

Telstra Corporation Limited

Half year end results and operations review

Half year ended 31 December 2004

Revenue growth in Mobiles and Broadband leads strong profit performance

Highlights

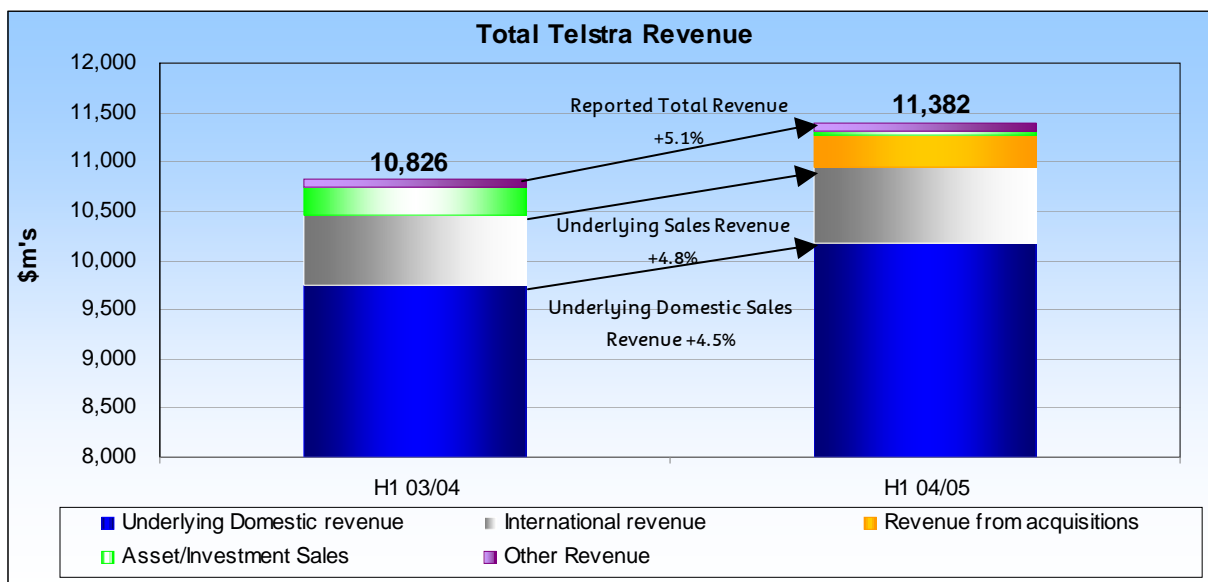
- **Reported total revenue grew by 5.1%**
- **Underlying sales revenue growth of 4.8% with second quarter growth of 5.3%**
- **Underlying domestic sales revenue growth of 4.5%**
- **Underlying earnings per share grew by 11.4%**
- **Free cashflow, excluding acquisitions, grew by 20% or \$356 million**
- **Underlying EBIT margin increased by 0.3% to 33.4%**
- **Mobiles service revenue growth of 9.0% or \$156 million**
- **Internet & IP solutions grew by 33% or \$155 million**
- **Total broadband SIO increased by 142% to 1.2 million**

Financial Highlights

Half Year ended 31 December 2004

Revenue growth in Mobiles and Broadband leads strong performance

- **Reported earnings before interest and tax (EBIT)** grew by 4.7% or \$165 million to \$3.7 billion, comprising an increase in **reported revenues** of 5.1% to \$11.4 billion, offset by an increase in **reported expense** of 5.4% to \$7.7 billion. **Reported profit after tax (PAT)** was \$2.3 billion, an increase of 1.9%.
- **Underlying¹ sales revenue** increased by 4.8% to \$11.0 billion. Growth was led by mobiles, broadband, pay TV bundling, advertising and directories and offshore services revenue, partly offset by a decline in PSTN calling products. **Underlying¹ domestic sales revenue** increased by 4.5% to \$10.2 billion. **Underlying¹ total revenue** (excluding interest) increased by 4.0% to \$11.0 billion and included lower asset sales.
- **Underlying¹ operating expenses** (before depreciation, amortisation & interest) grew by 3.8% or \$202 million to \$5.5 billion, due mainly to an increase in goods and services purchased supporting revenue growth, partly offset by a decrease in other expenses. **Underlying¹ total expenses** (before interest and tax) increased by 3.1% or \$224 million to \$7.4 billion, with underlying depreciation and amortisation growth of 1.2%.
- **Underlying¹ earnings before interest and tax** increased by 5.9% or \$205 million to \$3.7 billion, attributable to sales revenue growth with a corresponding increase in cost of goods and services purchased, offset by a reduction in other expenses.
- **Underlying¹ margins** are close to our objective of sales margin maintenance with an increase in EBIT margin of 0.3% to 33.4% and an underlying EBITDA margin decrease of just 0.2% to 50.1%.
- **Underlying Earnings per share** grew by 11.4% to 18.5 cents.



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 half years ended 31 December 2004 and 2003 underlying results EXCLUDE:

The impact of the acquisitions of Trading Post, Kaz Group, PSINet Group and Damovo, proceeds from and book value of property and investment sales and prior year IBMGSA contract exit costs.

2. Domestic core operating capital expenditure is operating capital expenditure excluding HKCSL & TelstraClear operating capital expenditure.

Telstra Corporation Limited and controlled entities

- **Domestic core operating capital expenditure²** increased by 33% or \$442 million to \$1.8 billion.
- **Operating cashflow less cashflow used in investing activities (free cashflow)** declined by 12% to \$1.6 billion, driven by the acquisitions of Kaz Group, PSINet Group, Damovo and Universal Publisher. Excluding the impact of these acquisitions, free cashflow grew 20%.
- A **fully franked interim ordinary dividend** of 14c per share has been declared and is payable on 29 April 2005. This represents an increase of 8% on the interim ordinary dividend declared in the corresponding period in the prior year.
- A **Capital return** to shareholders comprising an off market share buyback of \$750 million was completed during the half year. A 6c per share fully franked special dividend has been declared as previously indicated and will be paid in conjunction with the ordinary dividend.
- **Customer Service performance** continued at a high level. Telstra achieved its best ever quarterly service performance results in the September ACA report. National service results for the September quarter were 93% for both services connected and services repaired.
- A strong **Statement of financial position** (Balance Sheet) with strong capital settings was maintained.

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Statement of financial performance for the half year ended 31 December 2004

	2004		2003		Half Year Ended 31 December 2004		Reported Change %	Underlying ¹ Change %
	Reported	Underlying ¹	Reported	Underlying ¹	Reported Change \$m	Underlying ¹ Change \$m		
	(in \$ millions)							
Mobiles								
Mobile services	1,896	1,896	1,740	1,740	156	156	9.0	9.0
Mobile handsets	198	198	186	186	12	12	6.5	6.5
Total Mobiles	2,094	2,094	1,926	1,926	168	168	8.7	8.7
Internet and IP solutions								
BigPond narrowband	142	142	144	144	(2)	(2)	(1.4)	(1.4)
BigPond broadband	203	203	122	122	81	81	66.4	66.4
Wholesale broadband	106	106	60	60	46	46	76.7	76.7
Wholesale internet direct	12	12	7	7	5	5	71.4	71.4
Internet direct	61	61	61	61	0	0	0.0	0.0
IP solutions	94	94	71	71	23	23	32.4	32.4
Other	6	6	4	4	2	2	50.0	50.0
Internet and IP solutions	624	624	469	469	155	155	33.0	33.0
PSTN Products								
Basic access	1,700	1,700	1,610	1,610	90	90	5.6	5.6
Local calls	689	689	778	778	(89)	(89)	(11.4)	(11.4)
PSTN value added services	126	126	134	134	(8)	(8)	(6.0)	(6.0)
National long distance calls	527	527	578	578	(51)	(51)	(8.8)	(8.8)
Fixed to mobile	806	806	808	808	(2)	(2)	(0.2)	(0.2)
International direct	124	124	139	139	(15)	(15)	(10.8)	(10.8)
Total PSTN	3,972	3,972	4,047	4,047	(75)	(75)	(1.9)	(1.9)
Specialised Data	495	495	516	516	(21)	(21)	(4.1)	(4.1)
ISDN Products	453	453	473	473	(20)	(20)	(4.2)	(4.2)
Advertising and Directories	890	814	769	769	121	45	15.7	5.9
Intercarrier services	580	580	563	563	17	17	3.0	3.0
Inbound calling products	231	231	238	238	(7)	(7)	(2.9)	(2.9)
Solutions management	463	270	243	243	220	27	90.5	11.1
HK CSL	380	380	377	377	3	3	0.8	0.8
TelstraClear	304	304	282	282	22	22	7.8	7.8
Offshore Services Revenue	119	89	48	48	71	41	147.9	85.4
Pay TV Bundling	121	121	65	65	56	56	86.2	86.2
Customer premises equipment	107	87	92	92	15	(5)	16.3	(5.4)
Payphones	63	63	72	72	(9)	(9)	(12.5)	(12.5)
Other sales & service	379	376	276	276	103	100	37.3	36.2
Sales revenue	11,275	10,953	10,456	10,456	819	497	7.8	4.8
Other revenue	107	81	370	149	(263)	(68)	(71.1)	(45.6)
Total revenue	11,382	11,034	10,826	10,605	556	429	5.1	4.0
Expenses:								
Labour	1,812	1,656	1,635	1,635	177	21	10.8	1.3
Goods and services purchased	2,124	2,033	1,737	1,737	387	296	22.3	17.0
Other expenses	1,909	1,859	2,101	1,944	(192)	(85)	(9.1)	(4.4)
Expenses before equity acc/depn/amort/interest	5,845	5,548	5,473	5,316	372	232	6.8	4.4
Share of net loss from associates and joint venture entities	0	(1)	29	29	(29)	(30)	(100.0)	(103.4)
Total operating expenses before depn/amort/interest	5,845	5,547	5,502	5,345	343	202	6.2	3.8
EBITDA	5,537	5,487	5,324	5,260	213	227	4.0	4.3
EBITDA excl share of net loss from associates & joint venture entities	5,537	5,486	5,353	5,289	184	197	3.4	3.7
Depreciation	1,455	1,448	1,444	1,444	11	4	0.8	0.3
Amortisation (excl goodwill)	323	315	298	298	25	17	8.4	5.7
Goodwill amortisation	72	61	60	60	12	1	20.0	1.7
Total depreciation/amortisation	1,850	1,824	1,802	1,802	48	22	2.7	1.2
Total operating expenses before interest	7,695	7,371	7,304	7,147	391	224	5.4	3.1
EBIT	3,687	3,663	3,522	3,458	165	205	4.7	5.9
EBIT excl share of net loss from associates & joint venture entities	3,687	3,662	3,551	3,487	136	175	3.8	5.0
Net borrowing costs	371	370	355	355	16	15	4.5	4.2
Profit before income tax	3,316	3,293	3,167	3,103	149	190	4.7	6.1
Tax ⁽ⁱ⁾	979	971	874	969	105	2	12.0	0.2
Profit after tax	2,337	2,322	2,293	2,134	44	188	1.9	8.8
Effective tax rate ⁽ⁱⁱ⁾	29.5%	29.5%	27.6%	31.2%			1.9%	(1.7%)
EBITDA margin on sales revenue ⁽ⁱⁱⁱ⁾	49.1%	50.1%	50.9%	50.3%			(1.8%)	(0.2%)
EBIT margin on sales revenue ⁽ⁱⁱⁱ⁾	32.7%	33.4%	33.7%	33.1%			(1.0%)	0.3%
Earnings per share (cents) ⁽ⁱⁱⁱ⁾	18.6	18.5	17.9	16.6	0.7	1.9	3.9%	11.4%

(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) 2004 EPS uses a weighted average of 12,581 million shares following the share Buy Back, 2003 EPS was based on 12,817 million shares.

Product definitions have been reviewed and where necessary in the Half Year Ended 31 Dec 2003, comparative figures have been adjusted to align with changes in presentation in the Half Year Ended 31 Dec 2004. (Refer reconciliation on page 45).

Cash flow summary

For the half year ended 31 December 2004

Cashflow Summary

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			
				%
Receipts from Customers	12,274	11,509	765	6.6
Payments to Suppliers/Employees	(6,430)	(6,605)	175	(2.6)
Net Interest and Finance Charges	(402)	(396)	(6)	1.5
Income Tax Paid	(909)	(1,086)	177	(16.3)
Dividends Received	2	1	1	100.0
GST Remitted to the ATO	(542)	(498)	(44)	8.8
Operating Cash Flow	3,993	2,925	1,068	36.5
Operating Capital Expenditure	(1,881)	(1,411)	(470)	33.3
Less Capitalised Interest	50	37	13	35.1
Operating Capital Expenditure	(1,831)	(1,374)	(457)	33.3
Investment Expenditure	(574)	1	(575)	N/M
Patents, Trademarks and Licences (including 3G spectrum)	-	(2)	2	(100.0)
Capital Expenditure - excluding Capitalised Interest	(2,405)	(1,375)	(1,030)	74.9
Receipts from Asset Sales/Other Proceeds	21	277	(256)	(92.4)
Cash flow used in Investing Activities	(2,384)	(1,098)	(1,286)	117.1
Operating Cash Flow less Cash Flow used in Investing Activities	1,609	1,827	(218)	(11.9)
Movements in Borrowings/Finance Leases	1,271	(23)	1,294	(5626.1)
Purchase of Bank Bills	(64)	-	(64)	N/M
Employee Share Loans (Net)	8	14	(6)	(42.9)
Loan to associated Entity	(6)	-	(6)	N/M
Dividends Paid	(1,642)	(1,544)	(98)	6.3
Share Buy Back	(756)	(1,009)	253	(25.1)
Net Financing Activities	(1,189)	(2,562)	1,373	(53.6)
Net Cash Flow	420	(735)	1,155	(157.1)

Statement of financial position summary

As at 31 December 2004

Statement of Financial Position

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			
				%
Current Assets	6,070	5,128	942	18.4
Intangibles	3,984	3,008	976	32.4
Property, Plant and Equipment	23,324	22,666	658	2.9
Total Non-Current Assets	30,418	28,905	1,513	5.2
Net Debt	11,972	11,636	336	2.9
Total Liabilities	21,234	18,923	2,311	12.2
Gross Debt	13,138	12,196	942	7.7
Net Assets/Shareholders' Equity	15,254	15,110	144	1.0

Statistical data summary

For the half year ended 31 December 2004

Statistical Summary

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change %
Billable traffic data (in millions)				
Local calls (number of calls)	4,412	4,831	(419)	(8.7)
National long distance minutes ⁽ⁱ⁾	3,977	4,343	(366)	(8.4)
Fixed-to-mobile minutes	2,206	2,099	107	5.1
International direct minutes	304	338	(34)	(10.1)
Mobile voice telephone minutes ⁽ⁱⁱ⁾	3,404	3,011	393	13.1
Number of SMS sent	1,104	910	194	21.3
Network and operations data				
Basic access lines in service ⁽ⁱⁱⁱ⁾				
Residential	5.70	5.99	(0.29)	(4.8)
Business	2.51	2.65	(0.14)	(5.3)
Total retail customers	8.21	8.64	(0.43)	(5.0)
Domestic wholesale	1.98	1.71	0.27	15.8
Total basic access lines in services (in millions)	10.19	10.35	(0.16)	(1.5)
ISDN access (basic lines equivalents) (in thousands) ^(iv)	1,318	1,224	94	7.7
Mobile services in operation (SIO) (in thousands) ^(v)				
GSM	6,868	6,139	729	11.9
CDMA	1,115	846	269	31.8
Mobile services in operations	7,983	6,985	998	14.3
Total Wholesale mobile SIO (in thousands)	69	55	14	25.5
Online subscribers (in thousands)				
Narrowband subscribers	1,201	1,178	23	2.0
Broadband subscribers - Retail ^(vi)	617	287	330	115.0
Broadband subscribers - Wholesale (vi)	611	220	391	177.7
Total Broadband subscribers	1,228	507	721	142.2
Total online subscribers	2,429	1,685	744	44.2
Total FOXTEL subscribers	985	862	123	14.3
Employee data				
Domestic full-time staff - reported ^(vii)	39,623	35,324	4,299	12.2
Domestic full-time staff - underlying ^(vii)	36,533	35,324	1,209	3.4
Full-time staff and equivalents - reported ^(viii)	46,178	40,080	6,098	15.2
Full-time staff and equivalents - underlying ^(viii)	42,753	40,080	2,673	6.7

⁽ⁱ⁾ Includes national long distance minutes from our public switched telephone network (PSTN) and independently operated payphones to Australian fixed telephones. 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⁾ Excludes Incontact services (a free service with restrictive calling access) and advanced access services, such as ISDN services

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

^(v) Excludes Hong Kong CSL SIOs and includes the impact of the deactivation policy change to standard re-charge period.

^(vi) Within Broadband, retail products include cable, satellite, ISP, HyperConnect and ADSL, while wholesale products include Flexstream, DSL layer 2 and DSL layer 3S

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

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

Summary of operating results

For the half year ended 31 December 2004

Telstra Corporation Limited reported a profit after tax (PAT) of \$2,337 million for the half year ended 31 December 2004, an increase of \$44 million or 1.9% on the corresponding period in the prior year.

After adjusting to allow like for like comparisons with the half year ended 31 December 2003, as detailed on the normalisation schedule, underlying¹ PAT increased by 8.8% or \$188 million to \$2,322 million, and earnings per share grew by 11.4% to 18.5 cents. Underlying¹ EBIT increased by \$205 million or 5.9% to \$3,663 million, and underlying¹ EBITDA increased by \$227 million or 4.3% to \$5,487 million. Underlying¹ margins are close to our objective of sales margin maintenance with an increase in EBIT margin of 0.3% to 33.4% and an underlying EBITDA margin decrease of just 0.2% to 50.1%.

Revenue

Reported total revenue grew by 5.1% or \$556 million in the current half year, which included revenue of \$322 million generated by recently acquired entities and a decline in revenue from investment and property sales of \$195 million.

Underlying¹ total revenue increased by 4.0% or \$429 million. **Underlying¹ sales revenue** increased by 4.8% or \$497 million, due mainly to growth in mobiles, broadband, pay TV bundling, advertising and directories and offshore services revenue, offset by a decline in PSTN calling products as migration to other products occurs. **Underlying¹ domestic sales revenue** increased by 4.5% or \$437 million to \$10,176 million.

Expenses

The increase in **reported total expenses** (before interest and tax) of 5.4% or \$391 million included expenses incurred by the newly acquired entities of \$307 million and a decline in the cost of property and investments sold of \$10 million. The prior corresponding period included IBMGSA contract exit costs of \$130 million.

Underlying¹ operating expenses (before depreciation, amortisation and interest) rose by 3.8% or \$202 million due to increased goods and services purchased supporting revenue growth, partly offset by cost reduction programs. **Underlying¹ operating expenses** (including depreciation and amortisation but before interest and tax) increased by 3.1% or \$224 million and included depreciation and amortisation growth of 1.2%.

Underlying¹ Net borrowing costs grew by 4.2% or \$15 million, which was attributable to a small increase in net debt following share buy backs, acquisitions and higher levels of capital expenditure.

Reported tax expense increased by 12% or \$105 million with the prior corresponding period including a \$58 million benefit from the adoption of tax consolidation. Underlying¹ tax expense has increased by 0.2% or \$2 million due mainly to the increase in underlying¹ profit before tax of 6.1%, offset by prior year tax expense provision adjustments.

Cash flow

Free cash flow declined by 12% and includes the acquisitions of Kaz Group, PSINet Group, Damovo and Universal Publications in the current period. Excluding these acquisitions, free cashflow growth was 20% due to increased cash profits, reduction in the amount of tax paid and the timing of payments to creditors offset by higher operating capital expenditure and lower receipts from asset and investment sales.

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. The net debt position was \$12.0 billion, an increase of \$336 million or 2.9%, following on from share buyback and acquisitions in the half year.

Dividend

A fully franked interim ordinary dividend of 14c per share has been declared and is payable on 29 April 2005. This represents an increase of 8% on the interim ordinary dividend declared in the corresponding period in the prior year.

Capital Management

A Capital return to shareholders comprising an off market share buyback of \$750 million was completed during the half year. A 6c per share fully franked special dividend has been declared as previously announced and will be paid in conjunction with the ordinary dividend.

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Operating and Financial Review

Results of operation

The following table illustrates reported and underlying¹ results for the half years ended 31 December 2004 and 2003.

Results of operations

	Half Year Ended 31 December 2004					
	2004		2003		Reported Change %	Underlying ¹ Change %
	Reported	Underlying ¹	Reported	Underlying ¹		
	(in \$ millions)					
Sales revenue	11,275	10,953	10,456	10,456	7.8	4.8
Other revenue	107	81	370	149	(71.1)	(45.6)
Total revenue	11,382	11,034	10,826	10,605	5.1	4.0
Expenses before equity acc/depn/amort/interest	5,845	5,548	5,473	5,316	6.8	4.4
Share of net loss from associates and joint venture entities	0	(1)	29	29	(100.0)	(103.4)
Total operating expenses before depn/amort/interest	5,845	5,547	5,502	5,345	6.2	3.8
Total depreciation/amortisation	1,850	1,824	1,802	1,802	2.7	1.2
Total operating expenses before interest	7,695	7,371	7,304	7,147	5.4	3.1
Earnings before interest & tax (EBIT)	3,687	3,663	3,522	3,458	4.7	5.9

Reported earnings before interest and tax (EBIT) grew by 4.7%, however some transactions occurred in the current and previous half years that make like for like comparisons difficult. After excluding these non-comparable items, underlying¹ EBIT increased by 5.9% or \$205 million.

The non-comparable items excluded from the underlying¹ results are reflected on the normalisation schedule on page 42, and consist of:

- Trading Post EBIT of \$22 million, acquired in March 2004;
- Kaz Group EBIT of (\$5) million, acquired in July 2004;
- PSINet Group EBIT of \$2 million, acquired in August 2004;
- Damovo EBIT of (\$4) million, acquired in September 2004;
- EBIT from the sale of property and investments of \$9 million in the current year and \$194 million in the prior year; and
- IBMGSA contract exit costs of \$130 million incurred in prior year.

Operating revenues

The following table includes reported and underlying¹ operating revenues for the half years ended 31 December 2004 and 2003.

Operating revenue by major product and service category

	Half Year Ended 31 December 2004					
	2004		2003		Reported Change %	Underlying ¹ Change %
	Reported	Underlying ¹	Reported	Underlying ¹		
	(in \$ millions)					
Mobiles						
Mobile services	1,896	1,896	1,740	1,740	9.0	9.0
Mobile handsets	198	198	186	186	6.5	6.5
Total Mobiles	2,094	2,094	1,926	1,926	8.7	8.7
Internet & IP Solutions						
BigPond narrowband	142	142	144	144	(1.4)	(1.4)
BigPond broadband	203	203	122	122	66.4	66.4
Wholesale broadband	106	106	60	60	76.7	76.7
Wholesale internet direct	12	12	7	7	71.4	71.4
Internet direct	61	61	61	61	0.0	0.0
IP solutions	94	94	71	71	32.4	32.4
Other	6	6	4	4	50.0	50.0
Total Internet and IP solutions	624	624	469	469	33.0	33.0
PSTN Products						
Basic access	1,700	1,700	1,610	1,610	5.6	5.6
Local calls	689	689	778	778	(11.4)	(11.4)
PSTN value added services	126	126	134	134	(6.0)	(6.0)
National long distance calls	527	527	578	578	(8.8)	(8.8)
Fixed to mobile	806	806	808	808	(0.2)	(0.2)
International direct	124	124	139	139	(10.8)	(10.8)
Total PSTN	3,972	3,972	4,047	4,047	(1.9)	(1.9)
Specialised Data	495	495	516	516	(4.1)	(4.1)
ISDN Products	453	453	473	473	(4.2)	(4.2)
Advertising and Directories	890	814	769	769	15.7	5.9
Intercarrier services	580	580	563	563	3.0	3.0
Inbound calling products	231	231	238	238	(2.9)	(2.9)
Solutions management	463	270	243	243	90.5	11.1
HK CSL	380	380	377	377	0.8	0.8
TelstraClear	304	304	282	282	7.8	7.8
Offshore Services Revenue	119	89	48	48	147.9	85.4
Pay TV Bundling	121	121	65	65	86.2	86.2
Customer premises equipment	107	87	92	92	16.3	(5.4)
Payphones	63	63	72	72	(12.5)	(12.5)
Other sales & service	379	376	276	276	37.3	36.2
Sales revenue	11,275	10,953	10,456	10,456	7.8	4.8
Other revenue	107	81	370	149	(71.1)	(45.6)
Total revenue	11,382	11,034	10,826	10,605	5.1	4.0
Domestic sales revenue		10,176		9,739		4.5

Reported total revenue increased by 5.1% and included proceeds from property and investment sales of \$26 million in the current half year, compared with \$221 million in the prior comparative period and revenue generated from recently acquired entities of \$322 million.

After excluding these items, underlying¹ total revenue increased by 4.0% for the half year.

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

Underlying¹ domestic sales revenue grew by 4.5% in the half year.

Mobiles

Mobiles

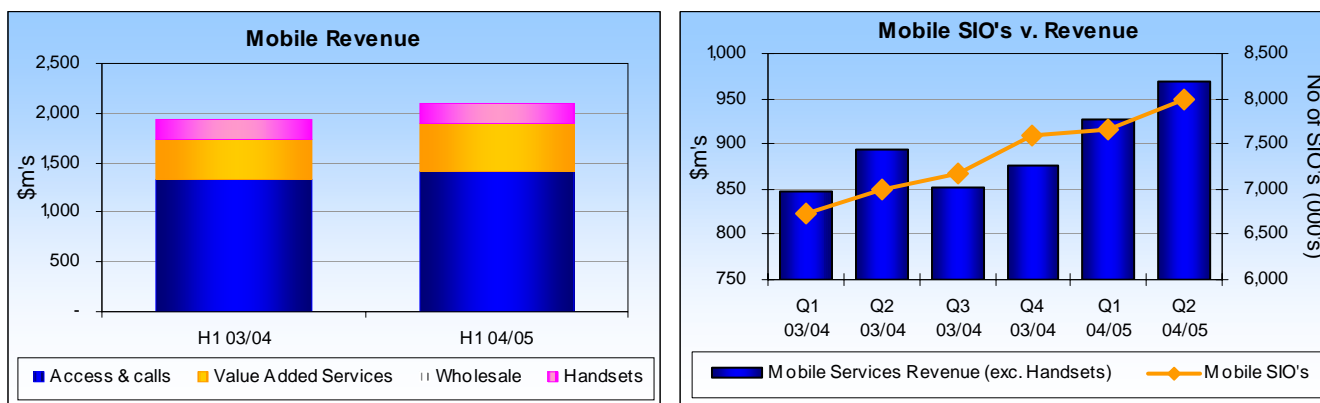
	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions except for statistical data)			%
Access fees and call charges	1,402	1,339	63	4.7
Value added services				
International roaming	119	85	34	40.0
Mobile messagebank	93	90	3	3.3
Mobile data	271	219	52	23.7
Total value added services	483	394	89	22.6
Mobile services revenue - Retail	1,885	1,733	152	8.8
Mobile services revenue - Wholesale	11	7	4	57.1
Total mobile services revenue	1,896	1,740	156	9.0
Mobile handset sales	198	186	12	6.5
Total mobiles goods and services revenue ⁽ⁱ⁾	2,094	1,926	168	8.7
GSM mobile SIO (in thousands)	6,868	6,139	729	11.9
CDMA mobile SIO (in thousands)	1,115	846	269	31.8
Total mobile SIO (in thousands) ⁽ⁱⁱⁱ⁾	7,983	6,985	998	14.3
Prepaid mobile SIO (in thousands)	3,390	2,574	816	31.7
Postpaid mobile SIO (in thousands) ⁽ⁱⁱⁱ⁾	4,593	4,411	182	4.1
Total mobile SIO (in thousands)	7,983	6,985	998	14.3
GSM wholesale mobile SIO (in thousands)	11	2	9	450.0
CDMA wholesale mobile SIO (in thousands)	58	53	5	9.4
Total wholesale mobile SIO (in thousands)	69	55	14	25.5
Number of SMS sent (in millions)	1,104	910	194	21.3
Deactivation rate ⁽ⁱⁱ⁾	9.5%	9.6%	(0.1%)	
Mobile voice telephone minutes (in millions)	3,404	3,011	393	13.1
Average revenue per user per month ⁽ⁱⁱⁱ⁾	40.56	42.63	(2.07)	(4.9)
Average prepaid revenue per user per month ⁽ⁱⁱⁱ⁾	13.00	14.72	(1.72)	(11.7)
Average postpaid revenue per user per month ⁽ⁱⁱⁱ⁾	60.23	58.24	1.99	3.4
Average Mobile data revenue per user per month	5.80	5.39	0.41	7.6

⁽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⁾ Deactivations have been impacted by the "recharge only" period for prepaid services being extended to six months in line with general market position. This change has resulted in the continuation of approximately 202,000 prepaid services in June 2004.

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



Mobile services revenue, including wholesale mobiles, grew by 9.0% or \$156 million. Including growth in mobile handset revenue of 6.5% or \$12 million, total mobiles achieved growth of 8.7% or \$168 million.

An increase in mobile services revenue was attributable to growth in access and calling revenues of \$63 million and value added services of \$89 million.

Access fees and call revenue recorded increases of 4.7%, attributable to the growth in the number of services in operation of 14% to 8 million with the number of calling minutes increasing by 13%, offset by yield reductions reflecting the competitive environment. The increases were generated by:

- growth in prepaid revenues of 18% or \$25 million due to the increase in the service base of 32% and prepaid calling minutes of 35%. Offset by yield reductions due to offers such as 1c per minute, GSM double first recharge, CDMA 12 month double recharge on Telstra prepaid plus;
- growth in postpaid revenues of 3.1% or \$38 million, resulting from the 4.1% increase in the number of postpaid services in operation and an increase in calling minutes of 11%. This growth has been offset by the increase in customer usage of the included call allowance as well as from offers such as Bonus Options, Telstra Rewards, T-Time and Telstra Capped Plans.
- wholesale growth of \$4 million or 57% due to increased resale of CDMA services and minutes of use as well as postpaid GSM services wholesaled.

Value added services increased by 23% or \$89 million, comprising of:

- international roaming revenue growth of 40% due to increased minutes of use following the growth in international travel, particularly at the time of the Olympics and an increase in inbound roaming prices charged to wholesale partners to align Telstra's charging structure with international standards;
- mobile data revenue increases of 24% or \$52 million due to growth in:
 - Short Message Service (SMS) revenue of 16.6% or \$33 million with 1.1 billion messages sent in the six months to December 2004. The 21% increase in the number of messages sent is reflective of the growth in the total subscriber base. Revenue growth was offset by increased discounting initiatives such as Telstra Rewards and Bonus Options;
 - other mobile data growth of 98% or \$19 million due to growth in the General Packet Radio Service (GPRS) product including Telstra Wireless Access Protocols (WAP) and Blackberrys which drove increases in data transmission volumes;
- Messagebank revenue increases of 3.3% or \$3 million attributable to the 8.7% increase in minutes of use, offset by slight reduction in yield due to discounting initiatives.

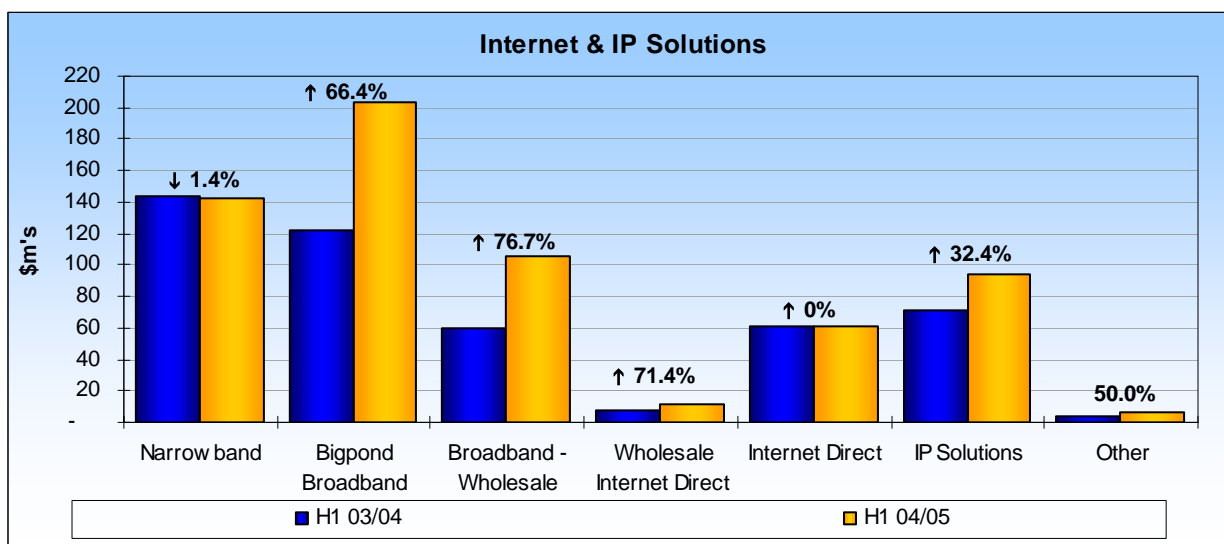
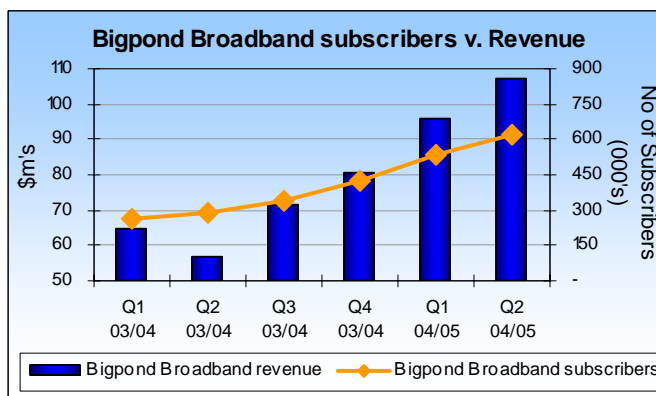
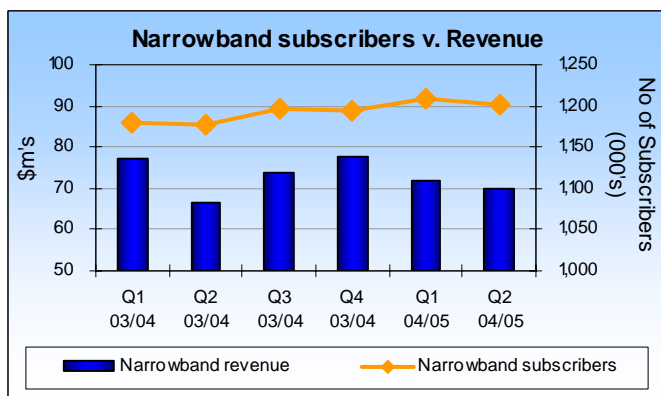
Blended average revenue per user (ARPU) fell by 4.9%, as prepaid services have become a higher proportion of total services in operation. Postpaid ARPU increased by 3.4% due to increases in SMS revenue but prepaid ARPU declined by 12% due to the myriad of discounting initiatives on offer for prepaid customers. Mobile data ARPU continued to grow now representing 14% of retail mobile services revenue.

Mobile handset revenue achieved growth of 6.5% or \$12 million, which was attributable to increased sales of prepaid phones driven by growth in the number of prepaid customers and increased prices on new handset models, which have attractive features such as multi-media messaging (MMS) and I-Mode capability for postpaid customers.

Internet and IP solutions

Internet and IP solutions

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions except for statistical data)			%
Internet & IP solutions revenue				
BigPond narrowband	142	144	(2)	(1.4)
BigPond broadband	203	122	81	66.4
Wholesale broadband	106	60	46	76.7
Wholesale internet direct	12	7	5	71.4
Internet direct	61	61	0	0.0
IP solutions	94	71	23	32.4
Other	6	4	2	50.0
Total Internet & IP solutions revenue	624	469	155	33.0
Broadband subscribers - Wholesale (in thousands)	611	220	391	177.7
Broadband subscribers - Retail (in thousands)	617	287	330	115.0
Total Broadband subscribers (in thousands)	1,228	507	721	142.2
Narrowband subscribers - Retail (in thousands)	1,201	1,178	23	2.0
Total online subscribers (in thousands)	2,429	1,685	744	44.2



Broadband growth of \$127 million leads the Internet and IP solutions revenue growth of 33%:

- BigPond™ broadband growth of \$81 million was driven by subscriber growth of 115% with growth in both ADSL and cable. The accelerated growth of this product is attributable to increased internet usage, self install kits and successful broadband marketing campaigns which included new pricing plans. Business DSL has also contributed to the revenue growth after being launched in August 2003 with recent large contract wins for the newer technology.
- Wholesale broadband growth of \$46 million was driven by Wholesale DSL Layer 2 revenue growth of \$55 million. DSL Layer 2 has seen an increase in SIOs of 252%, however this level of growth has been partially offset by a decline in yields per SIO of 32%. Growth was also seen in wholesale access of \$5 million in line with Wholesale DSL product growth. This is offset by a decline in the Flexstream DSL Layer by \$13 million and ISP Connect \$2 million as ISPs elect to migrate to DSL Layer 2 for providing broadband to their customers and a significant yield decline due to pricing reductions to retain customers on the Telstra network.
- Narrowband revenue declined by 1.4% despite growth in SIOs of 2.0%. High yield users are migrating to Broadband services. Customers remaining with dial-up and new customers, are lower yield customers and there is significant price competition in the market.
- Growth in IP solutions of \$23 million or 32%. IP MAN/Ethernet grew by \$12 million with major contract wins and extension of coverage on existing services in the government sector and IP WAN grew by \$6 million driven by the implementation of large corporate contracts on this product as customers migrate from older product technologies such as frame relay and ISDN.

PSTN products

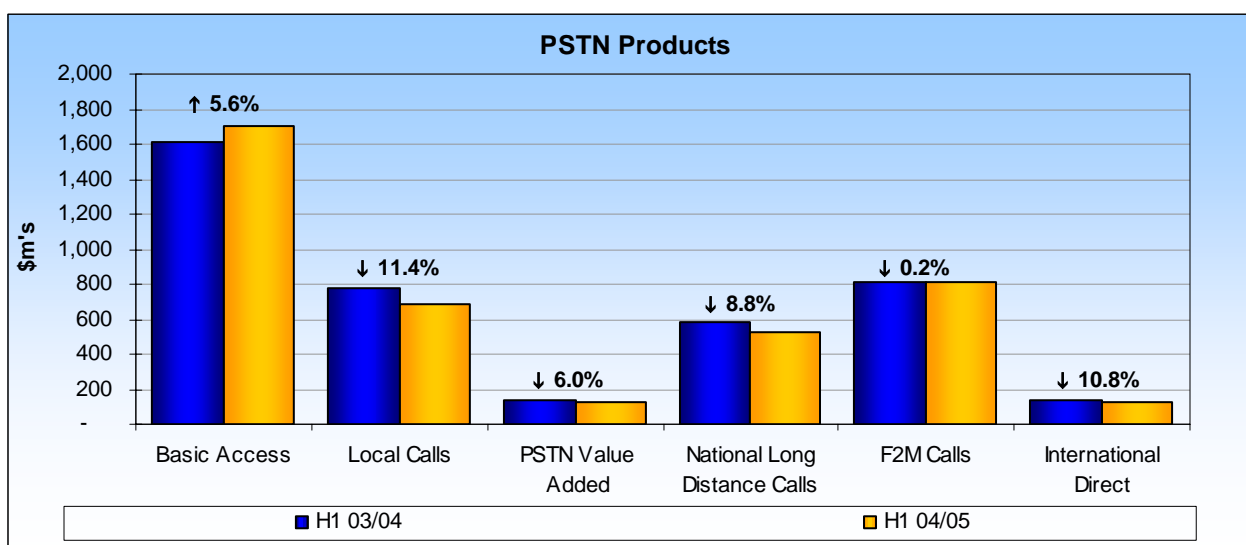
The following tables explain the decrease in total PSTN products revenue of 1.9% or \$75 million.

A price increase in basic access revenue due to the continued impact of rebalancing initiatives has been offset by a decline in basic access lines, and volume reductions across local calls, international direct® and national long distance products. Continued strong growth in fixed to mobile volumes has been offset by competitive pricing pressures, particularly in the business market.

PSTN Products

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions except for statistical data)			%
Basic access revenue				
Retail	1,388	1,361	27	2.0
Domestic wholesale	312	249	63	25.3
Total basic access revenue	1,700	1,610	90	5.6
Local call revenue	689	778	(89)	(11.4)
PSTN value added services revenue	126	134	(8)	(6.0)
National long distance revenue	527	578	(51)	(8.8)
Fixed to mobile revenue	806	808	(2)	(0.2)
International direct revenue	124	139	(15)	(10.8)
Total PSTN revenue	3,972	4,047	(75)	(1.9)
Basic access lines in service (in millions)*				
Residential	5.70	5.99	(0.29)	(4.8)
Business	2.51	2.65	(0.14)	(5.3)
Sub-total	8.21	8.64	(0.43)	(5.0)
Domestic wholesale	1.98	1.71	0.27	15.8
Total access lines in service (in millions)*	10.19	10.35	(0.16)	(1.5)
Number of local calls (in millions)	4,412	4,831	(419)	(8.7)
National long distance minutes (in millions)	3,977	4,343	(366)	(8.4)
Fixed to mobile minutes (in millions)	2,206	2,099	107	5.1
International direct minutes (in millions)	304	338	(34)	(10.1)

* Retail basic access lines in service have been restated to exclude incontact services of 84,000 in the current period and 93,000 in the prior period.



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.

Wholesale revenue growth was due to an increase in the number of access lines as well as price increases.

Local Calls

Local call revenue declined mainly as a result of the 8.7% reduction in the number of calls due to product substitution to mobiles, fixed to mobile, internet and ISDN products. The yield has declined due to competitive price pressures in the business market and package discounts offered in the consumer market. Customer churn to wholesale has also contributed to a lower yield.

PSTN value added services

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. 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.

National long distance calls

The reduction in national long distance revenue was attributable to the 8.4% decline in call minutes due to shorter call durations and product substitution to mobiles, fixed to mobile, internet and ISDN. Yield also declined due to increased usage of capped calling rates and competitive pricing pressures partly offset by flagfall increases.

Fixed to mobile

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 5.1% increase in volumes due to the continued growth in the number of mobile services in the Australian market.

International direct

The International direct® revenue decline was mostly due to the reduction in minutes of 10%. 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

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions except for statistical data)			%
Data revenue				
Frame relay	180	184	(4)	(2.2)
ATM	45	36	9	25.0
Digital data services	115	130	(15)	(11.5)
Leased lines	121	133	(12)	(9.0)
International private lines	14	15	(1)	(6.7)
Other specialised data	20	18	2	11.1
Total data revenue	495	516	(21)	(4.1)
Domestic Frame access ports (in thousands)	32	29	3	10.3
ATM permanent virtual circuits (in thousands)	13	12	1	8.3

Data revenue declined by 4.1% 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 2.2% although SIOs have increased as more customers take up IP WAN for which frame relay is the premium access. The decline in frame revenues was due to excess global fibre capacity driving wholesale bandwidth prices down and increasing regional carrier competition.

ATM revenue growth of 25% was due to the commencement of billing of significant new contracts and increased usage by existing customers, as prices were reduced and an increase in Global ATM from intensified sales activities and successful contracting of new businesses.

DDS revenue declined 12% due to the product being a mature product with customers now migrating to new technologies such as DSL.

Leased lines is a mature product that saw a decline in Austpac dial-up & lease as the product is in the declining stages of its lifecycle and is expected to be exited in the next two years. Prior period Transend revenue of \$8 million was included in leased lines. Other specialised data increased \$2 million due to current period inclusion of Transend revenue. The Transend revenue decline of \$6 million was the result of the loss of two significant contracts.

International private lines revenue decreased marginally due to intense competition and excess capacity in the market driving prices/yields down in the Asian region.

ISDN Products

ISDN Products

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions except for statistical data)			%
ISDN revenue				
Access	210	200	10	5.0
Calls				
Data	88	120	(32)	(26.7)
Voice	155	153	2	1.3
Total calls	243	273	(30)	(11.0)
Total ISDN revenue	453	473	(20)	(4.2)
ISDN access lines (basic access line equivalents) (in thousands)	1,318	1,224	94	7.7

ISDN access revenue has grown by 5.0% due to growth within the SME and consumer market while corporate customers continue to migrate to more technologically advanced data products such as frame relay and ADSL as more exchanges become DSL enabled. Consequently, the number of services has increased by 7.7%.

The 11% reduction to calling revenue includes a 27% drop in data call revenue. ISDN corporate customers have been migrating to products such as DSL and frame relay as well as competitors' offerings on alternative technologies at reduced tariffs.

This was offset by an increase in voice call revenue by 1.3%. This increase was driven by pricing structure change to include a thirty minute block time, rather than per minute charging; increased contracting activity reducing the level of competitor pre-selection and override; and customer consolidation of services and reconfiguration of PABX equipment to allow for outgoing calls to be made on ISDN services. This resulted in a 13% increase in voice minutes.

Advertising and Directories

Advertising and Directories

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Advertising and Directories - Reported	890	769	121	15.7
Less Adjustments	76	0	76	N/M
Advertising and Directories - Underlying	814	769	45	5.9

Reported advertising and directories revenue grew by 16%. After excluding Trading Post, underlying advertising and directories revenue increased by 5.9%.

White Pages revenue increased by 8.3% due to the continued success of additional colour listing options and higher customer yields. Yellow Pages revenue grew by 3.1%, attributable to the introduction of full-page advertising options into additional categories. The majority of metropolitan Yellow Pages revenue is recognised in the December quarter. In addition, other directory products grew by 36%, mainly in the area of online advertising and location and navigation products from additional customers and increased online yields.

Intercarrier services

Intercarrier services

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Intercarrier services revenue	580	563	17	3.0

The increase in intercarrier services revenue was driven by:

- Higher SMS interconnect revenue of 33% or \$9 million, mainly due to a 31% increase in traffic.
- An increase in wholesale long distance and international revenue of 144% or \$8 million due to higher volumes resulting from a special rate offered on carriage to Canada in the first half of 2004/05 and the introduction of a lower yield product pitched at the calling card market.
- Growth in mobiles terminating access revenue of 5.9% or \$13 million due to higher volumes of 12% from increased mobile services, offset by a 5% yield reduction arising from regulatory pricing pressures.

partly offset by:

- A decrease in PSTN/ISDN access products of 11% or \$19 million reflecting a 10% yield reduction arising from price rebalancing initiatives. There was also a slight decline in volumes.

Inbound calling products

Inbound calling products

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions except for statistical data)			%
Inbound calling products revenue	231	238	(7)	(2.9)
B party minutes (in millions)	1,339	1,351	(12)	(0.9)
A party calls (in millions)	477	473	4	0.8

Inbound calling products revenue has declined by \$7 million, driven by a \$4 million reduction in Freecall™ 1800. Intense pricing competition, leading to a 9% yield reduction and a declining customer base has significantly impacted this product. Call minutes were also down 1.9%.

Other Inbound product revenue, including Infocall (190) and Infocall Cascade, decreased \$2 million. A Party revenue was flat reflecting little movement in the number of calls. B Party revenue declined by \$1 million due to competitive market pressures resulting in lower yields and fewer call minutes.

Solutions management

Solutions management

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Solutions management revenue - reported	463	243	220	90.5
<i>Less adjustments</i>				
Kaz Group	188	0	188	N/M
Damovo	5	0	5	N/M
	193	0	193	N/M
Solutions management revenue - underlying	270	243	27	11.1

Reported solutions management revenue increased by 91% and included revenue from Kaz Group and Damovo, acquired by Telstra in July and September 2004 respectively.

Underlying solutions management revenue increased by 11%. Managed services grew by \$13 million due to the commencement of new business contracts and incremental growth in existing contracts, offset by the completion of some contracts and a decline in project work. Managed WAN, offering design, install and management of a tailored wide area network, grew by 52% driven by increased activity in a major corporate contract and commencement of new contracts. Radio Services revenue increased by 17.6% due to the construction of government radio sites.

HongKong CSL

HK CSL

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change %
	(in \$ millions)			
HKCSL revenue	380	377	3	0.8

Hong Kong CSL increased revenues by \$3 million or 0.8%. Increases in international voice, data and prepaid revenues was 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 is unfavourably impacting local voice revenue and average revenue per user despite an increase in market share. In Hong Kong dollars, 7.9% growth was achieved for Hong Kong CSL, offset by unfavourable currency fluctuations of \$26m.

TelstraClear

TelstraClear

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change %
	(in \$ millions)			
TelstraClear revenue	304	282	22	7.8

TelstraClear achieved growth of \$22 million or 7.8% from continued strong retail revenue growth and favourable foreign currency movements. In New Zealand dollars, TelstraClear increased sales revenue by 3.1% attributable to retail growth in the business and government sector. Revenue for the period included property lease revenue, which was previously treated as an expense. This increase has been partially offset by a decrease in wholesale revenue due to rate reductions in the wholesale market with international carriers.

Offshore services revenue

Offshore services revenue

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Total offshore services revenue - reported	119	48	71	147.9
Less adjustments	30	0	30	N/M
Total offshore services revenue - underlying	89	48	41	85.4
Comprising:				
Telstra Europe	64	29	35	120.7
Telstra Inc	17	17	0	0.0
Other CE	8	2	6	300.0
	89	48	41	85.4

Reported offshore services revenue increased by 148% or \$71 million for the half year. This increase included revenue generated by PSINet Group, acquired by Telstra in August 2004, of \$30 million for the half year.

Excluding PSINet Group revenue, underlying offshore services revenue grew by \$41 million or 85% attributable to:

- Growth achieved by Telstra Europe of \$35 million due to the acquisition of customer and network bases from Powergen and Cable Telecom in the UK in October 2003 and February 2004 respectively;
- Other offshore services revenue of \$6 million, which was generated by Telstra Singapore and Telstra Hong Kong in providing international connectivity to multinational corporations. Additional resources have been engaged to generate revenue growth, these companies still being in their infancy stage in the prior corresponding period.

Pay TV Bundling

Pay TV Bundling

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Pay TV Bundling revenue	121	65	56	86.2
FOXTEL Pay TV Bundling subscribers (thousands)	265	204	61	29.9
Austar Pay TV Bundling subscribers (thousands)	44	4	40	N/M
Total Pay TV Bundling subscribers (thousands)	309	208	101	48.6

Pay TV bundling has continued to grow rapidly with the launch of FOXTEL Digital and the free installation/upgrade campaign from October 2004 to December 2004. Revenue increased by \$56 million or 86% in the half year with increases in FOXTEL subscribers on Telstra bundles of 30% and Austar bundles have increased by 40,000 subscribers.

Customer premises equipment

Customer premises equipment

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Customer premises equipment revenue - reported	107	92	15	16.3
Less adjustments - Damovo	20	0	20	N/M
Customer premises equipment revenue - underlying	87	92	(5)	(5.4)

Reported customer premises equipment revenue increased by 16%. After adjusting for PABX equipment sales for Damovo, which was acquired in the current half year, underlying customer premises equipment revenue decreased by 5.4%.

Underlying revenue from customer premises equipment continued to decline due to retail competition for fixed line handsets and product substitution by mobile phones.

Payphones

Payphones

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions except for statistical data)			%
Payphones revenue	63	72	(9)	(12.5)
Payphones (in thousands)	63	66	(3)	(4.5)

Revenue decline in Payphones of 13% was driven by loss of payphone provisioning contracts throughout NSW and QLD with privately operated payphone services down by 6.8%. Telstra Operated payphones decreased by 3.3% reflective of the removal of older technology phones such as coin only payphones and the substitution of payphone usage with mobile phones.

Other Sales & Services

Other sales and services

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change %
	(in \$ millions)			
Total other sales and services revenue - reported	379	276	103	37.3
<i>Less adjustments</i>	3	0	3	N/M
Total other sales and services revenue - underlying	376	276	100	36.2
Total other sales and services				
Telstra information and connection services	68	57	11	19.3
Customnet & spectrum	57	54	3	5.6
Card services	32	36	(4)	(11.1)
Virtual private network	7	11	(4)	(36.4)
Security Products	26	25	1	4.0
HFC Cable	36	21	15	71.4
Conferlink	23	23	0	0.0
Commercial & recoverable works	29	15	14	93.3
External Construction	40	34	6	17.6
Other	58	0	58	N/M
Total other sales and services	376	276	100	36.2

Telstra information and connection services revenue grew by 19% as the result of the launch of Sensis 1234 Call Connect at the end of April 2004.

HFC Cable usage revenue from Foxtel increased due to higher activity associated with increased product demand following the digitalisation of pay TV and other miscellaneous revenue.

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 18% due to increased focus on building and targeting adjacent NDC markets following its integration into Telstra.

Other represents growth in miscellaneous of \$58 million in overdue fees, payment processing fees, which were introduced in July 2004, release of pensioner discount provision no longer required and additional offshore sales. The previous year result included a negative prior period accounting adjustment.

Other Revenue

Other revenue

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Total other revenue - reported	107	370	(263)	(71.1)
<i>Less adjustments</i>	26	221	(195)	(88.2)
Total other revenue - underlying	81	149	(68)	(45.6)
<i>Comprising:</i>				
Sale of plant and equipment	3	56	(53)	(94.6)
USO Levy Receipts	32	33	(1)	(3.0)
Government subsidies	11	22	(11)	(50.0)
Rental/Leases	11	13	(2)	(15.4)
Miscellaneous revenue	24	25	(1)	(4.0)
	81	149	(68)	(45.6)
<i>Where adjustments comprise:</i>				
Revenue from sale of:				
Listed securities and other corporations	7	24	(17)	(70.8)
Associates	0	155	(155)	(100.0)
Land and Buildings	19	42	(23)	(54.8)
Total adjustments	26	221	(195)	(88.2)

Reported other revenue decreased by \$263 million, mainly due to a \$195 million decline in sales of land, building and investments, including the sale of IBMGSA for \$153 million in the prior corresponding period.

Excluding sales for land, buildings and investments, underlying other revenue decreased by \$68 million mainly due to the sale of midrange servers in the prior year and reductions in government subsidies due to the inclusion of revenue in the prior year for Besley, Networking the Nation, the Internet Assistance Program and the Government Island Watch. The reduction was offset by revenue received for provision of higher bandwidth services to regional, rural and remote areas at prices comparable to metro (HiBIS).

Operating expenses

Operating expenses

	Half Year Ended 31 December 2004					
	2004		2003		Reported Change %	Underlying ¹ Change %
	Reported	Underlying ¹	Reported	Underlying ¹		
Expenses						
Labour	1,812	1,656	1,635	1,635	10.8	1.3
Goods and services purchased	2,124	2,033	1,737	1,737	22.3	17.0
Other expenses	1,909	1,859	2,101	1,944	(9.1)	(4.4)
Expenses before equity acc/depn/amort/interest	5,845	5,548	5,473	5,316	6.8	4.4
Share of net loss from associates and joint venture entities	0	(1)	29	29	(100.0)	(103.4)
Total operating expenses before depn/amort/interest	5,845	5,547	5,502	5,345	6.2	3.8
Total depreciation/amortisation	1,850	1,824	1,802	1,802	2.7	1.2
Total operating expenses before interest	7,695	7,371	7,304	7,147	5.4	3.1

Reported operating expenses increased by 5.4%. Operating expenses in the half year ended 31 December 2004 included expenses incurred by newly acquired entities of \$307 million and costs of property and investments sold of \$17 million. The prior half-year included IBMGSA contract exit costs of \$130 million and costs of property and investments sold of \$27 million.

After excluding these items, the half year operating expenses increased by 3.1%. Excluding depreciation and amortisation, operating expenses grew by 3.8%.

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 \$96 million and lower redundancy costs.

Labour expense

Labour expense	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions except for statistical data)			%
Total labour expense - reported	1,812	1,635	177	10.8
Less adjustments	156	0	156	N/M
Labour expense - underlying	1,656	1,635	21	1.3
Full time staff & equivalents - reported ⁽ⁱ⁾	46,178	40,080	6,098	15.2
Less adjustments	3,425	0	3,425	N/M
Full time staff & equivalents - underlying ⁽ⁱ⁾	42,753	40,080	2,673	6.7

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

Reported labour expenses increased by 11% mainly due to the acquisition of new entities, including Trading Post and Kaz. After excluding acquisitions underlying labour expenses increased by 1.3%. This was mainly due to:

- Salary increases of \$59 million or 4.0% due to enterprise agreements and annual reviews;
- Underlying full time staff and equivalent increase of 6.7%, 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;
- Increases in the use of overtime, contract and agency payments to improve front of house service and meet increased field volumes across broadband, pay TV and PSTN;
- A change in the NDC capitalised overhead process, direct allocation of labour to capitalised overhead;
- A change in accounting treatment of NDC labour from commercial project payments to labour expense following the integration on 1st September 2003.

These increases were partially offset by:

- A decrease in redundancy expense of \$94 million;
- A higher number of staff working on capital projects.

An actuarial review 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 are not expected to be required to contribute to Telstra Super during 2004-05. The continuation of the contribution 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.

Goods and services purchased

Goods and services purchased

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			
				%
Total goods and services purchased - reported	2,124	1,737	387	22.3
Less adjustments	91	0	91	N/M
Total goods and services purchased - underlying	2,033	1,737	296	17.0
<i>Comprising:</i>				
Goods and services purchased - underlying				
Cost of goods sold	348	288	60	20.8
Usage commissions	136	133	3	2.3
Handset subsidies	177	125	52	41.6
Network payments	960	871	89	10.2
Commercial Project Payments	27	40	(13)	(32.5)
Service Fees	126	66	60	90.9
Managed Services	92	73	19	26.0
Other	167	141	26	18.4
	2,033	1,737	296	17.0

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 \$47 million recorded against "Other Operating Expenses" have been restated.

Reported goods and services purchased increased by 22%. After adjusting for cost of goods sold for Trading Post, Kaz Group, Damovo and PSINet Group in the current year, underlying goods and services purchased increased by 17% or \$296 million. The increase was the result of:

- Cost of goods sold (COGS) increased by \$60 million or 21 % due to:
 - 20% growth in the number of handsets sold;
 - Reclassification of subsidising of prepaid handsets from handset subsidies due to an accounting treatment change;
 - Growth in ADSL demand
 - Commencement of the 2-way satellite service for the HiBis scheme.

Hong Kong CSL increased COGS expenditure in line with increased handset volumes sold and revenue, but was partially offset by a favourable exchange rate movement.

- Increased handset subsidies expenditure was the result of the impact of increased levels of subsidy amortisation following a full year in 03/04 of subsidies available in the market place. The increase was also contributed to by increased handset sales in Hong Kong CSL reflecting a 26% volume growth. This growth was partly offset by the reclassification of prepaid handset subsidies to COGS due to a change in accounting treatment.
- Network payments grew by 10% due to increases in international network payments of \$52 million and domestic network payments \$37 million.
 - International network payments growth was due to increased international roaming services, with volumes up 23%; \$18 million due to a full six months period of incurring international network payments for Powergen and Cable Telecom which were acquired by Telstra Europe in Oct 2003 and Feb 2004 respectively; an increase in TelstraClear due to an increase in retail revenue and unfavourable exchange movements; and a \$9 million increase in Reach payments due largely to unfavourable foreign exchange impacts.
 - Domestic network payments growth was the result of higher volumes of mobile and SMS traffic terminating on other networks.

Telstra Corporation Limited and controlled entities

- Service Fees increased by \$60 million:
 - To meet the increased bundling of pay TV services \$58 million; and
 - Additional purchases of DVDs to increase rental levels related to BigPond Movie business \$2 million.
- Managed services increased by \$19 million due to increased third party costs associated with managing and expanding the larger contracts.
- Other goods and services rose by 18% due to an increase in amortisation of previously deferred dealer incentive payments.

The decrease in Commercial project payments of \$13 million was due to an accounting treatment change for NDC external project work as a result of their integration into Telstra in September 2003. The decline was due to costs incurred prior to the integration, which are now allocated against individual expense line items.

Other expenses

Other expenses

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			
				%
Total other expenses - reported	1,909	2,101	-192	(9.1)
Less adjustments	50	157	-107	(68.2)
Total other expenses - underlying	1,859	1,944	-85	(4.4)
Comprising:				
Rental expense on operating leases	274	265	9	3.4
Bad debts/recovery costs/doubtful debts	71	95	-24	(25.3)
Inventory Writedowns	5	1	4	400.0
Net foreign currency conversion losses/(gains)	(13)	4	-17	(425.0)
Audit fees	4	3	1	33.3
Service contracts and other agreements	775	724	51	7.0
Marketing	158	172	-14	(8.1)
General administration	397	398	-1	(0.3)
Other operating expense	183	222	-39	(17.6)
Cost of Property plant & Equipment (exc. Land & Buildings)	5	60	-55	(91.7)
Total other expenses - underlying	1,859	1,944	-85	(4.4)
Where adjustments comprise:				
Net book value of assets sold:				
Cost of Land & Buildings	13	6	7	116.7
Investments in associated entities	0	5	-5	(100.0)
Investments in listed entities and other corporations	4	16	-12	(75.0)
	17	27	-10	(37.0)
Acquisitions	33	0	33	N/M
Other adjustments (IBMGSA Exit Costs)	0	130	-130	(100.0)
Total Adjustment	50	157	-107	(68.2)

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 \$47 million recorded against "Other Operating Expenses" have been restated.

The reported other expenses decreased by 9.1% and included a decline in the book value of property and investment sales and a prior year one-off payment made to exit the IBMGSA IT services contract, offset by an increase in other expenses incurred by recently acquired entities with no prior period comparatives.

After excluding these items, underlying¹ other expenses decreased by 4.4% with:

- A decline in the book value of plant and equipment sales due to the prior year sale and leaseback of IT servers and a decline in the number of units, and average book value per unit, of other plant and equipment sold.
- 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
 - Higher motor vehicle costs due to fuel price rises, increased excess kilometres travelled and higher repairs and maintenance costs.
- A decrease in bad and doubtful debts due to proceeds from the sale of debt in the half year ended 31 December 2004 and lower provisions and write offs. There was no sale of debt in the prior year.

Telstra Corporation Limited and controlled entities

- Currency gains in the current period due to exchange rate fluctuations on a restructured loan; and
- Reduced marketing costs due to focussed and well-managed campaigns resulting in fewer initiatives and sponsorships.

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;
 - A change in the NDC capitalised overhead process, from direct allocation against service contracts to capitalised overhead; and
 - Increased proactive network maintenance; offset by
 - Reduced IT services costs resulting from renegotiation of contracts; and
- Increased rental expenses on operating leases mainly due to a reduction in property provisions and a reclassification of property rental income to revenue.

Share of net loss from associates and joint venture entities

Share of net loss from associates and joint venture entities

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change %
	(in \$ millions)			
Share of net loss from associates and joint venture entities - reported	0	29	(29)	(100.0)
Less adjustments	1	0	1	N/M
Share of net loss from associates and joint venture entities - underlying	(1)	29	(30)	(103.4)

Share of equity accounted losses has decreased as a result of the suspension of equity accounting for Foxtel, with \$30 million of equity losses incurred in the 6 months to 31 December 2003.

The adjustment in net equity accounted losses of \$1 million is for the losses on joint ventures acquired as part of the Kaz acquisition.

Depreciation and Amortisation

Depreciation and amortisation

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change %
	(in \$ millions)			
Total depreciation and amortisation - reported	1,850	1,802	48	2.7
Less adjustments	26	0	26	N/M
Total depreciation and amortisation - underlying	1,824	1,802	22	1.2
<i>Comprising:</i>				
Depreciation	1,448	1,444	4	0.3
Amortisation (excl goodwill)	315	298	17	5.7
Goodwill amortisation	61	60	1	1.7
	1,824	1,802	22	1.2

Reported depreciation and amortisation increased by 2.7%. Excluding depreciation and amortisation on Trading Post, Kaz Group, PSINet Group and Damovo, depreciation and amortisation increased by 1.2%, which was attributable to communications plant and software asset additions of \$1.5 billion, consistent with the level of capital expenditure over recent years. This was offset by a decrease in depreciation on communications plant following service life changes (\$31 million), reduction of other plant and equipment assets (\$7 million), and the retirement of vehicles (\$2 million), which are now on lease agreements.

International

Hong Kong CSL financial summary

Hong Kong CSL Financial Summary

	Half Year Ended 31 December 2004			
	2004	2003	2004	2003
	(in A\$ millions)		(in HK\$ millions)	
Total revenue	380	377	2,173	2,014
Total opex	271	253	1,555	1,356
EBITDA	109	124	618	658
EBIT	-3	8	203	248
CAPEX	59	27	342	150
EBITDA margin	28.7%	32.9%	28.4%	32.7%

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

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

Total revenue increased by HK\$159 million or 7.9%. This was driven by strong growth in mobile handset sales due to the introduction of new handset models with advanced features and addressing new market segments, along with strong growth in international voice, prepaid and data revenue through MMS handsets and innovative content and applications. This was partially offset by declining local voice revenue as a result of continuing aggressive price competition.

The increase in total revenue was offset by increases in direct cost of sales, leading to an increase in total opex of 15%. The direct cost of sales increased mainly due to higher handset costs including subsidies and commissions and disbursement charges eg interconnect, whilst CSL network costs declined.

The smaller growth rate in A\$ compared with HK\$ is as a result of the depreciating HK\$ against A\$.

In December 2004 CSL announced the launch of its 3G services, which will offer customers high-speed data access across a wide range of mobile multimedia services. Complementing CSL's solution for wireless broadband connectivity, the company also launched its Wi-Fi service.

CSL remains focused on opportunities in China and is undertaking a number of commercial consultancy engagements with Chinese operators on many aspects of engineering, product development, services, marketing and retail sales.

REACH financial summary

REACH Financial Summary

	Half Year Ended 31 December 2004	
	2004	2003
(In US\$ millions)		
Total revenue	399	450
EBITDA	45	54
EBIT	18	(74)
Net Profit	(8)	(113)

Amounts presented in US\$ have been prepared in accordance with USGAAP.

REACH continues to operate in a difficult environment and the industry is expected to remain challenging for some time. Prices for international voice and data carriage have been falling and the growth in usage has not been sufficient to compensate for the loss in revenue caused by the price reductions.

Earning before interest and tax (EBIT) has improved to \$18m due to lower depreciation following the write down of assets in the prior year.

To achieve the best results possible in the current market conditions REACH is continuing to focus on core business and cost containment. In addition to this a suite of new IT systems platforms have been progressively introduced to enhance operational performance and customer satisfaction.

As a result of continuing depressed prices for international data services, shareholders have determined that REACH should focus on meeting shareholder demand and withdraw from third party data sales. The shareholders have decided to reserve their position on re-entering the market for third party sales, should market conditions improve in the future.

Telstra and PCCW will continue to review structural options aimed at improving the overall operational performance of the REACH business, with a strong focus on earnings growth.

TelstraClear financial summary

TelstraClear Financial Summary

	Half Year Ended 31 December 2004			
	2004 (in A\$ millions)	2003	2004 (in NZ\$ millions)	2003
Total revenue	306	283	331	321
Total opex	253	226	274	256
EBITDA	53	57	57	65
EBIT	(18)	(17)	(19)	(18)
CAPEX	48	52	51	59
EBITDA margin	17.3%	20.1%	17.2%	20.2%

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 NZ\$10 million or 3.1% has been achieved. On a stand-alone basis, including intercompany revenue, TelstraClear revenue increased by 4.1%. Revenue growth was achieved from continued strong retail revenue growth, particularly in the business and government sector. Included in this is a change in treatment of property lease revenue, which was previously included in expenses. This was partially offset by a decrease in wholesale due to rate reductions in the wholesale market with international carriers.

In Australian dollars revenue increased by 8.1% to \$306 million, which includes the positive impact of a more favourable exchange rate.

Net borrowing costs

Net borrowing costs

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Gross borrowing costs - Reported	454	419	35	8.4
less capitalised interest	(48)	(37)	(11)	29.7
Borrowing costs - Reported	406	382	24	6.3
Interest received/receivable	35	27	8	29.6
Net borrowing costs - Reported	371	355	16	4.5
<i>less adjustment - PSINet Group</i>	1	0	1	N/M
Net borrowing costs - Underlying	370	355	15	4.2

Net borrowing costs excluding PSINet Group costs increased by \$15 million or 4.2%.

The increase in reported gross borrowing costs of 8.4% is attributable to increased average borrowings following share buy backs, investment acquisitions and the increased levels of capital expenditure for the first half of the current year. Included is the impact of lower interest rates on the new and refinanced long-term debt.

The growth in borrowing costs is offset by an increase in capitalised interest of \$11 million, attributable to higher work in progress associated with higher capital expenditure and the 30% increase in interest receivable due to the increased holdings of short term liquid assets.

Income tax expense

Income Tax Expense

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Income Tax Expense - Reported	979	874	105	12.0
Add adjustments				
Trading Post	(9)	0	(9)	N/M
Damovo	1	0	1	N/M
Tax consolidation benefit	0	58	(58)	(100.0)
Asset / Investment Sales	0	37	(37)	(100.0)
	<u>(8)</u>	<u>95</u>	<u>(103)</u>	<u>(108.4)</u>
Income Tax Expense - underlying	<u>971</u>	<u>969</u>	<u>2</u>	<u>0.2</u>

Reported income tax expense increased by 12% or \$105 million due to :

- \$58 million benefit arising from the adoption of the tax consolidation legislation in the prior year;
- \$37 million tax effect on the IBMGSA contract exit costs in the prior year; and
- income tax expense of Trading Post, Kaz Group, PSINet Group and Damovo;

Excluding these adjustments, income tax expense increased by 0.2% or \$2 million. The increase in income tax expense associated with a higher underlying profit before tax has been more than offset by:

- reductions of \$30 million due to tax refunds and provision adjustments related to an overprovision of tax expense in June 2004 and an under provision of tax expense in June 2003;
- income tax benefit of \$26 million associated with the reassessment of the deferred tax balances.

Cash flow

Cash flow data

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Net cash provided by operating activities	3,993	2,925	1,068	36.5
Net cash used in investing activities	(2,384)	(1,098)	(1,286)	117.1
Operating Cash Flow less Cash Flow used in Investing Activities	1,609	1,827	(218)	(11.9)
Net cash used in financing activities	(1,189)	(2,562)	1,373	(53.6)
Net increase/(decrease) in cash	420	(735)	1,155	(157.1)
Operating Cash Flow less Cash Flow used in Investing Activities	1,609	1,827	(218)	(11.9)
Less Adjustment: Large one off acquisition and asset or investment sales	(574)	0	(574)	N/M
Operating Cash Flow less Cash Flow used in Investing Activities (excl Large one off acquisition and asset or investment sales)	2,183	1,827	356	19.5

Operating cash flow less cash flow used in investing activities (free cashflow) declined by 12% for the six months ended 31 December 2004. Included were acquisitions of Kaz Group, PSINet Group, Damovo and Universal Publisher totalling \$574 million. After removing the impact of the investment acquisitions, free cashflow growth was 20% or \$356 million.

Operating cashflow of \$3,993 million increased by 37% or \$1,068 million due to higher cash profits, timing of creditor payments resulting in higher creditor balances at the half-year and reductions in the amount of tax paid resulting from a significantly lower final PAYG settlement attributable to 2003/2004 financial year.

Cash used in investing activities increased by \$1,286 million due to increased operating capital expenditure of \$457 million, acquisitions of \$574 million and lower receipts from asset and investment sales of \$256 million.

Net cash used in financing activities decreased due to new borrowings, including the EUR500 million-bond issue (\$A850 million), lower repayments of \$581 million due to the timing of maturing bonds and a smaller share buy back of \$252 million, offset by higher dividend payments to shareholders of \$98 million.

Net cash used in investing activities

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Switching	192	137	55	40.1
Transmission	174	199	(25)	(12.6)
Customer access	478	453	25	5.5
Mobile telecommunications networks	245	143	102	71.3
International assets	107	80	27	33.8
Capitalised software ⁽ⁱⁱ⁾	294	182	112	61.5
Other	391	217	174	80.2
Operating capital expenditure	1,881	1,411	470	33.3
Capitalised interest included in above	(50)	(37)	(13)	(35.1)
Capital expenditure excluding capitalised interest	1,831	1,374	457	33.3
Add: patents, trademarks and licences (including 3G spectrum)	-	2	(2)	(100.0)
Add: investments	574	(1)	575	N/M
Capitalised expenditure (excl. int.) and investments	2,405	1,375	1,030	74.9
Sale of capital equipment, investments and other	(21)	(277)	256	92.4
Net cash used in investing activities	2,384	1,098	1,286	117.1
Operating Capital expenditures	1,881	1,411	470	33.3
Less: offshore operating capital expenditure	107	79	28	35.4
Domestic core operating expenditure⁽ⁱ⁾	1,774	1,332	442	33.2

(i) Domestic core operating capital expenditure is operating capital expenditure including capitalised interest and excludes HKCSL & TelstraClear operating. Previous disclosure of domestic capex excluded capitalised interest. capital expenditure.

(ii) Capitalised software for 2003 includes capitalised interest of \$8 million which was previously classified in other.

Operating capital expenditure for the half year ended 31 December 2004 increased by 33% or \$470 million. Domestic core operating expenditure increased by 33% or \$442 million. The key areas of movement on capital expenditure for the period include:

- Increases in the software development program due to the purchase of the long term Microsoft desktop and SAP licenses, and other specialised IT programs such as the customer relationship management project;
- Increases in other communications plant due to broadband and the 3G wireless data services solution development of network management software and Infranet billing and activation systems. The impact of capital expenditure on the 3G wireless data services solution represents \$35m of the \$74 million total 3G capital expenditure. In addition, capital expenditure on land and buildings including the legal and compliance program has increased due to an earlier rollout schedule whereas in the previous year rollout had been later in the year;
- Higher domestic switching expenditure due to higher demand for specialised services as well as the impacts of continuing broadband rollout. Major customer contracts have been won in both the government and private enterprise sectors, which have contributed to the higher demand for specialised services such as Wideband Internet Protocol (IP) and Switched Data Network.
- Increased expenditure in the Mobiles technologies is driven by the improvements in depth of coverage in the GSM and CDMA mobile networks. Mobiles technology has also increased due to the Third Generation (3G) programs of work. With the asset sharing arrangement with Hutchinson 3G Australia Pty Ltd, we acquired a 50% interest in the 3G assets of \$450 million, payable over 2 calendar years. Property plant and equipment increased by \$428 million, which represents the present value of the purchase price. To date we have paid \$22 million and recognised a deferred liability of \$406 million. We also capitalised \$12m in costs associated with the transaction. On a cash basis, total 3G capital expenditure including this acquisition, expenditure required to enable the network and development of a 3G wireless data services solution, was \$74 million;

- Increased expenditure on the customer access network was largely due to the significant increase in broadband demand for the first half of 2005 which saw 400,000 customers connected as compared with 150,000 customer connections for previous corresponding period. The increase in broadband demand has impacted the increases in the other technologies;

Partially offset by:

- Expenditure on developing the transmission assets reduced due to the prior year acquisition of the IP1 transmission system of \$44 million. This reduction was offset by increases in the traditional transmission program resulting from the increased demand for specialised services due to the winning of a major government and private enterprise contracts and increased broadband demand.

Investment capital expenditure for the period ending 31 December 2004 of \$574 million includes the acquisitions of Kaz Group \$342 million, PSINet Group \$113 million, Damovo \$66 million, Universal Publications \$46 million, Sytec \$11 million and other joint ventures and shares in listed securities of \$7 million offset by cash balances acquired of \$12 million.

Telstra Corporation Limited (ABN 033 051 775 556)

Normalisation Schedule
Half Year Ended 31 December 2004

This schedule details the adjustments made to the reported results for the half years 31 December 2004 and 2003 to arrive at the underlying business performance.

\$m	December 04/05 Reported	Asset / Investment Sales						December 04/05 Underlying	December 03/04 Reported	Asset / Investment Sales			December 03/04 Underlying	Reported Growth %	Underlying Growth %	Underlying M/ment
		Trading Post	KAZ	PSINet	Damovo	Total Adjust.	Tax consolidation benefit			Total Adjust.						
Fixed to mobile																
Mobiles																
Mobile services	1,896						0	1,896	1,740		0	1,740	9.0%	9.0%	156	
Mobile handsets	198						0	198	186		0	186	6.5%	6.5%	12	
Total Mobiles	2,094						0	2,094	1,926		0	1,926	8.7%	8.7%	168	
Internet and IP solutions	624						0	624	469		0	469	33.0%	33.0%	155	
PSTN Products																
Basic access	1,700						0	1,700	1,610		0	1,610	5.6%	5.6%	90	
Local calls	689						0	689	778		0	778	(11.4%)	(11.4%)	(89)	
PSTN value added services	126						0	126	134		0	134	(6.0%)	(6.0%)	(8)	
National long distance calls	527						0	527	578		0	578	(8.8%)	(8.8%)	(51)	
Fixed to mobile	806						0	806	808		0	808	(0.2%)	(0.2%)	(2)	
International direct	124						0	124	139		0	139	(10.8%)	(10.8%)	(15)	
Total PSTN	3,972						0	3,972	4,047		0	4,047	(1.9%)	(1.9%)	(75)	
Specialised Data	495						0	495	516		0	516	(4.1%)	(4.1%)	(21)	
ISDN Products	453						0	453	473		0	473	(4.2%)	(4.2%)	(20)	
Advertising and Directories	890		(76)			(76)	814	769	769		0	769	15.7%	5.9%	45	
Inter-carrier services	580						580	563	563		0	563	3.0%	3.0%	17	
Inbound calling products	231						231	238	238		0	238	(2.9%)	(2.9%)	(7)	
Solutions management ⁽ⁱ⁾	463			(188)		(193)	270	243	243		0	243	90.5%	11.1%	27	
HK CSL	380						380	377	377		0	377	0.8%	0.8%	3	
Telstra Clear	304						304	282	282		0	282	7.8%	7.8%	22	
Offshore Services Revenue ⁽ⁱⁱ⁾	119				(30)	(30)	89	48	48		0	48	147.9%	85.4%	41	
PayTV	121						121	65	65		0	65	86.2%	86.2%	56	
Customer premises equipment	107					(20)	87	92	92		0	92	16.3%	(5.4%)	(5)	
Payphones	63						63	72	72		0	72	(12.5%)	(12.5%)	(9)	
Other sales & service	379			(3)	0	0	376	276	276		0	276	37.3%	36.2%	100	
Sales revenue	11,275	0	(76)	(191)	(30)	(25)	(322)	10,953	10,456	0	0	10,456	7.8%	4.8%	497	
Other revenue	107	(26)	0	0	0	0	(26)	81	370	(221)	(221)	149	(71.1%)	(45.6%)	(68)	
Total revenue	11,382	(26)	(76)	(191)	(30)	(25)	(348)	11,034	10,826	0	(221)	(221)	10,605	5.1%	4.0%	429
Expenses																
Labour	1,812		(22)	(114)	(7)	(13)	(156)	1,656	1,635		0	1,635	10.8%	1.3%	21	
Goods and services purchased⁽ⁱⁱⁱ⁾	2,124		(16)	(51)	(14)	(10)	(91)	2,033	1,737		0	1,737	22.3%	17.0%	296	
Other expenses^(iv)	1,909	(17)	(10)	(16)	(4)	(3)	(50)	1,859	2,101	(157)	(157)	1,944	(9.1%)	(4.4%)	(85)	
Expenses before equity acc/depn/amort/interest	5,845	(17)	(48)	(181)	(25)	(26)	(297)	5,548	5,473	0	(157)	(157)	5,316	6.8%	4.4%	232
Share of net profit from associates and joint venture entities	0		0	(1)	0	0	(1)	(1)	29		0	29	(100.0%)	(103.4%)	(30)	
Total operating expenses before depn/amort/interest	5,845	(17)	(48)	(182)	(25)	(26)	(298)	5,547	5,502	0	(157)	(157)	5,345	6.2%	3.8%	202
EBITDA	5,537	(9)	(28)	(9)	(5)	1	(50)	5,487	5,324	0	(64)	(64)	5,260	4.0%	4.3%	227
EBITDA excl share of net loss from associates & joint ventures entities	5,537	(9)	(28)	(10)	(5)	1	(51)	5,486	5,353	0	(64)	(64)	5,289	3.4%	3.7%	197
Depreciation	1,455		(1)	(4)	(1)	(1)	(7)	1,448	1,444		(0)	1,444	0.8%	0.3%	4	
Amortisation (excl goodwill)	323		0	(5)	(1)	(2)	(8)	315	298		0	298	8.4%	5.7%	17	
Goodwill amortisation	72		(5)	(5)	(1)	0	(11)	61	60		0	60	20.0%	1.7%	1	
Total depreciation/amortisation	1,850	0	(6)	(14)	(3)	(3)	(26)	1,824	1,802	0	0	(0)	1,802	2.7%	1.2%	22
Total operating expenses before interest	7,695	(17)	(54)	(196)	(28)	(29)	(324)	7,371	7,304	0	(157)	(157)	7,147	5.4%	3.1%	224
EBIT	3,687	(9)	(22)	5	(2)	4	(24)	3,663	3,522	0	(64)	(64)	3,458	4.7%	5.9%	205
EBIT excl share of net loss from associates & joint venture entities	3,687	(9)	(22)	4	(2)	4	(25)	3,662	3,551	0	(64)	(64)	3,487	3.8%	5.0%	175
Net borrowing cost (*)	371		0	0	(1)	0	(1)	370	355		0	355	4.5%	4.2%	15	
Profit before income tax	3,316	(9)	(22)	5	(1)	4	(23)	3,293	3,167	0	(64)	(64)	3,103	4.7%	6.1%	190
Tax (excl. unusuals effect) (*)	979		(9)	0	0	1	(8)	971	874	58	37	95	969	12.0%	0.2%	2
Profit after tax	2,337	(9)	(13)	5	(1)	3	(15)	2,322	2,293	(58)	(101)	(159)	2,134	1.9%	8.8%	188
Effective tax rate	29.5%							29.5%	27.6%				31.2%	1.9%	(1.7%)	
EBITDA margin on sales revenue	49.1%							50.1%	50.9%				50.3%	(1.8%)	(0.2%)	
EBIT margin on sales revenue	32.7%							33.4%	33.7%				33.1%	(1.0%)	0.3%	
Earnings per share (12581.03m shares)	18.6							18.5	17.9				16.6	3.9%	11.4%	

(i) write-off of Reach shareholder loans

(ii) refer page 45 for product reconciliation

(iii) refer to page 29 for details of reclassification adjustments

(iv) refer page 31 for details of reclassification adjustments

Note: (*) Underlying interest & tax calculations represent management's best estimates

N/M refers to not meaningful

Adjustments to derive Underlying results

(A) Asset Sales (\$m)	31 Dec 2004 Proceeds	31 Dec 2004 NBV	31 Dec 2004 Profit	Tax Effect @30% if applicable	Profit after tax
Land and Building sales	19	13	6	0	6
Investment sales	7	4	3	0	3
Total Property Plant and Equipment Sales	26	17	9	0	9
Total Asset/Investment Sales and other costs	26	17	9	0	9

(A) Asset Sales (\$m)	31 Dec 2003 Proceeds	31 Dec 2003 NBV	31 Dec 2003 Profit	Tax Effect @30% if applicable	Profit after tax
Land and Building sales	42	6	36		36
Investment sales	179	21	158	2	156
Total Property Plant and Equipment Sales	221	27	194	2	192
IBMGS Exit Costs		130	(130)	(39)	(91)
Total Asset/Investment Sales and other costs	221	157	64	(37)	101



	Reported	Reported	Movement	Included	Amount	Excluded	Amount
	previously	New Hierarchy					
	released						
	Dec-03	Dec-03	\$m		\$m		\$m
	\$m	\$m	\$m		\$m		\$m
Mobile services	1,733	1,740	7				
Mobile handsets	186	186	(0)				
Total Mobiles	1,919	1,926	7	CDMA Wholesale Domestic Resale	7		
Internet and IP solutions	463	469	6	Wholesale Access Other (incl HDSL)	5		
				Wholesale Internet and Data Other	1		
PSTN products							
Basic access	1,610	1,610	0				
Local calls	778	778	(0)				
PSTN value added services	134	134	(0)				
National long distance calls	578	578	(0)				
Fixed to mobile	808	808	0				
International direct	139	139	(0)				
Total PSTN products	4,047	4,047	(0)				
Specialised Data	509	516	7	Wholesale ATM	7		
ISDN Products	471	473	2			Microlink Rental Semi Permanent Circuits	(2)
Advertising and Directories	769	769	0				
Inter-carrier services	583	563	(20)			Wholesale ATM	7
						CDMA Wholesale Domestic Resale	7
						Wholesale Access Other (incl HDSL)	5
						Wholesale Internet and Data Other	1
Inbound calling products	238	238	(0)				
Solutions management	233	243	10	eBusiness Solutions	10		
Hong Kong CSL	377	377	0				
Telstra Clear	282	282	0				
Various controlled entities (excluding HK CSL & Tclear)	79	-	(79)			Offshore services revenue	48
						HFC Cable TV	21
						eBusiness Solutions	10
Offshore Services Revenue	-	48	48	Offshore services revenue	48		
Pay TV Bundling	-	65	65	Pay TV Bundling	65		
Customer premises equipment	92	92	(0)				
Payphones	72	72	0				
Other sales & service	322	276	(46)	Microlink Rental Semi Permanent Circuits	(2)	Pay TV Bundling	65
				HFC Cable TV	21		
Sales revenue	10,456	10,456	0		162		162
Other revenue	370	370	-				
Total revenue	10,826	10,826	0		162		162

Statement of Financial Position - detail

Statement of Financial Position - detail

	Half Year Ended 31 December 2004			
	2004	2003	Change	Change
	(in \$ millions)			%
Current Assets				
Cash Assets	1,102	559	543	97.1
Receivables	3,942	3,656	286	7.8
Inventories	214	239	(25)	(10.5)
Other Assets	812	674	138	20.5
Total Current Assets	6,070	5,128	942	18.4
Non-Current Assets				
Receivables	614	596	18	3.0
Inventories	9	14	(5)	(35.7)
Investments - accounted for using the equity method	48	113	(65)	(57.5)
Investments - other	78	80	(2)	(2.5)
Property, Plant and Equipment	23,324	22,666	658	2.9
Intangibles - goodwill	2,354	1,958	396	20.2
Intangibles - other	1,630	1,050	580	55.2
Other Assets	2,361	2,428	(67)	(2.8)
Total Non-Current Assets	30,418	28,905	1,513	5.2
Total Assets	36,488	34,033	2,455	7.2
Current Liabilities				
Payables	2,665	1,944	721	37.1
Interest-bearing liabilities (borrowings)	3,360	1,488	1,872	125.8
Income Tax Payable	500	356	144	40.4
Provisions	385	371	14	3.8
Revenue Received in Advance	958	864	94	10.9
Total Current Liabilities	7,868	5,023	2,845	56.6
Non-Current Liabilities				
Payables	142	42	100	238.1
Interest-bearing liabilities (borrowings)	10,116	10,796	(680)	(6.3)
Provisions	830	762	68	8.9
Provision for Deferred Tax	1,885	1,895	(10)	(0.5)
Revenue Received in Advance	393	405	(12)	(3.0)
Total Non-Current Liabilities	13,366	13,900	(534)	(3.8)
Total Liabilities	21,234	18,923	2,311	12.2
Net Assets	15,254	15,110	144	1.0
Shareholders Equity				
Contributed Equity	5,793	6,073	(280)	(4.6)
Reserves	(160)	(205)	45	(22.0)
Retained Profits	9,619	9,240	379	4.1
Shareholders' equity available to Telstra Entity Shareholders	15,252	15,108	144	1.0
Outside Equity Interest				
Contributed Equity	2	1	1	100.0
Retained Profits	0	1	(1)	(100.0)
Total Outside Equity Interest	2	2	-	0.0
Total Shareholders Equity	15,254	15,110	144	1.0