content development; and

Telstra Corporation Limited and controlled entities

Increases in other of \$49 million included higher expenditure on internet data centres to accommodate commercial hosting products, systems and platforms as well as growth in telepower programs due to increased ADSL broadband demand. Offsetting the increase in this category was a reduction in capital expenditure on land and buildings following the completed rollout of associated programs.

Partially offset by:

Reduction in expenditure on transmission assets of \$11 million due to the prior year acquisition of the IP1 transmission system of \$44 million offset by increases in broadband and programs supporting specialised wideband services following the winning of new government and large corporate customer contracts.

Investment capital expenditure for the year ended 30 June 2005 of \$590 million due to:

The acquisitions of controlled entities of \$574 million for Kaz Group \$340 million, PSINet Group \$112 million, Telstra Business Systems (formally Damovo) \$65 million, Universal Publishers \$46 million, Sytec \$11 million and 1300 Australia \$4 million and payments of \$8 million related to acquisitions made in the prior year offset by cash balances acquired of \$13 million; and

Acquisitions of shares in joint ventures and partnerships, associates and listed entities of \$16 million for Foxtel equity injection \$5 million, Linkme \$4 million, Adstream \$3 million and other acquisitions of \$4 million.

Contributing to the increase in cash used in investing activities was the receipt of lower cash proceeds in the current year of \$320 million compared with \$413 million in the prior year. Cash receipts from asset and investment sales include proceeds from the sale of investments in the current year of \$252 million and land and buildings of \$55 million, which includes the cash settlement from the prior year sale of the North Sydney exchange.

Statement of Financial Position - detail

Statement of Financial Position - detail

| | As at 30 June 2005 | | | |
|---|--------------------|---------------|----------------|---------------|
| | 2005 | 2004 | Change | Change |
| | (in \$ millions) | | | % |
| Current Assets | | | | |
| Cash Assets | 1,540 | 687 | 853 | 124.2 |
| Receivables | 3,609 | 3,608 | 1 | 0.0 |
| Inventories | 232 | 229 | 3 | 1.3 |
| Other Assets | 796 | 803 | (7) | (0.9) |
| Total Current Assets | 6,177 | 5,327 | 850 | 16.0 |
| Non-Current Assets | | | | |
| Receivables | 240 | 740 | (500) | (67.6) |
| Inventories | 15 | 10 | 5 | 50.0 |
| Investments - accounted for using the equity method | 49 | 40 | 9 | 22.5 |
| Investments - other | 0 | 80 | (80) | (100.0) |
| Property, Plant and Equipment | 23,351 | 22,863 | 488 | 2.1 |
| Intangibles - goodwill | 2,287 | 2,104 | 183 | 8.7 |
| Intangibles - other | 1,581 | 1,501 | 80 | 5.3 |
| Other Assets | 2,610 | 2,328 | 282 | 12.1 |
| Total Non-Current Assets | 30,133 | 29,666 | 467 | 1.6 |
| Total Assets | 36,310 | 34,993 | 1,317 | 3.8 |
| Current Liabilities | | | | |
| Payables | 2,809 | 2,338 | 471 | 20.1 |
| Interest-bearing liabilities (borrowings) | 1,518 | 3,246 | (1,728) | (53.2) |
| Income Tax Payable | 534 | 539 | (5) | (0.9) |
| Provisions | 389 | 358 | 31 | 8.7 |
| Revenue Received in Advance | 1,132 | 1,095 | 37 | 3.4 |
| Total Current Liabilities | 6,382 | 7,576 | (1,194) | (15.8) |
| Non-Current Liabilities | | | | |
| Payables | 122 | 49 | 73 | 149.0 |
| Interest-bearing liabilities (borrowings) | 11,816 | 9,014 | 2,802 | 31.1 |
| Provisions | 836 | 778 | 58 | 7.5 |
| Provision for Deferred Tax | 1,885 | 1,807 | 78 | 4.3 |
| Revenue Received in Advance | 388 | 408 | (20) | (4.9) |
| Total Non-Current Liabilities | 15,047 | 12,056 | 2,991 | 24.8 |
| Total Liabilities | 21,429 | 19,632 | 1,797 | 9.2 |
| Net Assets | 14,881 | 15,361 | (480) | (3.1) |
| Shareholders Equity | | | | |
| Contributed Equity | 5,793 | 6,073 | (280) | (4.6) |
| Reserves | (157) | (105) | (52) | 49.5 |
| Retained Profits | 9,243 | 9,391 | (148) | (1.6) |
| Shareholders' equity available to Telstra Entity Shareholders | 14,879 | 15,359 | (480) | (3.1) |
| Outside Equity Interest | | | | |
| Contributed Equity | 2 | 2 | - | 0.0 |
| Retained Profits | (0) | 0 | - | N/M |
| Total Outside Equity Interest | 2 | 2 | - | 0.0 |
| Total Shareholders' Equity | 14,881 | 15,361 | (480) | (3.1) |



Adjustments to derive Underlying results

| (A) Asset Sales (\$m) | 30 June 05 Proceeds | 30 June 05 NBV | 30 June 05 Profit | Tax Effect @30% If applicable | Profit after tax |
|--|------------------------|-------------------|----------------------|-------------------------------------|------------------------|
| Land and Building sales | 35 | 25 | 10 | | 10 |
| Investment sales | 252 | 173 | 79 | | 79 |
| Total Property Plant and Equipment and Investment Sales | 287 | 198 | 89 | | 89 |
| Total Asset/Investment Sales and other costs | 287 | 198 | 89 | | 89 |

| (B) Diminution (\$m) | 30 June 2005 Diminution |
|-------------------------|----------------------------|
| Other | 6 |
| Total Diminution | 6 |

(c) Tax Consolidation Benefit

Income tax expense for the year ended 30 June 2004 includes a benefit of \$58 million relating to our election to form a tax consolidation group from 1 July 2002. Under this legislation, certain tax values of a subsidiary's (Telstra Multimedia Pty Ltd) assets are reset according to set allocation rules. The benefit reflects the increase in the future income tax benefit arising from these reset tax values.

| (A) Asset Sales (\$m) | 30 June 04 Proceeds | 30 June 04 NBV | 30 June 04 Profit | Tax Effect @30% If applicable | Profit after tax |
|---|------------------------|-------------------|----------------------|-------------------------------------|------------------------|
| Land and Building sales | 61 | 21 | 40 | | 40 |
| Investment sales | 228 | 50 | 178 | | 176 |
| Total Property Plant and Equipment Sales | 289 | 71 | 218 | | 216 |
| IBMGA Exit Costs | | 130 | (130) | (39) | (91) |
| Total Asset/Investment Sales and other costs | 289 | 201 | 88 | (37) | 125 |

| (B) Diminution (\$m) | 30 June 2004 Diminution |
|--|----------------------------|
| Provision for Recoverability of Reach loan | 226 |
| Other | 1 |
| Total Diminution | 227 |

Quarterly Data
Quarter Ended 30 June 2005

| Summary Underlying ⁽ⁱ⁾ Quarterly Data | Q1 Sep-03 | QTR PCP ⁱⁱ Sep-03 | Q2 Dec-03 | QTR PCP ⁱⁱ Dec-03 | Half 1 Dec-03 | YTD PCP ⁱⁱ Dec-03 | Q3 Mar-04 | QTR PCP ⁱⁱ Mar-04 | Q4 Jun-04 | QTR PCP ⁱⁱ Jun-04 | Full Year Jun-04 | YTD PCP ⁱⁱ Jun-04 | Q1 Sep-04 | QTR PCP ⁱⁱ Sep-04 | Q2 Dec-04 | QTR PCP ⁱⁱ Dec-04 | Half 1 Dec-04 | YTD PCP ⁱⁱ Dec-04 | Q3 Mar-05 | QTR Mar-05 | Q4 Jun-05 | QTR Jun-05 | YTD Jun-05 | YTD PCP ⁱⁱ Jun-05 | |
|--|--------------|---------------------------------|--------------|---------------------------------|------------------|---------------------------------|--------------|---------------------------------|--------------|---------------------------------|---------------------|---------------------------------|--------------|---------------------------------|--------------|---------------------------------|------------------|---------------------------------|--------------|---------------|--------------|---------------|---------------|---------------------------------|--|
| Revenue | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mobiles | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mobile services | 848 | 3.4% | 893 | 9.2% | 1,740 | 6.2% | 853 | 9.6% | 877 | 6.6% | 3,470 | 7.1% | 928 | 9.4% | 968 | 8.4% | 1,896 | 9.0% | 918 | 7.6% | 946 | 7.9% | 3,760 | 8.4% | |
| Mobile handsets | 97 | 40.6% | 89 | (12.7%) | 186 | 8.1% | 79 | (24.0%) | 87 | (20.9%) | 352 | (8.8%) | 95 | (2.1%) | 103 | 15.7% | 198 | 6.5% | 85 | 7.6% | 98 | 12.6% | 381 | 8.2% | |
| Total Mobiles | 945 | 6.3% | 982 | 6.7% | 1,926 | 6.4% | 932 | 5.7% | 964 | 3.3% | 3,822 | 5.4% | 1,023 | 8.3% | 1,071 | 9.1% | 2,094 | 8.7% | 1,003 | 7.6% | 1,044 | 8.3% | 4,141 | 8.3% | |
| Internet and IP solutions | 237 | 24.7% | 231 | 14.9% | 468 | 19.7% | 255 | 28.8% | 289 | 26.8% | 1,013 | 24.0% | 310 | 30.8% | 314 | 35.9% | 624 | 33.3% | 351 | 37.6% | 402 | 39.1% | 1,377 | 35.9% | |
| PSTN products | | | | | | | | | | | | | | | | | | | | | | | | | |
| Basic access | 791 | 3.4% | 819 | 3.5% | 1,610 | 3.5% | 795 | 2.2% | 832 | 11.2% | 3,237 | 5.0% | 853 | 7.8% | 847 | 3.4% | 1,700 | 5.6% | 831 | 4.5% | 831 | (0.1%) | 3,362 | 3.9% | |
| Local calls | 394 | (0.8%) | 384 | (3.8%) | 778 | (2.3%) | 370 | (3.6%) | 356 | (8.0%) | 1,504 | (4.0%) | 354 | (10.2%) | 335 | (12.8%) | 689 | (11.4%) | 302 | (18.4%) | 293 | (17.7%) | 1,284 | (14.6%) | |
| PSTN value added services | 68 | 0.0% | 66 | (10.8%) | 134 | (5.0%) | 62 | (12.7%) | 63 | (7.4%) | 259 | (7.5%) | 63 | (7.4%) | 63 | (4.5%) | 126 | (6.0%) | 62 | 0.0% | 62 | (1.6%) | 250 | (3.5%) | |
| National long distance calls | 292 | 2.5% | 286 | (4.0%) | 578 | (0.7%) | 278 | (3.5%) | 265 | (9.2%) | 1,121 | (3.5%) | 265 | (9.2%) | 262 | (8.4%) | 527 | (8.8%) | 244 | (12.2%) | 242 | (8.7%) | 1,013 | (9.6%) | |
| Fixed to mobile | 402 | 8.4% | 407 | 6.5% | 808 | 7.3% | 398 | 6.1% | 391 | 0.5% | 1,597 | 5.3% | 399 | (0.7%) | 407 | 0.0% | 806 | (0.2%) | 378 | (5.0%) | 382 | (2.3%) | 1,566 | (1.9%) | |
| International direct | 68 | (15.0%) | 71 | (12.3%) | 139 | (13.7%) | 65 | (11.0%) | 62 | (12.7%) | 266 | (13.4%) | 61 | (10.3%) | 63 | (11.3%) | 124 | (10.8%) | 56 | (13.8%) | 54 | (12.9%) | 234 | (12.0%) | |
| Total PSTN products | 2,015 | 2.5% | 2,033 | 0.4% | 4,047 | 1.5% | 1,968 | 0.0% | 1,969 | 0.7% | 7,984 | 0.9% | 1,995 | (1.0%) | 1,977 | (2.8%) | 3,972 | (1.9%) | 1,873 | (4.8%) | 1,864 | (5.3%) | 7,709 | (3.4%) | |
| Data and Internet | | | | | | | | | | | | | | | | | | | | | | | | | |
| Specialised Data | 264 | (2.9%) | 253 | (7.3%) | 517 | (5.1%) | 258 | (5.1%) | 260 | (7.5%) | 1,035 | (5.7%) | 246 | (6.8%) | 249 | (1.6%) | 495 | (4.1%) | 234 | (9.3%) | 237 | (8.8%) | 966 | (6.7%) | |
| ISDN Products | 239 | (3.6%) | 234 | (2.9%) | 473 | (3.3%) | 229 | 1.8% | 225 | (1.3%) | 927 | (1.6%) | 231 | (3.3%) | 222 | (5.1%) | 453 | (4.2%) | 218 | (4.8%) | 219 | (2.7%) | 890 | (4.0%) | |
| Advertising and Directories | 182 | 9.6% | 581 | 3.8% | 764 | 5.4% | 234 | 10.9% | 300 | 11.1% | 1,297 | 7.6% | 213 | 17.0% | 599 | 3.1% | 812 | 6.3% | 269 | 15.0% | 338 | 12.7% | 1,419 | 9.4% | |
| Inter-carrier services | 278 | (6.1%) | 284 | (0.7%) | 563 | (3.3%) | 266 | (2.9%) | 274 | (2.1%) | 1,103 | (2.9%) | 277 | (0.4%) | 303 | 6.7% | 580 | 3.0% | 272 | 2.3% | 294 | 7.3% | 1,146 | 3.9% | |
| Solutions management | 129 | 13.2% | 113 | (9.6%) | 243 | 1.7% | 121 | 7.1% | 144 | 6.7% | 508 | 4.3% | 140 | 8.5% | 130 | 15.0% | 270 | 11.1% | 129 | 6.6% | 138 | (4.2%) | 537 | 5.7% | |
| Hong Kong CSL | 191 | (21.7%) | 186 | (22.5%) | 377 | (22.1%) | 167 | (31.3%) | 182 | 0.6% | 726 | (20.0%) | 188 | (1.6%) | 192 | 3.2% | 380 | 0.8% | 179 | 7.2% | 175 | (3.8%) | 734 | 1.1% | |
| TelstraClear | 142 | 2.9% | 140 | 3.7% | 282 | 3.3% | 144 | 2.1% | 148 | 10.4% | 574 | 4.7% | 152 | 7.0% | 152 | 8.6% | 304 | 7.8% | 158 | 9.7% | 163 | 10.1% | 625 | 8.9% | |
| Offshore Services Revenue | 18 | (21.7%) | 31 | 106.7% | 48 | 26.3% | 37 | 117.6% | 46 | 411.1% | 131 | 104.7% | 46 | 155.6% | 43 | 38.7% | 89 | 85.4% | 44 | 18.9% | 48 | 4.3% | 181 | 38.2% | |
| Inbound calling products | 119 | (5.6%) | 119 | (4.0%) | 238 | (4.8%) | 120 | (1.6%) | 118 | (3.3%) | 476 | (3.6%) | 117 | (1.7%) | 114 | (4.2%) | 231 | (2.9%) | 110 | (8.3%) | 108 | (8.5%) | 449 | (5.7%) | |
| PayTV | 29 | NA | 35 | NA | 65 | NA | 41 | 583.3% | 48 | 182.4% | 154 | 569.6% | 57 | 96.6% | 64 | 82.9% | 121 | 86.2% | 71 | 73.2% | 71 | 47.9% | 263 | 70.8% | |
| Customer premises equipment | 46 | (6.1%) | 46 | (9.8%) | 92 | (8.0%) | 47 | (4.1%) | 45 | 0.0% | 184 | (5.2%) | 42 | (8.7%) | 45 | (2.2%) | 87 | (5.4%) | 41 | (12.8%) | 44 | (2.2%) | 172 | (6.5%) | |
| Pauphones | 36 | (2.7%) | 37 | (2.6%) | 72 | (4.0%) | 36 | (5.3%) | 33 | (5.7%) | 141 | (4.7%) | 31 | (13.9%) | 32 | (13.5%) | 63 | (12.5%) | 29 | (19.4%) | 29 | (12.1%) | 121 | (14.2%) | |
| Other sales & service | 162 | (34.4%) | 119 | (48.0%) | 281 | (41.0%) | 151 | (26.3%) | 186 | (11.0%) | 618 | (30.6%) | 176 | 9.3% | 202 | 71.2% | 378 | 34.0% | 188 | 24.5% | 167 | (10.2%) | 733 | 18.6% | |
| Sales revenue | 5,032 | 0.5% | 5,424 | (0.7%) | 10,456 | (0.1%) | 5,006 | 0.8% | 5,244 | 3.3% | 20,693 | 1.0% | 5,244 | 4.2% | 5,709 | 5.3% | 10,953 | 4.8% | 5,169 | 3.3% | 5,341 | 2.1% | 21,463 | 3.7% | |
| Other revenue | 52 | (3.7%) | 42 | (26.3%) | 94 | (15.3%) | 55 | 17.0% | 64 | (38.5%) | 213 | (18.7%) | 37 | (65.1%) | 44 | 4.8% | 81 | (45.6%) | 39 | (36.1%) | 87 | 97.7% | 207 | (18.5%) | |
| Total revenue | 5,084 | 0.5% | 5,466 | (1.0%) | 10,550 | (0.3%) | 5,061 | 1.0% | 5,295 | 2.5% | 20,906 | 0.7% | 5,281 | 2.8% | 5,753 | 5.3% | 11,034 | 4.0% | 5,208 | 2.8% | 5,428 | 2.9% | 21,670 | 3.5% | |
| Selected statistical data^{iv} | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mobile voice telephone minutes | 1,473 | 15.9% | 1,538 | 16.2% | 3,011 | 16.1% | 1,554 | 20.6% | 1,580 | 15.2% | 6,145 | 16.9% | 1,678 | 13.9% | 1,726 | 12.2% | 3,404 | 13.1% | 1,641 | 5.6% | 1,701 | 7.7% | 6,746 | 9.8% | |
| Short Message Service (SMS) (number of messages) ^(vi) | 439 | 50.5% | 488 | 41.5% | 928 | 45.6% | 499 | 30.1% | 518 | 27.6% | 1,944 | 36.3% | 558 | 27.1% | 583 | 19.4% | 1,142 | 23.1% | 567 | 13.6% | 580 | 12.0% | 2,289 | 17.7% | |
| Mobile services in operation (thousands) ⁱⁱⁱ | 6,720 | 14.2% | 6,985 | 14.5% | 6,985 | 14.5% | 7,169 | 13.1% | 7,604 | 15.8% | 7,604 | 15.8% | 7,665 | 14.1% | 7,983 | 14.3% | 7,983 | 14.3% | 8,059 | 12.4% | 8,227 | 8.2% | 8,227 | 8.2% | |
| Broadband Retail subscribers | 267 | 57.8% | 288 | 53.4% | 288 | 53.4% | 338 | 61.1% | 427 | 77.8% | 427 | 77.8% | 537 | 100.9% | 622 | 116.2% | 622 | 116.2% | 718 | 112.4% | 856 | 100.5% | 856 | 100.5% | |
| Broadband Wholesale subscribers | 172 | 362.5% | 220 | 288.9% | 220 | 289.0% | 281 | 250.5% | 379 | 213.4% | 379 | 213.4% | 495 | 188.6% | 611 | 177.8% | 611 | 177.8% | 761 | 170.8% | 888 | 134.4% | 888 | 134.4% | |
| Total Broadband subscribers (thousands)^(vi) | 439 | 112.6% | 508 | 107.8% | 508 | 107.8% | 619 | 113.5% | 806 | 123.2% | 806 | 123.2% | 1,032 | 135.1% | 1,233 | 142.9% | 1,233 | 142.9% | 1,479 | 138.9% | 1,744 | 116.4% | 1,744 | 116.4% | |
| Narrowband subscribers (thousands) | 1,180 | 8.9% | 1,178 | 6.8% | 1,178 | 6.8% | 1,197 | 5.6% | 1,194 | 3.1% | 1,194 | 3.1% | 1,209 | 2.4% | 1,201 | 1.9% | 1,201 | 2.0% | 1,202 | 0.4% | 1,205 | 0.9% | 1,205 | 0.9% | |
| - Retail ^(v) | 8.71 | (3.9%) | 8.64 | (3.8%) | 8.64 | (3.8%) | 8.58 | (3.9%) | 8.44 | (4.3%) | 8.44 | (4.3%) | 8.34 | (4.2%) | 8.21 | (4.9%) | 8.21 | (5.0%) | 8.13 | (5.2%) | 8.05 | (4.6%) | 8.05 | (4.6%) | |
| - Wholesale | 1.64 | 20.5% | 1.71 | 22.1% | 1.71 | 22.1% | 1.76 | 21.1% | 1.84 | 18.4% | 1.84 | 18.4% | 1.91 | 16.1% | 1.98 | 15.8% | 1.98 | 15.8% | 2.04 | 15.9% | 2.07 | 12.5% | 2.07 | 12.5% | |
| Basic access lines in service | 10.35 | (0.7%) | 10.35 | (0.3%) | 10.35 | (0.3%) | 10.34 | (0.4%) | 10.28 | (0.8%) | 10.28 | (0.8%) | 10.25 | (0.9%) | 10.19 | (1.5%) | 10.19 | (1.5%) | 10.17 | (1.6%) | 10.12 | (1.6%) | 10.12 | (1.6%) | |
| Local calls (number of calls) | 2,435 | (3.7%) | 2,396 | (3.8%) | 4,831 | (3.7%) | 2,324 | (3.0%) | 2,242 | (5.8%) | 9,397 | (4.0%) | 2,233 | (8.3%) | 2,179 | (9.1%) | 4,412 | (8.7%) | 2,045 | (12.0%) | 2,012 | (10.3%) | 8,469 | (9.9%) | |
| National long distance minutes | 2,193 | (6.5%) | 2,150 | (6.9%) | 4,343 | (6.7%) | 2,128 | (6.6%) | 2,049 | (8.0%) | 8,520 | (7.0%) | 2,002 | (8.7%) | 1,975 | (8.1%) | 3,977 | (8.4%) | 1,890 | (11.2%) | 1,875 | (8.5%) | 7,743 | (9.1%) | |
| Fixed to mobile minutes | 1,041 | 7.3% | 1,058 | 7.5% | 2,099 | 7.4% | 1,070 | 8.1% | 1,057 | 5.8% | 4,226 | 7.1% | 1,096 | 5.3% | 1,110 | 4.9% | 2,206 | 5.1% | 1,075 | 0.5% | 1,094 | 3.5% | 4,375 | 3.5% | |
| International direct minutes | 165 | (13.4%) | 173 | (11.9%) | 338 | (12.7%) | 161 | (10.7%) | 152 | (11.8%) | 651 | (12.0%) | 149 | (9.8%) | 155 | (10.2%) | 304 | (10.1%) | 141 | (12.4%) | 135 | (11.2%) | 580 | (10.9%) | |
| ISDN access (basic lines equivalents) (thousands) | 1,210 | (1.2%) | 1,224 | 2.9% | 1,224 | 2.8% | 1,250 | 4.2% | 1,288 | 6.2% | 1,288 | 6.2% | 1,305 | 7.8% | 1,318 | 7.7% | 1,318 | 7.7% | 1,329 | 6.3% | 1,327 | 3.0% | 1,327 | 3.0% | |
| Pay TV bundling | 177 | N/M | 208 | N/M | 208 | N/M | 231 | N/M | 258 | 103.1% | 258 | 103.1% | 289 | 63.1% | 309 | 48.6% | 309 | 48.6% | 325 | 40.7% | 335 | 29.9% | 335 | 29.9% | |

Footnotes:

(i) Fiscal 2004/2005 and its comparative year exclude Trading Post, Kaz Group, PShet Group, Telstra Business Systems (formerly Damovo) and Universal Publishers and proceeds from property and investment sales. Fiscal 2003/2004 and its comparative year exclude Trading Post and asset sales.

(ii) All percentages relate to growth on prior corresponding period.

(iii) Mobile Services in Operation (SIOs) are net of deactivated prepaid customers who were outside the recharge only period and reflects recent changes in deactivation policy in Q4 2003/2004.

(iv) Statistical data is represented in millions unless otherwise stated.

(v) Retail basic access lines in service have been restated to exclude between 105,000 and 84,000 incontact services. The current period has an exclusion of 87,000 incontact services.

(vi) Broadband subscriber numbers for 03/04 and 04/05 have been restated to include up to 5000 business subscribers previously overlooked in error.

(vii) SMS numbers have been restated for 02/03, 03/04 and 04/05 to include up to 20 million messages per quarter of business access manager and online sms previously excluded in error.



| | Reported | Reported | Movement | Included | Amount | Excluded | Amount |
|---|---------------|---------------|------------|-----------------------------------|------------|-----------------------------------|------------|
| | previously | New Hierarchy | | | | | |
| | released | Jun-04 | | | | | |
| | Jun-04 | Jun-04 | \$m | | \$m | | \$m |
| Mobile services | 3,455 | 3,470 | 15 | | | | |
| Mobile handsets | 352 | 352 | - | | | | |
| Total Mobiles | 3,807 | 3,822 | 15 | CDMA Wholesale Domestic Resale | 15 | | |
| Internet and IP solutions | 1,010 | 1,013 | 3 | Wholesale Internet and Data Other | 3 | | |
| PSTN products | | | | | | | |
| Basic access | 3,237 | 3,237 | - | | | | |
| Local calls | 1,504 | 1,504 | - | | | | |
| PSTN value added services | 259 | 259 | - | | | | |
| National long distance calls | 1,121 | 1,121 | - | | | | |
| Fixed to mobile | 1,597 | 1,597 | - | | | | |
| International direct | 266 | 266 | - | | | | |
| Total PSTN products | 7,984 | 7,984 | - | | | | |
| Specialised Data | 1,018 | 1,035 | 17 | Wholesale ATM | 17 | | |
| ISDN Products | 927 | 927 | - | | | | |
| Advertising and Directories | 1,351 | 1,341 | (10) | | | Yellow Pages Direct | 10 |
| Inter-carrier services | 1,138 | 1,103 | (35) | | | Wholesale ATM | 17 |
| | | | | | | CDMA Wholesale Domestic Resale | 15 |
| | | | | | | Wholesale Internet and Data Other | 3 |
| Solutions management | 489 | 508 | 19 | eBusiness Solutions | 19 | | |
| Hong Kong CSL | 726 | 726 | - | | | | |
| TelstraClear | 574 | 574 | - | | | | |
| Various controlled entities (excluding HK CSL & TClear) | 194 | - | (194) | | | Offshore services revenue | 131 |
| | | | | | | HFC Cable TV | 44 |
| | | | | | | eBusiness Solutions | 19 |
| Offshore services revenue | - | 131 | 131 | Offshore services revenue | 131 | | |
| Inbound calling products | 476 | 476 | - | | | | |
| Pay TV bundling | - | 154 | 154 | Pay TV Bundling | 154 | | |
| Customer premises equipment | 184 | 184 | - | | | | |
| Payphones | 141 | 141 | - | | | | |
| Other sales & service | 718 | 618 | (100) | HFC Cable TV | 44 | Pay TV Bundling | 154 |
| | | | | Yellow Pages Direct | 10 | | |
| Sales revenue | 20,737 | 20,737 | - | | 393 | | 393 |
| Other revenue | 543 | 543 | (0) | | | | |
| Total revenue | 21,280 | 21,280 | (0) | | 393 | | 393 |