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%.

- **Underlying sales revenue** increased by 4.8% to $11.0 billion. Growth was lead by mobiles, broadband, pay TV bundling, advertising and directories and offshore services revenue, partly offset by a decline in PSTN calling products. **Underlying domestic sales revenue** increased by 4.5% to $10.2 billion. **Underlying total revenue** (excluding interest) increased by 4.0% to $11.0 billion and included lower asset sales.

- **Underlying 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. **Underlying 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%.

- **Underlying 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.

- **Underlying 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.

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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 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 IBM GSA contract exit costs.
2. Domestic core operating capital expenditure is operating capital expenditure excluding HKCSL & TelstraClear operating capital expenditure.
• **Domestic core operating capital expenditure** 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.
### Telstra Corporation Limited and controlled entities

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<td>Offshore services revenue</td>
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<td>Pay TV bundling</td>
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<td>Customer premises equipment</td>
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<td>Other sales and services</td>
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<td>Other revenue</td>
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Telstra Corporation Limited and controlled entities

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

Table:

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<thead>
<tr>
<th>Product Definitions</th>
<th>2003</th>
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<td>$m</td>
<td>$m</td>
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<td>Internet and IP solutions</td>
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<td>Wholesale internet direct</td>
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<td>IP solutions</td>
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<td>6</td>
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<tr>
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<td>624</td>
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<td>PSTN Products</td>
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<td>PSTN value added services</td>
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<td>International direct</td>
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<td>Interconnector services</td>
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<td>Inbound calling products</td>
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<td>TelstraClear</td>
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<tr>
<td>Offshore Services Revenue</td>
<td>119</td>
<td>89</td>
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<td>Pay TV Bundling</td>
<td>121</td>
<td>121</td>
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<td>Customer premises equipment</td>
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<td>Payphones</td>
<td>63</td>
<td>63</td>
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<td>Other sales &amp; service</td>
<td>379</td>
<td>376</td>
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<td>Total Revenue</td>
<td>11,275</td>
<td>11,034</td>
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<tr>
<td>Expenses:</td>
<td>$m</td>
<td>$m</td>
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<td>Labour</td>
<td>1,812</td>
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<td>Goods and services purchased</td>
<td>2,124</td>
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<td>Other expenses</td>
<td>1,909</td>
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<td>Total expenses</td>
<td>5,845</td>
<td>5,548</td>
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<td>Share of net loss from associates and joint venture entities</td>
<td>$m</td>
<td>$m</td>
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<tr>
<td>Other revenue</td>
<td>167</td>
<td>297</td>
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<td>Total revenue</td>
<td>11,382</td>
<td>11,034</td>
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<tr>
<td>EBITDA:</td>
<td>$m</td>
<td>$m</td>
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<tr>
<td>EBIT</td>
<td>5,537</td>
<td>5,487</td>
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<td>EBITDA $m</td>
<td>5,324</td>
<td>5,260</td>
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<tr>
<td>Total operating expenses before depreciation/depletion/amortisation</td>
<td>5,845</td>
<td>5,548</td>
</tr>
<tr>
<td>EBITDA excl share of net loss</td>
<td>5,537</td>
<td>5,487</td>
</tr>
<tr>
<td>EBITDA excl share of net loss from associates &amp; joint venture entities</td>
<td>5,324</td>
<td>5,260</td>
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<td>EBIT</td>
<td>3,487</td>
<td>3,440</td>
</tr>
<tr>
<td>EBIT excl share of net loss from associates &amp; joint venture entities</td>
<td>3,487</td>
<td>3,440</td>
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<td>Net borrowing costs</td>
<td>371</td>
<td>370</td>
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<td>Profit before income tax</td>
<td>3,316</td>
<td>3,203</td>
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<tr>
<td>Effective tax rate</td>
<td>29.5%</td>
<td>29.5%</td>
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<tr>
<td>EBITDA margin on sales revenue</td>
<td>49.1%</td>
<td>50.1%</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>18.6</td>
<td>18.5</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2,237</td>
<td>2,322</td>
</tr>
<tr>
<td>EBIT margin on sales revenue</td>
<td>32.7%</td>
<td>33.4%</td>
</tr>
<tr>
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</tr>
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<td>18.6</td>
<td>18.5</td>
</tr>
</tbody>
</table>

Notes:
(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 2004, 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

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
<th>2003</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in $ millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Receipts from Customers</strong></td>
<td>12,274</td>
<td>11,509</td>
<td>765</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Payments to Suppliers/Employees</strong></td>
<td>(6,430)</td>
<td>(6,605)</td>
<td>175</td>
<td>(2.6)</td>
</tr>
<tr>
<td><strong>Net Interest and Finance Charges</strong></td>
<td>(402)</td>
<td>(396)</td>
<td>6</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Income Tax Paid</strong></td>
<td>(909)</td>
<td>(1,086)</td>
<td>177</td>
<td>(16.3)</td>
</tr>
<tr>
<td><strong>Dividends Received</strong></td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>GST Remitted to the ATO</strong></td>
<td>(542)</td>
<td>(498)</td>
<td>(44)</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Operating Cash Flow</strong></td>
<td>3,993</td>
<td>2,925</td>
<td>1,068</td>
<td>36.5</td>
</tr>
</tbody>
</table>

**Operating Cash Flow**

- Operating Capital Expenditure: (1,881) to (1,411) (470) (33.3)
- Less Capitalised Interest: 50 to 37 (13) (35.1)

**Operating Capital Expenditure**

- Investment Expenditure: (574) to (575) (1) (0.0)
- Patents, Trademarks and Licences (including 3G spectrum): -
- Capital Expenditure - excluding Capitalised Interest: (2,405) to (1,375) (1,030) (74.9)

**Income Tax Paid**

- (909) to (1,086) (177) (16.3)

**Dividends Received**

- 2 to 1 (1) (100.0)

**GST Remitted to the ATO**

- (542) to (498) (44) (8.8)

**Operating Cash Flow used in Investing Activities**

- (2,384) to (1,098) (1,286) (117.1)

- Operating Cash Flow less Cash Flow used in Investing Activities: 1,609 to 1,827 (218) (11.9)

**Net Cash Flow**

- 420 to (735) 1,155 (157.1)

### Statement of financial position summary

**As at 31 December 2004**

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

#### For the half year ended 31 December 2004

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

(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.

For enquiries on these results contact:

John Stanhope  
Chief Financial Officer  
Telstra Corporation Limited

David Anderson  
General Manager, Investor Relations  
Telstra Corporation Limited  
Phone: 61 3 9634 8014  
Email: Investor.relations@team.telstra.com
Operating and Financial Review

Results of operation

The following table illustrates reported and underlying\(^1\) results for the half years ended 31 December 2004 and 2003.

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

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, underlying\(^1\) EBIT increased by 5.9% or $205 million.

The non-comparable items excluded from the underlying\(^1\) 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 underlying\(^1\) operating revenues for the half years ended 31 December 2004 and 2003.

### Operating revenue by major product and service category

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

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, underlying\(^1\) 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.

Underlying\(^1\) domestic sales revenue grew by 4.5% in the half year.
## Mobiles

### Half Year Ended 31 December 2004

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in $ millions except for statistical data)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Access fees and call charges</strong></td>
<td>1,402</td>
<td>1,339</td>
<td>63</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Value added services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International roaming</td>
<td>119</td>
<td>85</td>
<td>34</td>
<td>40.0</td>
</tr>
<tr>
<td>Mobile messagebank</td>
<td>93</td>
<td>90</td>
<td>3</td>
<td>3.3</td>
</tr>
<tr>
<td>Mobile data</td>
<td>271</td>
<td>219</td>
<td>52</td>
<td>23.7</td>
</tr>
<tr>
<td><strong>Total value added services</strong></td>
<td>483</td>
<td>394</td>
<td>89</td>
<td>22.6</td>
</tr>
<tr>
<td><strong>Mobile services revenue - Retail</strong></td>
<td>1,885</td>
<td>1,733</td>
<td>152</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Mobile services revenue - Wholesale</strong></td>
<td>11</td>
<td>7</td>
<td>4</td>
<td>57.1</td>
</tr>
<tr>
<td><strong>Total mobile services revenue</strong></td>
<td>1,896</td>
<td>1,740</td>
<td>156</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Mobile handset sales</strong></td>
<td>198</td>
<td>186</td>
<td>12</td>
<td>6.5</td>
</tr>
<tr>
<td><strong>Total mobiles goods and services revenue</strong></td>
<td>2,094</td>
<td>1,926</td>
<td>168</td>
<td>8.7</td>
</tr>
</tbody>
</table>

**GSM mobile SIO (in thousands)**

<table>
<thead>
<tr>
<th>GSM mobile SIO (in thousands)</th>
<th>6,868</th>
<th>6,139</th>
<th>729</th>
<th>11.9</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CDMA mobile SIO (in thousands)</strong></td>
<td>1,115</td>
<td>846</td>
<td>269</td>
<td>31.8</td>
</tr>
<tr>
<td><strong>Total mobile SIO (in thousands)</strong></td>
<td>7,983</td>
<td>6,985</td>
<td>998</td>
<td>14.3</td>
</tr>
</tbody>
</table>

**Prepaid mobile SIO (in thousands)**

<table>
<thead>
<tr>
<th>Prepaid mobile SIO (in thousands)</th>
<th>3,390</th>
<th>2,574</th>
<th>816</th>
<th>31.7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Postpaid mobile SIO (in thousands)</strong></td>
<td>4,593</td>
<td>4,411</td>
<td>182</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Total mobile SIO (in thousands)</strong></td>
<td>7,983</td>
<td>6,985</td>
<td>998</td>
<td>14.3</td>
</tr>
</tbody>
</table>

**GSM wholesale mobile SIO (in thousands)**

<table>
<thead>
<tr>
<th>GSM wholesale mobile SIO (in thousands)</th>
<th>11</th>
<th>2</th>
<th>9</th>
<th>450.0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CDMA wholesale mobile SIO (in thousands)</strong></td>
<td>58</td>
<td>53</td>
<td>5</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Total wholesale mobile SIO (in thousands)</strong></td>
<td>69</td>
<td>55</td>
<td>14</td>
<td>25.5</td>
</tr>
</tbody>
</table>

**Number of SMS sent (in millions)**

<table>
<thead>
<tr>
<th>Number of SMS sent (in millions)</th>
<th>1,104</th>
<th>910</th>
<th>194</th>
<th>21.3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deactivation rate</strong></td>
<td>9.5%</td>
<td>9.6%</td>
<td>(0.1%)</td>
<td></td>
</tr>
<tr>
<td><strong>Mobile telephone minutes (in millions)</strong></td>
<td>3,404</td>
<td>3,011</td>
<td>393</td>
<td>13.1</td>
</tr>
<tr>
<td>Average revenue per user per month</td>
<td>40.56</td>
<td>42.63</td>
<td>(2.07)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Average prepaid revenue per user per month</td>
<td>13.00</td>
<td>14.72</td>
<td>(1.72)</td>
<td>(11.7)</td>
</tr>
<tr>
<td>Average postpaid revenue per user per month</td>
<td>60.23</td>
<td>58.24</td>
<td>1.99</td>
<td>3.4</td>
</tr>
<tr>
<td>Average Mobile data revenue per user per month</td>
<td>5.80</td>
<td>5.39</td>
<td>0.41</td>
<td>7.6</td>
</tr>
</tbody>
</table>

---

(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

### Half Year Ended 31 December 2004

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in $ millions except for statistical data)</td>
<td></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Internet &amp; IP solutions revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BigPond narrowband</td>
<td>142</td>
<td>144</td>
<td>(2)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>BigPond broadband</td>
<td>203</td>
<td>122</td>
<td>81</td>
<td>66.4</td>
</tr>
<tr>
<td>Wholesale broadband</td>
<td>106</td>
<td>60</td>
<td>46</td>
<td>76.7</td>
</tr>
<tr>
<td>Wholesale internet direct</td>
<td>12</td>
<td>7</td>
<td>5</td>
<td>71.4</td>
</tr>
<tr>
<td>Internet direct</td>
<td>61</td>
<td>61</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>IP solutions</td>
<td>94</td>
<td>71</td>
<td>23</td>
<td>32.4</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>50.0</td>
</tr>
<tr>
<td>Total Internet &amp; IP solutions revenue</td>
<td>624</td>
<td>469</td>
<td>155</td>
<td>33.0</td>
</tr>
</tbody>
</table>

| 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   |

### Graphs

- **Narrowband subscribers v. Revenue**
  - Q1 03/04: 50,000
  - Q2 03/04: 60,000
  - Q3 03/04: 70,000
  - Q4 03/04: 80,000
  - Q1 04/05: 90,000
  - Q2 04/05: 100,000

- **Bigpond Broadband subscribers v. Revenue**
  - Q1 03/04: 50,000
  - Q2 03/04: 60,000
  - Q3 03/04: 70,000
  - Q4 03/04: 80,000
  - Q1 04/05: 90,000
  - Q2 04/05: 100,000

### Internet & IP Solutions

- **Narrow band**:
  - H1 03/04: 142
  - H1 04/05: 144
  - Increase: 66.4%
- **Bigpond Broadband**:
  - H1 03/04: 203
  - H1 04/05: 122
  - Increase: 66.4%
- **Broadband Wholesale**:
  - H1 03/04: 106
  - H1 04/05: 60
  - Increase: 76.7%
- **Internet Direct**:
  - H1 03/04: 12
  - H1 04/05: 71
  - Increase: 71.4%
- **IP Solutions**:
  - H1 03/04: 94
  - H1 04/05: 71
  - Increase: 32.4%
- **Other**:
  - H1 03/04: 6
  - H1 04/05: 4
  - Increase: 50.0%
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.
Telstra Corporation Limited and controlled entities

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

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic access revenue</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>1,388</td>
</tr>
<tr>
<td>Domestic wholesale</td>
<td>312</td>
</tr>
<tr>
<td>Total basic access</td>
<td>1,700</td>
</tr>
<tr>
<td>Local call revenue</td>
<td>689</td>
</tr>
<tr>
<td>PSTN value added services revenue</td>
<td>126</td>
</tr>
<tr>
<td>National long distance revenue</td>
<td>527</td>
</tr>
<tr>
<td>Fixed to mobile revenue</td>
<td>806</td>
</tr>
<tr>
<td>International direct revenue</td>
<td>124</td>
</tr>
<tr>
<td>Total PSTN revenue</td>
<td>3,972</td>
</tr>
</tbody>
</table>

* 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.*

---

### PSTN Products

- **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

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.

<table>
<thead>
<tr>
<th>Specialised Data</th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>$ millions</td>
</tr>
<tr>
<td>Data revenue</td>
<td></td>
</tr>
<tr>
<td>Frame relay</td>
<td>180</td>
</tr>
<tr>
<td>ATM</td>
<td>45</td>
</tr>
<tr>
<td>Digital data services</td>
<td>115</td>
</tr>
<tr>
<td>Leased lines</td>
<td>121</td>
</tr>
<tr>
<td>International private lines</td>
<td>14</td>
</tr>
<tr>
<td>Other specialised data</td>
<td>20</td>
</tr>
<tr>
<td>Total data revenue</td>
<td>495</td>
</tr>
<tr>
<td>Domestic Frame access ports (in thousands)</td>
<td>32</td>
</tr>
<tr>
<td>ATM permanent virtual circuits (in thousands)</td>
<td>13</td>
</tr>
</tbody>
</table>

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.
ISDN Products

ISDN Products

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>(in $ millions except for statistical data)</td>
<td></td>
</tr>
<tr>
<td>ISDN revenue</td>
<td></td>
</tr>
<tr>
<td>Access</td>
<td>210</td>
</tr>
<tr>
<td>Calls</td>
<td></td>
</tr>
<tr>
<td>Data</td>
<td>88</td>
</tr>
<tr>
<td>Voice</td>
<td>155</td>
</tr>
<tr>
<td>Total calls</td>
<td>243</td>
</tr>
<tr>
<td>Total ISDN revenue</td>
<td>453</td>
</tr>
<tr>
<td>ISDN access lines (basic access line equivalents) (in thousands)</td>
<td>1,318</td>
</tr>
</tbody>
</table>

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.
Telstra Corporation Limited and controlled entities

Advertising and Directories

Advertising and Directories

<table>
<thead>
<tr>
<th>Half Year Ended 31 December 2004</th>
<th>2004</th>
<th>2003</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in $ millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising and Directories - Reported</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Adjustments</td>
<td>76</td>
<td>0</td>
<td>76</td>
<td>N/M</td>
</tr>
<tr>
<td>Advertising and Directories - Underlying</td>
<td>814</td>
<td>769</td>
<td>45</td>
<td>5.9</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Intercarrier services revenue</th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>(in $ millions)</td>
</tr>
<tr>
<td>Intercarrier services revenue</td>
<td>580</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 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

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

<table>
<thead>
<tr>
<th>HK CSL revenue</th>
<th>2004 (in $ millions)</th>
<th>2003 (in $ millions)</th>
<th>Change</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>380</td>
<td>377</td>
<td>3</td>
<td>0.8</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>TelstraClear revenue</th>
<th>2004 (in $ millions)</th>
<th>2003 (in $ millions)</th>
<th>Change</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>304</td>
<td>282</td>
<td>22</td>
<td>7.8</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004 (in $ millions)</td>
<td>2003</td>
<td>Change</td>
</tr>
<tr>
<td>Total offshore services revenue - reported</td>
<td>119</td>
<td>48</td>
<td>71</td>
</tr>
<tr>
<td>Less adjustments</td>
<td>30</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>Total offshore services revenue - underlying</td>
<td>89</td>
<td>48</td>
<td>41</td>
</tr>
<tr>
<td>Comprising:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telstra Europe</td>
<td>64</td>
<td>29</td>
<td>35</td>
</tr>
<tr>
<td>Telstra Inc</td>
<td>17</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Other CE</td>
<td>8</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>89</td>
<td>48</td>
<td>41</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004 (in $ millions)</td>
<td>2003</td>
<td>Change</td>
</tr>
<tr>
<td>Pay TV Bundling revenue</td>
<td>121</td>
<td>65</td>
<td>56</td>
</tr>
<tr>
<td>FOXTEL Pay TV Bundling subscribers (thousands)</td>
<td>265</td>
<td>204</td>
<td>61</td>
</tr>
<tr>
<td>Austar Pay TV Bundling subscribers (thousands)</td>
<td>44</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Total Pay TV Bundling subscribers (thousands)</td>
<td>309</td>
<td>208</td>
<td>101</td>
</tr>
</tbody>
</table>

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

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

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**

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
<th>2004 (in $ millions)</th>
<th>2003</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total other sales and services revenue - reported</td>
<td>379</td>
<td>276</td>
<td>103</td>
<td>37.3</td>
<td></td>
</tr>
<tr>
<td>Less adjustments</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>N/M</td>
<td></td>
</tr>
<tr>
<td>Total other sales and services revenue - underlying</td>
<td>376</td>
<td>276</td>
<td>100</td>
<td>36.2</td>
<td></td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>(in $ millions)</td>
</tr>
<tr>
<td>Total other revenue - reported</td>
<td>107</td>
</tr>
<tr>
<td>Less adjustments</td>
<td>26</td>
</tr>
<tr>
<td>Total other revenue - underlying</td>
<td>81</td>
</tr>
<tr>
<td>Comprising:</td>
<td></td>
</tr>
<tr>
<td>Sale of plant and equipment</td>
<td>3</td>
</tr>
<tr>
<td>USO Levy Receipts</td>
<td>32</td>
</tr>
<tr>
<td>Government subsidies</td>
<td>11</td>
</tr>
<tr>
<td>Rental/Leases</td>
<td>11</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>81</td>
</tr>
</tbody>
</table>

Where adjustments comprise:

Revenue from sale of:

|                                | 2004    | 2003    | Change | Change |
|                                |         |         | (in $ millions) | % |
| 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 bandwith services to regional, rural and remote areas at prices comparable to metro (HiBIS).
Operating expenses

Operating expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2004 Reported</th>
<th>2003 Reported</th>
<th>Underlying¹</th>
<th>Underlying¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>1,812</td>
<td>1,635</td>
<td>1,656</td>
<td>1,635</td>
</tr>
<tr>
<td>Goods and services purchased</td>
<td>2,124</td>
<td>1,737</td>
<td>2,033</td>
<td>1,737</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,909</td>
<td>2,101</td>
<td>1,859</td>
<td>1,944</td>
</tr>
</tbody>
</table>

Expenses before equity acc/depn/amort/interest 5,845 5,548 5,473 5,316 6.2 3.8
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

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

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.
Telstra Corporation Limited and controlled entities

Other expenses

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, underlying 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.

Where adjustments comprise:

- Rental expense on operating leases
- Bad debts/recovery costs/doubtful debts
- Inventory Writedowns
- Net foreign currency conversion losses/(gains)
- Audit fees
- Service contracts and other agreements
- Marketing
- General administration
- Other operating expense
- Cost of Property plant & Equipment (exc. Land & Buildings)

Comprising:

- Total other expenses - reported
- Less adjustments
- Total other expenses - underlying

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, underlying 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.

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.
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

<table>
<thead>
<tr>
<th>Share of net loss from associates and joint venture entities</th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004 (in $ millions)</td>
</tr>
<tr>
<td>Share of net loss from associates and joint venture entities -</td>
<td>0</td>
</tr>
<tr>
<td>reported</td>
<td></td>
</tr>
<tr>
<td>Less adjustments</td>
<td>1</td>
</tr>
<tr>
<td>Share of net loss from associates and joint venture entities -</td>
<td>(1)</td>
</tr>
<tr>
<td>underlying</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Depreciation and amortisation</th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004 (in $ millions)</td>
</tr>
<tr>
<td>Total depreciation and amortisation - reported</td>
<td>1,850</td>
</tr>
<tr>
<td>Less adjustments</td>
<td>26</td>
</tr>
<tr>
<td>Total depreciation and amortisation - underlying</td>
<td>1,824</td>
</tr>
<tr>
<td>Comprising:</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,448</td>
</tr>
<tr>
<td>Amortisation (excl goodwill)</td>
<td>315</td>
</tr>
<tr>
<td>Goodwill amortisation</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>1,824</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Hong Kong CSL Financial Summary</th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>380</td>
</tr>
<tr>
<td>Total opex</td>
<td>271</td>
</tr>
<tr>
<td>EBITDA</td>
<td>109</td>
</tr>
<tr>
<td>EBIT</td>
<td>-3</td>
</tr>
<tr>
<td>CAPEX</td>
<td>59</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>28.7%</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>REACH Financial Summary</th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Total revenue</td>
<td>399</td>
</tr>
<tr>
<td>EBITDA</td>
<td>45</td>
</tr>
<tr>
<td>EBIT</td>
<td>18</td>
</tr>
<tr>
<td>Net Profit</td>
<td>(8)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>TelstraClear Financial Summary</th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>306</td>
</tr>
<tr>
<td>Total opex</td>
<td>253</td>
</tr>
<tr>
<td>EBITDA</td>
<td>53</td>
</tr>
<tr>
<td>EBIT</td>
<td>(18)</td>
</tr>
<tr>
<td>CAPEX</td>
<td>48</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

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 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

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004 (in $ millions)</td>
</tr>
<tr>
<td>Income Tax Expense - Reported</td>
<td>979</td>
</tr>
<tr>
<td>Add adjustments</td>
<td></td>
</tr>
<tr>
<td>Trading Post</td>
<td>(9)</td>
</tr>
<tr>
<td>Damovo</td>
<td>1</td>
</tr>
<tr>
<td>Tax consolidation benefit</td>
<td>0</td>
</tr>
<tr>
<td>Asset / Investment Sales</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(8)</td>
</tr>
<tr>
<td>Income Tax Expense - underlying</td>
<td>971</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
<th></th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004 (in $ millions)</td>
<td>2003</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>3,993</td>
<td>2,925</td>
<td>1,068</td>
<td>36.5</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(2,384)</td>
<td>(1,098)</td>
<td>(1,286)</td>
<td>117.1</td>
</tr>
<tr>
<td>Operating Cash Flow less Cash Flow used in Investing Activities</td>
<td>1,609</td>
<td>1,827</td>
<td>(218)</td>
<td>(11.9)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(1,189)</td>
<td>(2,562)</td>
<td>1,373</td>
<td>(53.6)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash</td>
<td>420</td>
<td>(735)</td>
<td>1,155</td>
<td>(157.1)</td>
</tr>
</tbody>
</table>

Operating Cash Flow less Cash Flow used in Investing Activities
Less Adjustment: Large one off acquisition and asset or investment sales

<table>
<thead>
<tr>
<th></th>
<th>2004 (in $ millions)</th>
<th>2003</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow less Cash Flow used in Investing Activities</td>
<td>1,609</td>
<td>1,827</td>
<td>(218)</td>
<td>(11.9)</td>
</tr>
<tr>
<td>Less Adjustment: Large one off acquisition and asset or investment sales</td>
<td>(574)</td>
<td>0</td>
<td>(574)</td>
<td>N/M</td>
</tr>
</tbody>
</table>

Operating Cash Flow less Cash Flow used in Investing Activities (excl Large one off acquisition and asset or investment sales)

<table>
<thead>
<tr>
<th></th>
<th>2004 (in $ millions)</th>
<th>2003</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow less Cash Flow used in Investing Activities</td>
<td>2,183</td>
<td>1,827</td>
<td>356</td>
<td>19.5</td>
</tr>
</tbody>
</table>

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.
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;

---

### Operating Capital Expenditures

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 31 December 2004</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
<td>2003</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(in $ millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switching</td>
<td>192</td>
<td>137</td>
<td>55</td>
</tr>
<tr>
<td>Transmission</td>
<td>174</td>
<td>199</td>
<td>(25)</td>
</tr>
<tr>
<td>Customer access</td>
<td>478</td>
<td>453</td>
<td>25</td>
</tr>
<tr>
<td>Mobile telecommunications networks</td>
<td>245</td>
<td>143</td>
<td>102</td>
</tr>
<tr>
<td>International assets</td>
<td>107</td>
<td>80</td>
<td>27</td>
</tr>
<tr>
<td>Capitalised software</td>
<td>294</td>
<td>182</td>
<td>112</td>
</tr>
<tr>
<td>Other</td>
<td>391</td>
<td>217</td>
<td>174</td>
</tr>
<tr>
<td>Operating capital expenditure</td>
<td>1,881</td>
<td>1,411</td>
<td>470</td>
</tr>
<tr>
<td>Capitalised interest</td>
<td>(50)</td>
<td>(37)</td>
<td>(13)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>1,831</td>
<td>1,374</td>
<td>457</td>
</tr>
<tr>
<td>Add: patents, trademarks and licences (including 3G spectrum)</td>
<td>-</td>
<td>2</td>
<td>(2)</td>
</tr>
<tr>
<td>Add: investments</td>
<td>574</td>
<td>(1)</td>
<td>575</td>
</tr>
<tr>
<td>Capitalised expenditure (excl. int.) and investments</td>
<td>2,405</td>
<td>1,375</td>
<td>1,030</td>
</tr>
<tr>
<td>Sale of capital equipment, investments and other</td>
<td>(21)</td>
<td>(277)</td>
<td>256</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>2,384</td>
<td>1,098</td>
<td>1,286</td>
</tr>
</tbody>
</table>

(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.
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.
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.

<table>
<thead>
<tr>
<th>Fixed to mobile</th>
<th>December 04/05 Reported</th>
<th>Asset / Investment Sales</th>
<th>Trading Post</th>
<th>KAZ</th>
<th>PSINet</th>
<th>Damovo</th>
<th>Total Adjust.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile services</td>
<td>1,694</td>
<td>0</td>
<td>1,896</td>
<td>1,740</td>
<td>0</td>
<td>1,740</td>
<td>0</td>
</tr>
<tr>
<td>Mobile handset</td>
<td>158</td>
<td>0</td>
<td>158</td>
<td>160</td>
<td>0</td>
<td>160</td>
<td>0</td>
</tr>
<tr>
<td>Total Mobiles</td>
<td>2,052</td>
<td>0</td>
<td>2,052</td>
<td>1,920</td>
<td>0</td>
<td>1,920</td>
<td>0</td>
</tr>
<tr>
<td>Internet and IP solutions</td>
<td>624</td>
<td>0</td>
<td>624</td>
<td>469</td>
<td>0</td>
<td>469</td>
<td>33.0% 33.0% 155</td>
</tr>
<tr>
<td>PSTN Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic access</td>
<td>1,700</td>
<td>0</td>
<td>1,700</td>
<td>1,610</td>
<td>0</td>
<td>1,610</td>
<td>0</td>
</tr>
<tr>
<td>Local calls</td>
<td>689</td>
<td>0</td>
<td>689</td>
<td>779</td>
<td>0</td>
<td>779</td>
<td>11.4% 11.4% 88</td>
</tr>
<tr>
<td>PSTN value added services</td>
<td>126</td>
<td>0</td>
<td>126</td>
<td>134</td>
<td>0</td>
<td>134</td>
<td>6.0% 6.0% 48</td>
</tr>
<tr>
<td>National long distance calls</td>
<td>527</td>
<td>0</td>
<td>527</td>
<td>578</td>
<td>0</td>
<td>578</td>
<td>8.8% 8.8% 51</td>
</tr>
<tr>
<td>Fixed to mobile</td>
<td>608</td>
<td>0</td>
<td>608</td>
<td>808</td>
<td>0</td>
<td>808</td>
<td>0.2% 0.2% 2</td>
</tr>
<tr>
<td>International direct</td>
<td>124</td>
<td>0</td>
<td>124</td>
<td>139</td>
<td>0</td>
<td>139</td>
<td>10.8% 10.8% 55</td>
</tr>
<tr>
<td>Total PSTN</td>
<td>3,972</td>
<td>0</td>
<td>3,972</td>
<td>4,047</td>
<td>0</td>
<td>4,047</td>
<td>1.9% 1.9% 75</td>
</tr>
<tr>
<td>Specialised Data</td>
<td>495</td>
<td>0</td>
<td>495</td>
<td>516</td>
<td>0</td>
<td>516</td>
<td>0</td>
</tr>
<tr>
<td>EBIDTA</td>
<td>5,537</td>
<td>(9)</td>
<td>(22)</td>
<td>(114)</td>
<td>7</td>
<td>(111)</td>
<td>1,636</td>
</tr>
<tr>
<td>EBIDTA excl share of net loss from associates &amp; joint venture entities</td>
<td>5,537</td>
<td>(9)</td>
<td>(22)</td>
<td>(114)</td>
<td>7</td>
<td>(111)</td>
<td>1,636</td>
</tr>
<tr>
<td>Expenses</td>
<td>5,845</td>
<td>(17)</td>
<td>(48)</td>
<td>(182)</td>
<td>(25)</td>
<td>(26)</td>
<td>(267)</td>
</tr>
<tr>
<td>Labour</td>
<td>1,612</td>
<td>(22)</td>
<td>(114)</td>
<td>(7)</td>
<td>(13)</td>
<td>(163)</td>
<td>1,636</td>
</tr>
<tr>
<td>Goods and services purchased (iii)</td>
<td>2,124</td>
<td>(16)</td>
<td>(51)</td>
<td>(14)</td>
<td>(10)</td>
<td>(14)</td>
<td>(2)</td>
</tr>
<tr>
<td>Other expenses (iv)</td>
<td>1,909</td>
<td>(17)</td>
<td>(10)</td>
<td>(16)</td>
<td>(4)</td>
<td>(24)</td>
<td>(4)</td>
</tr>
<tr>
<td>Expenses before equity acc/depn/amort/interest</td>
<td>5,845</td>
<td>(17)</td>
<td>(48)</td>
<td>(182)</td>
<td>(25)</td>
<td>(26)</td>
<td>(267)</td>
</tr>
<tr>
<td>Share of net profit from associates and joint venture entities</td>
<td>0</td>
<td>0</td>
<td>(1)</td>
<td>0</td>
<td>(1)</td>
<td>0</td>
<td>28</td>
</tr>
<tr>
<td>Total expenses before depn/amort/interest</td>
<td>5,845</td>
<td>(17)</td>
<td>(48)</td>
<td>(182)</td>
<td>(25)</td>
<td>(26)</td>
<td>(267)</td>
</tr>
<tr>
<td>Total operating expenses before depn/amort/interest</td>
<td>5,845</td>
<td>(17)</td>
<td>(48)</td>
<td>(182)</td>
<td>(25)</td>
<td>(26)</td>
<td>(267)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,687</td>
<td>(9)</td>
<td>(28)</td>
<td>(9)</td>
<td>(5)</td>
<td>(36)</td>
<td>3,662</td>
</tr>
<tr>
<td>EBITDA excl share of net loss from associates &amp; joint venture entities</td>
<td>3,687</td>
<td>(9)</td>
<td>(28)</td>
<td>(9)</td>
<td>(5)</td>
<td>(36)</td>
<td>3,662</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,450</td>
<td>(1)</td>
<td>(4)</td>
<td>(1)</td>
<td>(1)</td>
<td>(7)</td>
<td>1,444</td>
</tr>
<tr>
<td>Amortisation (excl goodwill)</td>
<td>323</td>
<td>0</td>
<td>(5)</td>
<td>(1)</td>
<td>(2)</td>
<td>(8)</td>
<td>315</td>
</tr>
<tr>
<td>Goodwill amortisation</td>
<td>72</td>
<td>0</td>
<td>(5)</td>
<td>(1)</td>
<td>0</td>
<td>(1)</td>
<td>61</td>
</tr>
<tr>
<td>Total depreciation/amortisation</td>
<td>1,525</td>
<td>0</td>
<td>(10)</td>
<td>(5)</td>
<td>0</td>
<td>(10)</td>
<td>100</td>
</tr>
<tr>
<td>Total operating expenses before interest</td>
<td>7,665</td>
<td>(17)</td>
<td>(54)</td>
<td>(196)</td>
<td>(28)</td>
<td>(29)</td>
<td>(324)</td>
</tr>
<tr>
<td>EBIT</td>
<td>3,697</td>
<td>(9)</td>
<td>(22)</td>
<td>5</td>
<td>(2)</td>
<td>(23)</td>
<td>3,662</td>
</tr>
<tr>
<td>EBIT excl share of net loss from associates &amp; joint venture entities</td>
<td>3,697</td>
<td>(9)</td>
<td>(22)</td>
<td>5</td>
<td>(2)</td>
<td>(23)</td>
<td>3,662</td>
</tr>
<tr>
<td>Interest expense</td>
<td>1,270</td>
<td>(17)</td>
<td>(48)</td>
<td>(182)</td>
<td>(25)</td>
<td>(26)</td>
<td>(267)</td>
</tr>
<tr>
<td>Net borrowing cost (i)</td>
<td>371</td>
<td>0</td>
<td>0</td>
<td>(1)</td>
<td>0</td>
<td>(1)</td>
<td>370</td>
</tr>
<tr>
<td>Tax (excl. unusuals effect) (i)</td>
<td>970</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>(8)</td>
<td>971</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>3,318</td>
<td>(9)</td>
<td>(22)</td>
<td>5</td>
<td>(1)</td>
<td>4</td>
<td>(23)</td>
</tr>
<tr>
<td>Earnings per share (12581.03m shares)</td>
<td>18.5</td>
<td>18.5</td>
<td>17.9</td>
<td>17.0</td>
<td>16.3</td>
<td>17.9</td>
<td></td>
</tr>
</tbody>
</table>

(i) write-off of fresh start-up costs  
(ii) refer to page 45 for product reconciliation  
(iii) refer to page 20 for details of reclassification adjustments  
(iv) refer to page 31 for details of reclassification adjustments

Note: (i) Underlying interest & tax calculations represent management's best estimates N/M refers to not meaningful
### Adjustments to derive Underlying results

<table>
<thead>
<tr>
<th>(A) Asset Sales ($m)</th>
<th>31 Dec 2004</th>
<th>31 Dec 2004</th>
<th>Profit</th>
<th>Tax Effect @30%</th>
<th>Profit after tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Building sales</td>
<td>10</td>
<td>13</td>
<td>6</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Investment sales</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Total Property Plant and Equipment Sales</td>
<td>26</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Asset/Investment Sales and other costs</td>
<td>26</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(A) Asset Sales ($m)</th>
<th>31 Dec 2003</th>
<th>31 Dec 2003</th>
<th>Profit</th>
<th>Tax Effect @30%</th>
<th>Profit after tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Building sales</td>
<td>42</td>
<td>6</td>
<td>36</td>
<td>2</td>
<td>36</td>
</tr>
<tr>
<td>Investment sales</td>
<td>179</td>
<td>21</td>
<td>158</td>
<td>2</td>
<td>158</td>
</tr>
<tr>
<td>Total Property Plant and Equipment Sales</td>
<td>221</td>
<td>27</td>
<td>194</td>
<td>2</td>
<td>192</td>
</tr>
<tr>
<td>IBMGSA Exit Costs</td>
<td>130</td>
<td>(130)</td>
<td>(39)</td>
<td>(39)</td>
<td></td>
</tr>
<tr>
<td>Total Asset/Investment Sales and other costs</td>
<td>221</td>
<td>157</td>
<td>84</td>
<td>101</td>
<td></td>
</tr>
</tbody>
</table>
# Revenue

**Quarterly Data**

**Quarter Ended 31 December 2004**

<table>
<thead>
<tr>
<th>Summary Underlying Quarterly Data</th>
<th>Q1 Sep-03</th>
<th>QTR PCP</th>
<th>Q2 Dec-03</th>
<th>QTR PCP</th>
<th>Half 1 Dec-03</th>
<th>YTD PCP</th>
<th>Q3 Mar-04</th>
<th>QTR PCP</th>
<th>Half 1 Jun-04</th>
<th>YTD PCP</th>
<th>Q4 Jun-04</th>
<th>QTR PCP</th>
<th>Full Year YTD PCP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>848</td>
<td>6.6%</td>
<td>886</td>
<td>6.7%</td>
<td>1,736</td>
<td>6.1%</td>
<td>855</td>
<td>6.9%</td>
<td>1,176</td>
<td>7.4%</td>
<td>877</td>
<td>6.6%</td>
<td>5,044</td>
</tr>
<tr>
<td>Mobile services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile handsets</td>
<td>97</td>
<td>40.6%</td>
<td>89</td>
<td>42.7%</td>
<td>186</td>
<td>8.1%</td>
<td>79</td>
<td>24.0%</td>
<td>365</td>
<td>11.8%</td>
<td>87</td>
<td>28.0%</td>
<td>952</td>
</tr>
<tr>
<td>Internet and IP solutions</td>
<td>237</td>
<td>24.7%</td>
<td>232</td>
<td>14.9%</td>
<td>460</td>
<td>19.7%</td>
<td>255</td>
<td>20.3%</td>
<td>289</td>
<td>20.8%</td>
<td>1,013</td>
<td>24.0%</td>
<td>310</td>
</tr>
<tr>
<td>PSTN products</td>
<td>794</td>
<td>3.6%</td>
<td>819</td>
<td>3.5%</td>
<td>1,550</td>
<td>7.5%</td>
<td>795</td>
<td>3.2%</td>
<td>832</td>
<td>11.2%</td>
<td>5,375</td>
<td>3.3%</td>
<td>1,176</td>
</tr>
<tr>
<td>Basic access</td>
<td>394</td>
<td>(0.8%)</td>
<td>384</td>
<td>(3.8%)</td>
<td>778</td>
<td>(2.3%)</td>
<td>370</td>
<td>(3.6%)</td>
<td>356</td>
<td>(8.0%)</td>
<td>1,504</td>
<td>(4.0%)</td>
<td>335</td>
</tr>
<tr>
<td>Local calls</td>
<td>68</td>
<td>0.0%</td>
<td>66</td>
<td>10.8%</td>
<td>134</td>
<td>5.0%</td>
<td>122</td>
<td>4.4%</td>
<td>259</td>
<td>9.2%</td>
<td>759</td>
<td>(20.9%)</td>
<td>683</td>
</tr>
<tr>
<td>National long distance calls</td>
<td>292</td>
<td>2.5%</td>
<td>286</td>
<td>4.0%</td>
<td>578</td>
<td>(0.7%)</td>
<td>278</td>
<td>3.5%</td>
<td>265</td>
<td>(9.2%)</td>
<td>1,031</td>
<td>(3.3%)</td>
<td>262</td>
</tr>
<tr>
<td>Fixed to fixed</td>
<td>40</td>
<td>6.4%</td>
<td>40</td>
<td>6.6%</td>
<td>808</td>
<td>37.6%</td>
<td>398</td>
<td>11.5%</td>
<td>301</td>
<td>8.7%</td>
<td>1,597</td>
<td>3.3%</td>
<td>866</td>
</tr>
<tr>
<td>International direct</td>
<td>68</td>
<td>(15.0%)</td>
<td>71</td>
<td>(12.3%)</td>
<td>139</td>
<td>(13.7%)</td>
<td>139</td>
<td>(13.7%)</td>
<td>122</td>
<td>(12.3%)</td>
<td>62</td>
<td>(12.7%)</td>
<td>62</td>
</tr>
<tr>
<td>Total PSTN products</td>
<td>2,015</td>
<td>2.5%</td>
<td>2,033</td>
<td>2.5%</td>
<td>4,047</td>
<td>1.5%</td>
<td>3,980</td>
<td>1.0%</td>
<td>1,968</td>
<td>0.9%</td>
<td>7,894</td>
<td>0.9%</td>
<td>2,197</td>
</tr>
</tbody>
</table>

## Data and Internet

**Selected Data**

<table>
<thead>
<tr>
<th>Mobile services (number of customers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,720</td>
</tr>
<tr>
<td>14.2%</td>
</tr>
<tr>
<td>6,985</td>
</tr>
<tr>
<td>14.5%</td>
</tr>
<tr>
<td>7,169</td>
</tr>
<tr>
<td>13.1%</td>
</tr>
<tr>
<td>7,604</td>
</tr>
<tr>
<td>15.8%</td>
</tr>
<tr>
<td>7,604</td>
</tr>
<tr>
<td>15.8%</td>
</tr>
<tr>
<td>7,665</td>
</tr>
<tr>
<td>14.1%</td>
</tr>
<tr>
<td>7,983</td>
</tr>
<tr>
<td>14.3%</td>
</tr>
<tr>
<td>7,983</td>
</tr>
<tr>
<td>14.3%</td>
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</tbody>
</table>

## Other Revenue

<table>
<thead>
<tr>
<th>PayTV</th>
</tr>
</thead>
<tbody>
<tr>
<td>142</td>
</tr>
<tr>
<td>2.9%</td>
</tr>
<tr>
<td>140</td>
</tr>
<tr>
<td>3.7%</td>
</tr>
<tr>
<td>282</td>
</tr>
<tr>
<td>3.3%</td>
</tr>
<tr>
<td>282</td>
</tr>
<tr>
<td>3.3%</td>
</tr>
<tr>
<td>282</td>
</tr>
<tr>
<td>3.3%</td>
</tr>
<tr>
<td>574</td>
</tr>
<tr>
<td>4.5%</td>
</tr>
<tr>
<td>152</td>
</tr>
<tr>
<td>8.4%</td>
</tr>
<tr>
<td>1,035</td>
</tr>
<tr>
<td>5.7%</td>
</tr>
<tr>
<td>246</td>
</tr>
<tr>
<td>1.6%</td>
</tr>
<tr>
<td>495</td>
</tr>
<tr>
<td>4.1%</td>
</tr>
<tr>
<td>1,015</td>
</tr>
<tr>
<td>2.8%</td>
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## Statistical data

<table>
<thead>
<tr>
<th>PayTV</th>
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</thead>
<tbody>
<tr>
<td>493</td>
</tr>
<tr>
<td>8.6%</td>
</tr>
<tr>
<td>282</td>
</tr>
<tr>
<td>3.3%</td>
</tr>
<tr>
<td>282</td>
</tr>
<tr>
<td>3.3%</td>
</tr>
<tr>
<td>282</td>
</tr>
<tr>
<td>3.3%</td>
</tr>
<tr>
<td>574</td>
</tr>
<tr>
<td>4.5%</td>
</tr>
<tr>
<td>152</td>
</tr>
<tr>
<td>8.4%</td>
</tr>
<tr>
<td>1,035</td>
</tr>
<tr>
<td>5.7%</td>
</tr>
<tr>
<td>246</td>
</tr>
<tr>
<td>1.6%</td>
</tr>
<tr>
<td>495</td>
</tr>
<tr>
<td>4.1%</td>
</tr>
<tr>
<td>1,015</td>
</tr>
<tr>
<td>2.8%</td>
</tr>
</tbody>
</table>

## Footnotes:


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

(iii) Mobile services in Operation(SI0s) 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 155,000 and 144,000 incontact services. The current period has an exclusion of 84,000 incontact services.
<table>
<thead>
<tr>
<th>Product category</th>
<th>Reported previously released Dec-03 $m</th>
<th>Reported New Hierarchy Dec-03 $m</th>
<th>Movement $m</th>
<th>Included Amount $m</th>
<th>Excluded Amount $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile services</td>
<td>1,733</td>
<td>1,740</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile handsets</td>
<td>186</td>
<td>186</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Mobiles</td>
<td>1,919</td>
<td>1,926</td>
<td>7</td>
<td>CDMA Wholesale Domestic Resale 7</td>
<td></td>
</tr>
<tr>
<td>Internet and IP solutions</td>
<td>463</td>
<td>469</td>
<td>6</td>
<td>Wholesale Access Other (incl HDSL) 5</td>
<td></td>
</tr>
<tr>
<td>PSTN products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic access</td>
<td>1,610</td>
<td>1,610</td>
<td>0</td>
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<tr>
<td>Local calls</td>
<td>778</td>
<td>778</td>
<td>(0)</td>
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<td></td>
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<tr>
<td>PSTN value added services</td>
<td>114</td>
<td>114</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National long distance calls</td>
<td>578</td>
<td>578</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed to mobile</td>
<td>808</td>
<td>808</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International direct</td>
<td>139</td>
<td>139</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total PSTN products</td>
<td>4,047</td>
<td>4,047</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialised Data</td>
<td>509</td>
<td>516</td>
<td>7</td>
<td>Wholesale ATM 7</td>
<td></td>
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<tr>
<td>ISDN Products</td>
<td>471</td>
<td>473</td>
<td>2</td>
<td>Wholesale ATM 7</td>
<td></td>
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<tr>
<td>Advertising and Directories</td>
<td>760</td>
<td>769</td>
<td>0</td>
<td>Wholesale Access Other (incl HDSL) 7</td>
<td></td>
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<tr>
<td>Inter carrier services</td>
<td>583</td>
<td>563</td>
<td>(20)</td>
<td>Wholesale Access Other (incl HDSL) 7</td>
<td></td>
</tr>
<tr>
<td>Inbound calling products</td>
<td>238</td>
<td>238</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solutions management</td>
<td>233</td>
<td>243</td>
<td>10</td>
<td>eBusiness Solutions 10</td>
<td></td>
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<tr>
<td>Hong Kong CSL</td>
<td>377</td>
<td>377</td>
<td>0</td>
<td></td>
<td></td>
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<tr>
<td>Telstra Clear</td>
<td>282</td>
<td>282</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various controlled entities (excl HK CSL &amp; Telstra Clear)</td>
<td>79</td>
<td>-</td>
<td>(79)</td>
<td>Offshore services revenue 48</td>
<td></td>
</tr>
<tr>
<td>Offshore Services Revenue</td>
<td>-</td>
<td>48</td>
<td>48</td>
<td>Offshore services revenue 48</td>
<td></td>
</tr>
<tr>
<td>Pay TV Bundling</td>
<td>-</td>
<td>65</td>
<td>65</td>
<td>Pay TV Bundling 65</td>
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</tr>
<tr>
<td>Customer premises equipment</td>
<td>92</td>
<td>92</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payphones</td>
<td>72</td>
<td>72</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other sales &amp; service</td>
<td>322</td>
<td>276</td>
<td>(46)</td>
<td>Microlink Rental Semi Permanent Circuits 21</td>
<td></td>
</tr>
<tr>
<td>Sales revenue</td>
<td>10,456</td>
<td>10,456</td>
<td>0</td>
<td></td>
<td>162</td>
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<tr>
<td>Other revenue</td>
<td>370</td>
<td>370</td>
<td>-</td>
<td></td>
<td>162</td>
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<tr>
<td>Total revenue</td>
<td>10,826</td>
<td>10,826</td>
<td>0</td>
<td></td>
<td>162</td>
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</tbody>
</table>
## Statement of Financial Position - detail

### Half Year Ended 31 December 2004

<table>
<thead>
<tr>
<th></th>
<th>2004 (in $ millions)</th>
<th>2003</th>
<th>Change</th>
<th>Change %</th>
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</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Assets</td>
<td>1,102</td>
<td>559</td>
<td>543</td>
<td>97.1</td>
</tr>
<tr>
<td>Receivables</td>
<td>3,942</td>
<td>3,656</td>
<td>286</td>
<td>7.8</td>
</tr>
<tr>
<td>Inventories</td>
<td>214</td>
<td>239</td>
<td>(25)</td>
<td>(10.5)</td>
</tr>
<tr>
<td>Other Assets</td>
<td>812</td>
<td>674</td>
<td>138</td>
<td>20.5</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>6,070</td>
<td>5,128</td>
<td>942</td>
<td>18.4</td>
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<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>614</td>
<td>596</td>
<td>18</td>
<td>3.0</td>
</tr>
<tr>
<td>Inventories</td>
<td>9</td>
<td>14</td>
<td>(5)</td>
<td>(35.7)</td>
</tr>
<tr>
<td>Investments - accounted for using the equity method</td>
<td>48</td>
<td>113</td>
<td>(65)</td>
<td>(57.5)</td>
</tr>
<tr>
<td>Investments - other</td>
<td>78</td>
<td>80</td>
<td>(2)</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>23,324</td>
<td>22,666</td>
<td>658</td>
<td>2.9</td>
</tr>
<tr>
<td>Intangibles - goodwill</td>
<td>2,354</td>
<td>1,958</td>
<td>396</td>
<td>20.2</td>
</tr>
<tr>
<td>Intangibles - other</td>
<td>1,630</td>
<td>1,050</td>
<td>580</td>
<td>55.2</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,361</td>
<td>2,428</td>
<td>(67)</td>
<td>(2.8)</td>
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<td><strong>Total Non-Current Assets</strong></td>
<td>30,418</td>
<td>28,905</td>
<td>1,513</td>
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</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>36,488</td>
<td>34,033</td>
<td>2,455</td>
<td>7.2</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>2,665</td>
<td>1,944</td>
<td>721</td>
<td>37.1</td>
</tr>
<tr>
<td>Income Tax Payable</td>
<td>500</td>
<td>356</td>
<td>144</td>
<td>40.4</td>
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<tr>
<td>Provisions</td>
<td>385</td>
<td>371</td>
<td>14</td>
<td>3.8</td>
</tr>
<tr>
<td>Revenue Received in Advance</td>
<td>958</td>
<td>864</td>
<td>94</td>
<td>10.9</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>7,868</td>
<td>5,023</td>
<td>2,845</td>
<td>56.6</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>142</td>
<td>42</td>
<td>100</td>
<td>238.1</td>
</tr>
<tr>
<td>Provision for Deferred Tax</td>
<td>1,885</td>
<td>1,895</td>
<td>(10)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Revenue Received in Advance</td>
<td>393</td>
<td>405</td>
<td>(12)</td>
<td>(3.0)</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>13,366</td>
<td>13,900</td>
<td>(534)</td>
<td>(3.8)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>21,234</td>
<td>18,923</td>
<td>2,311</td>
<td>12.2</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>15,254</td>
<td>15,110</td>
<td>144</td>
<td>1.0</td>
</tr>
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</table>

### Shareholders Equity

<table>
<thead>
<tr>
<th></th>
<th>2004 (in $ millions)</th>
<th>2003</th>
<th>Change</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed Equity</td>
<td>5,793</td>
<td>6,073</td>
<td>(280)</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Reserves</td>
<td>(160)</td>
<td>(205)</td>
<td>45</td>
<td>(22.0)</td>
</tr>
<tr>
<td>Retained Profits</td>
<td>9,619</td>
<td>9,240</td>
<td>379</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Shareholders’ equity available to Telstra Entity Shareholders</strong></td>
<td>15,252</td>
<td>15,108</td>
<td>144</td>
<td>1.0</td>
</tr>
</tbody>
</table>

### Outside Equity Interest

<table>
<thead>
<tr>
<th></th>
<th>2004 (in $ millions)</th>
<th>2003</th>
<th>Change</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed Equity</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Retained Profits</td>
<td>0</td>
<td>1</td>
<td>(1)</td>
<td>(100.0)</td>
</tr>
<tr>
<td><strong>Total Outside Equity Interest</strong></td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Shareholders Equity</strong></td>
<td>15,254</td>
<td>15,110</td>
<td>144</td>
<td>1.0</td>
</tr>
</tbody>
</table>