stable strong solid

A progress report

Half-year Report 2002

Contents

stable position

A full service, fully integrated telco with leading positions in mobiles, data and Internet

strong business

Australia's strongest domestic telecommunications business and leading brand, with international interests positioned to make important contributions in the years ahead

solid financially

Solid result. Strong free cash flows with AA- credit ratings, solid margins and return on equity

Dear fellow shareholders,

It's been a demanding first half of the financial year for Telstra Corporation – and yet your company has delivered in the important areas.

Telstra performed well in earnings before interest and taxes, market shares and revenues, cash flow, operating expenses, capital expenditure management, customer service and dividends to shareholders. It has achieved a good, solid result in a very challenging domestic and international environment.

Growth in both revenues and profits remain subdued, as we predicted. However, throughout this period of industry slowdown, restructure and reform, Telstra has lost none of its focus or energy.

Telstra's headline net profit of $2.1 billion is 20 per cent down on the previous corresponding half. However, if we remove the one-off adjustments from the prior period (including superannuation write-back and the partial sale of Computershare) we can see the real performance of the business.

On this basis the underlying earnings before interest and taxes (EBIT) grew 2 per cent to $3.6 billion – a solid performance. Our continued rigour on cost control and a strong performance from our mobiles business being important contributions to this result.

Free cash flow growth of 16 per cent is again strong – unlike many other telecommunications companies. Our balance sheet remains rock solid and we have a AA- credit rating shared by only a few of our global peers in the industry.

Our service levels are the best we've ever achieved for installing services and fixing faults. Figures released by the Australian Communications Authority in December reveal that for the first time, Telstra nationally reached or exceeded 90 per cent compliance with legislated benchmarks for telephone connection and repair times for urban, rural and remote customers.

Customer complaints against Telstra are down (even though they're up for the industry as a whole), reflecting our targeted spending on maintaining and improving the quality of our network.

Customers, particularly those seeking higher value, are staying with Telstra.

We continued to allocate capital carefully. We improved project management, control on spending is tighter and we're getting better value from our suppliers. Going forward, we will maintain our efficiency in this area. We will continue to spend prudently to improve the quality of our networks and service performance. This is fundamental to our dealings with our customers, their level of customer satisfaction and – it follows – to driving shareholder value.

Telstra has a solid balance sheet.

The first half dividend is 11 cents per share – fully franked. This is a 38 per cent increase on the previous corresponding half-year's 8 cents per share. However you should not assume the full-year dividend will automatically go up as well.

First-half activity

Over the six months, we have had success with a number of our competitive initiatives, including developing and marketing of packages, or bundles of our products and services, price rebalancing, single bill and churn management.

We've made some excellent gains in key areas – continuing to improve service, delivering better value to customers and achieving greater organisational efficiency. All are critical to long-term shareholder value.

We have a simple equation at Telstra: improved service = satisfied customers = satisfied shareholders.

Telstra continues to deliver on cost control as it must – and the rigour will continue as part of wider productivity improvements.

Our success in this area does more than protect our margins and improve the bottom line. It gives us more room to invest in key areas. It means our suppliers must be as disciplined as we are. We are driving out waste and bureaucracy from our systems. We are focusing on what's important – sound strategic thinking and customer and shareholder value. In short, we are improving our whole way of working.

Our mobiles business has produced an excellent result with services in operation again growing strongly. The introduction of Mobile Number Portability during the period was a technical and commercial success. Growth in mobile data revenues, particularly from Short Message Service (SMS) was a feature with now over one-third of our subscribers using this service.

Our broadbanding of Australia via cable, Asymmetric Digital Subscriber Line (ADSL) and satellite continued at a pace to give all Australians access to very fast Internet links.

In the pricing area, we rebalanced access with call costs and changed our pricing structure for broadband offerings to better reflect our cost structure in providing the service.

- Developments in FOXTEL and our directories business Pacific Access
- Growth in corporate data traffic in line with economic recovery
- Further industry consolidation
- On the international front, our careful international expansion strategy will continue. Our international interests in Asia and New Zealand are positioned to make important contributions in the years ahead.

Delivering on strategy

At a time when the industry continues to consolidate, recover from the dot.com era fall-out, and grow itself out of the sectoral slowdown, the company is in excellent shape financially, strategically and organisationally.

We're stable and on track.

Outlook

Predicting the next few months in this ever-changing industry is not easy, but looking ahead we do expect to see –

- Telstra's revenues growing faster than expenses. We will continue to deliver on costs. Margins will be maintained, or increase slightly; capital spending will remain disciplined; and strong free cash flow growth from Telstra's core businesses will continue
- Continued mobiles growth as we aggressively pursue opportunities in new data applications, focusing on improved content and customised offerings
- Accelerated marketing of our broadband services via our delivery mix of ADSL, cable and satellite

We're strong. We're lean. We're fit. We have the brand, networks, products, services and the people. We are the nation's full service, fully integrated telecommunications company with leading positions in mobiles, data and Internet – leveraged to the return of growth in our industry and committed to delivering sustainable value to our customers and shareholders.

Bob Mansfield
Chairman

Ziggy Switkowski
Chief Executive Officer
and Managing Director

financial highlights

a good, solid result – achieved in a very demanding domestic and international environment

		6 months to Dec 2001 A$m	6 months to Dec 2000 A$m	change %
	Total revenue	10,612	11,311	(6.2)
	Total expenses	7,519	7,269	3.4
1	Underlying EBIT[(a)]	3,583	3,514	2.0
	Profit before income tax expense	3,093	4,042	(23.5)
	Net profit attributable to shareholders	2,098	2,623	(20.0)
	Earnings per share	16.3¢	20.4¢	(20.0)
2	Interim dividend per share*	11.0¢	8.0¢	37.5
	Number of full-time equivalent staff	47,740	49,603	(3.8)

1 Underlying EBIT[(a)]

2.0%

to $3.6 billion

2 Interim dividend

3.0¢

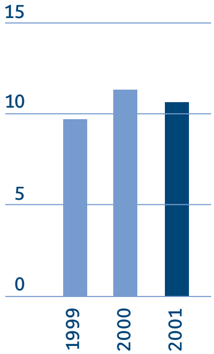
to 11.0 cents fully franked

(a) Underlying earnings before interest and taxes (EBIT). This result is produced to allow a like for like comparison by removing those items which are either not comparable in nature (eg. owing to structural changes such as acquisitions/disposals), significant and non recurring, or not part of the core operations of the business. These adjustments have included the acquisition of our controlled entities Regional Wireless Company (RWC), TelstraClear and Keycorp, asset sales including the sale of our global wholesale business to form our Asian joint venture Reach, redundancy costs, adoption of a new revenue recognition policy (SAB 101), investment write downs and superannuation writeback.

* The 31 December 2001 interim dividend is scheduled to be paid on 29 April 2002, to shareholders who are registered as a shareholder on 22 March 2002, and will be fully franked at an income tax rate of 30 per cent.

Total revenue

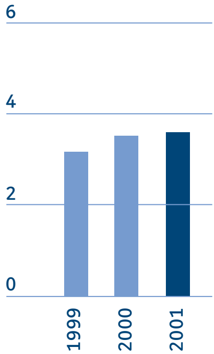
Billions of dollars



6 months to:
Dec '99; Dec '00; Dec '01.

Underlying EBIT

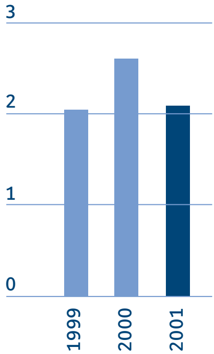
Billions of dollars



6 months to:
Dec '99; Dec '00; Dec '01.

Net profit attributable to shareholders

Billions of dollars

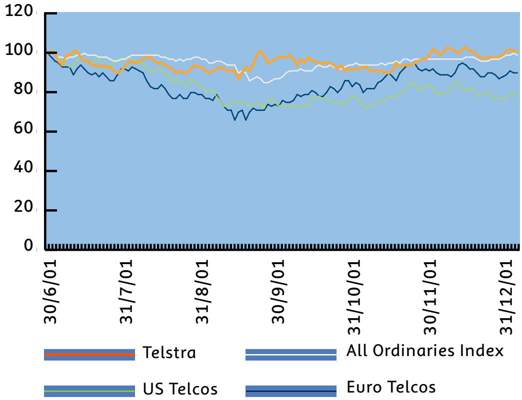


6 months to:
Dec '99; Dec '00; Dec '01.

Telecommunications

During the six months to 31 December 2001, Telstra's share price moved from $5.36 to close at $5.44. The graph on the right shows that in relative terms Telstra's share price has performed significantly better than key US and European telco indices. (Telstra's share price and the comparative indices have been indexed at 100 as at 30 June 2001 to allow a meaningful comparison)

Telstra vs International Telco Indices and All Ordinaries Index



domestic retail >

- voice
- data
- bundled services
- customer service
- mobiles

customer intimacy and operational excellence

We are focusing on three key areas in this core part of our business – operational excellence, customer intimacy and process improvement. We seek to provide the best quality systems and support for our staff to help them better understand customers, consult with them and be responsive to their needs and expectations – thus improving service and value.

Customers

We launched a number of customer experience principles to guide staff in delivering superior service. Significantly, they're from the customer's perspective –

- Keep it simple
- Know who I am and recognise me when we contact each other
- Be easy to deal with
- Communicate with me effectively
- Keep your promises
- Deliver real value to me
- Don't ever put my business or interests at risk

In September 2001, we launched a new company-wide 'numbers' advertising campaign designed to deliver a fresh, vibrant look to our communications with consumer customers. It is proving to be one of our most successful campaigns, with research indicating it is striking a positive chord with customers.

We further rebalanced pricing to bring the line rental charge closer to what it actually costs Telstra to provide access to our networks. At the same time new calling charges were introduced on 1 September 2001 to provide improved value to customers. These included a number of free standard local calls per month, pensioner concessions and specials on STD and international calls.

We're pleased to report that our market share continued to be stable over the half-year. As with our service performance improvement, we've worked very hard in this area, with value, service, pricing, bundling and single bill all being contributing factors.

Performance indicators (approximate): Half-year ended December	2001	2000	% change
Local calls (number of calls)	5,511,000,000	5,675,000,000	(2.9)
National long distance minutes	6,299,000,000	6,065,000,000	3.9
International outgoing minutes	419,000,000	374,000,000	12.0
Calling number display customers	855,000	676,000	26.5
Fixed line MessageBank® customers	1,440,000	1,334,000	7.9

During the half-year we saw the establishment of Telstra's Global Business Sales division, which has offshore offices focused on providing global account management for its multinational customers and seeking global opportunities with companies having a presence in Australia.

Mobiles

The mobiles phenomenon is now into its next exciting stage – much higher speed data racing over a range of wireless handheld devices. At Telstra, we have always been optimistic about the opportunities for wireless products and services in Australia and Asia. Our confidence remains undiminished.

MNP

MNP – Mobile Number Portability – which allows customers to keep the same mobile phone number if they decide to move between phone carriers – was introduced on 25 September 2001. So far, it's a win for Telstra. Customer inflows and outflows have cancelled each other out, while the customers we are attracting are tending to be higher value.

GPRS

We launched a range of new General Packet Radio Service (GPRS) handsets to give customers much faster wireless data services (up to three times the data transmission speed of a normal handset) over the GSM mobile network.

Currently customers can synchronise their PDAs (Personal Digital Assistants – hand held electronic organisers) with their GPRS handset to achieve wireless Internet connectivity. PDA's with GPRS cards that act like a wireless modem are expected to be available this year.

In 2002 there will be a number of corporate applications for wireless access to corporate intranets and productivity tools for remote access to email over GPRS.

We are trialling a technology called 1xRTT which will increase data speeds on CDMA mobile phones.

Wireless data

People are taking the first step on the wireless data journey – Short Message Service (SMS) – in astonishing numbers. In December 2001 our customers sent 81 million SMS messages. There were 5.8 million messages on Christmas Day and 5.5 million on New Year's Day. The take-up rate for SMS is around 8-9 per cent per month.

Handset subsidies

We removed mobile handset subsidies, significantly reduced the number of pricing plans and offered loyalty incentives. It's all about focusing on value – for customers and for shareholders. There's still plenty of growth left in the mobiles market – we expect the current 60 per cent mobiles penetration (which the handset subsidies played a large part in achieving) to reach more than 80 per cent in a couple of years.

81 million SMS messages were sent during December 2001

Performance indicators (approximate): Half-year ended December	2001	2000	% change
Mobile telephone minutes	2,911,000,000	2,712,000,000	7.3
Mobile telephone customers			
Digital – GSM	5,113,000	4,333,000	18.0
Digital – CDMA	523,000	395,000	32.4
Total mobile customers	5,636,000	4,728,000	19.2

applications and content>

- Internet
- broadband
- pay TV
- directories

broadbanding Australia

Broadbanding Australia remains a key priority and growth opportunity for Telstra.

Our three broadband delivery platforms – ADSL (delivered over existing copper lines), cable (which also supplies FOXTEL pay TV) and satellite (available everywhere and ideal for rural and remote areas) – now combine to enable access across the whole of Australia.

We now have over one million Telstra BigPond™ customers either using broadband or dial up access. We reconfirm our target of attracting over one million customers to Telstra Broadband services by the middle of this decade.

We have restructured both narrowband and broadband pricing. One example of this is our new broadband pricing. It is now based on the volume of data a user downloads rather than on hours of access time. The move puts pricing in line with our cost structure and benefits home users who spend time on the Internet, but have no need to download large volumes of data.

Our 50% owned pay TV business FOXTEL continues to go from strength to strength. At the end of December 2001 it had 774,000 customers – three times more than five years ago.

wholesale

access to our networks

The economic slowdown and industry rationalisation has meant slower growth in our wholesale business. However it remains a key part of our strategy for growth.

Telstra Wholesale sells access to our networks, as well as specially designed products (particularly in the broadband area), to other communications companies, who then provide telecommunications and/or Internet services to their own customers.

There are more than 800 Internet and telecommunications service providers in Australia. About 100 are Telstra Wholesale customers.

we conduct around 10,750 field visits every day

Performance indicators (approximate): Half-year ended December	2001	2000	% change
Broadband Internet subscribers	122,000	67,000	82.1
Narrowband Internet subscribers	1,280,000	796,000	60.8
Total BigPond™ subscribers	1,402,000	863,000	62.5
PayTV services in operation (FOXTEL)	774,000	700,000	10.6

infrastructure services>

• technical excellence
• networks
• customer service

showing our technical excellence

Telstra really showed its technical excellence in a number of infrastructure projects undertaken during the six months.

MNP

The introduction of Mobile Number Portability (MNP) was a critical project for us. On behalf of the mobiles industry, we built a system that enabled other carriers' mobile systems to 'talk' to one another. We also made major changes in all network-based products, systems and processes that had previously relied on number analysis for routing and billing – a highly challenging task. Telstra achieved a best in class performance. The overseas experience had been that it took one to two days, and even longer, to move customers between mobile carriers. The Telstra-built system does it in less than three hours!

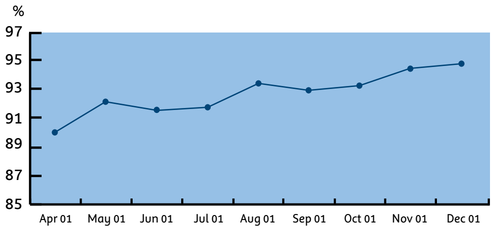
SMS

Telstra improved Short Message Service (SMS) by initiating a technically complex project with other carriers to deliver an SMS interconnect system. The system allows messages to be sent and received between the GSM and CDMA networks of different carriers, within an MNP environment. We subsequently introduced additional features allowing the customers of other CDMA carriers to send and receive SMS messages when roaming on Telstra's CDMA network.

Upgrade of intercapital fibre

Telstra completed a detailed technical and economic study of its existing intercapital transmission network, in order to determine the lowest cost option to meet its future capacity requirements. The study found that the most economic option is to increase capacity on our existing intercapital optical fibre network by upgrading the speed – thus confirming our ability to effectively leverage our existing network to deliver cost benefits to customers.

New service within CSG guidelines



Source: Australian Communications Authority service performance report

Telstra reached 90 per cent or above compliance for connections and repairs in all demographic categories covered by the Customer Service Guarantees (CSGs). Telstra fixed 92 per cent of faults and met 94 per cent of appointments within CSG timeframes, the best results on record.

and install around 8,550 services per day

Performance indicators (approximate): Half-year ended December	2001	2000	% change
Basic access lines in service			
Residential	6,280,000	6,200,000	1.3
Business	2,400,000	2,400,000	0.0
Domestic wholesale	1,320,000	1,470,000	(10.2)
Total	10,000,000	10,070,000	(0.7)
ISDN access line (equivalents)	1,320,400	1,175,200	12.4

international

positioning for the years ahead

We have strengthened our position in the New Zealand market, our Asian businesses are performing well and we are looking at opportunities in China. Our offshore assets are positioned to make important contributions in the years ahead. Further opportunity remains for sensible additions and acquisitions throughout Asia.

New Zealand

In December 2001, TelstraSaturn acquired CLEAR Communications (a 100 per cent British Telecom subsidiary) – funding the transaction by a combination of debt and equity provided by Telstra. TelstraSaturn changed its name to TelstraClear, creating the second largest full service telecommunications operator in New Zealand. Telstra's shareholding increased to 58.4 per cent. TelstraClear will serve more than 300,000 business and residential customers in major cities and more than 30 regional centres throughout New Zealand. The company now provides voice, data, Internet, mobile, managed services and cable TV to 11 per cent of the New Zealand market.

CSL

The Hong Kong economy has slowed – yet CSL has continued to outperform its competitors in terms of average revenue per user, network quality and retaining customers. CSL has around 20 per cent of the market and about 30 per cent of the total market revenue, with many premium customers. It's making money, has a strong balance sheet and is debt free.

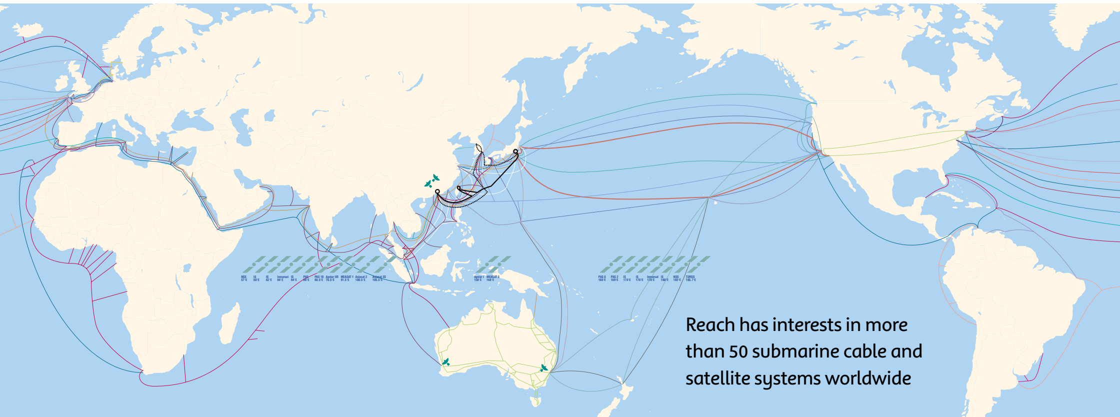
Reach

Reach's performance has been satisfactory given the highly competitive market and it has continued to position itself well for the future. In December 2001, Reach successfully acquired the Asian business and assets of Level 3 on very favourable terms. The Level 3 deal gives Reach low cost bandwidth in the Asia Pacific region, putting Reach in a good position to compete and accelerating its entry into the key markets of Japan, South Korea and Taiwan. Ongoing market consolidation in the region should benefit Reach.

China

Subsequent to the initial co-operation agreement with China Unicom in March 2001, Telstra and China Unicom signed an extended Memorandum of Understanding in November 2001 to jointly explore business partnerships and opportunities in China.

This is a milestone for Telstra in realising our business aspirations in China, following our involvement in several technical consultancy projects in relation to the rollout of CDMA networks by China Unicom. We'll be working in the coming months to identify and evaluate various business opportunities in China.



Reach has interests in more than 50 submarine cable and satellite systems worldwide

regional and rural Australia

TCW's regional commitment

Telstra Country Wide™ (TCW) continued its solid performance since it was established as a separate business entity to service our regional customers in June 2000. Highlights over the six months include improved communications for remote customers, new local service and sales support channels, further development of the CDMA mobile network and Internet price and accessibility advances.

Local presence

The local on-the-ground presence of TCW's 28 Area General Managers and their teams located in 32 area offices across Australia remains the key to its success. They are able to make decisions based on local circumstances, which means quicker responses and the most relevant, effective solutions for customers.

TCW began implementing a number of projects to further improve the access of rural and regional customers to Telstra services. This included the opening of five Telstra Country Shops in Queensland, NSW, and Victoria as part of a new retail concept to give country people more face-to-face sales and service options. A further 20 shops are planned by June 2003.

As well, in very small communities where there is no direct Telstra presence, we have established a network of authorised agents in locations such as milk bars, newsagencies and pharmacies to be the Local Face of Telstra.

Untimed local call

On 31 July 2001, Telstra switched on untimed local calls for some 28,000 customers in Extended Zones in rural and remote areas, having won a $150 million Commonwealth Government contract to upgrade the telephone network in these areas.

Mobiles

Telstra extended the CDMA digital mobile phone network, understanding that mobile phone coverage is one of the biggest issues for rural and regional customers. CDMA is the largest network in the country, covering more than one million square kilometres. We are undertaking trials in some areas, notably King Island in Bass Strait and Toowoomba in Queensland, to use the CDMA mobile network to operate a fixed phone network delivering telephony services, where for technical or economic reasons it is not feasible to run a fixed network.

Telstra has upgraded regional exchanges so many rural and remote customers can access calling features such as Homeline™ that other customers take for granted.

Internet

We are delivering on our commitment to provide high-speed Telstra BigPond™ Internet access to regional and rural Australia using both ADSL and satellite technologies. Some 122 regional exchanges had ADSL capability up to 31 December 2001 as part of an ongoing rollout. In the same month Telstra's BigPond™ broadband satellite two-way service, which allows customers in rural and remote areas to both send and receive information over the Internet at high speed, became commercially available to all customers throughout Australia.

Service

We continued to improve service performance, in particular the time taken to connect and repair services and meet additional demand. However, we recognise we still need to make further improvements in this area and have introduced initiatives to address this.

statement of financial performance

		6 months to Dec 2001 A$m	6 months to Dec 2000 A$m	change %
	Sales revenue	10,266	9,758	5.2
1	Total revenue	10,612	11,311	(6.2)
2	Total expenses	7,519	7,269	3.4
3	Underlying EBIT[(a)]	3,583	3,514	2.0
	Profit before income tax expense	3,093	4,042	(23.5)
	Income tax expense	**992**	1,420	**(30.1)**
	Net profit	2,101	2,622	(19.9)
	Minority interests	(3)	1	(400.0)
	Net profit attributable to shareholders	**2,098**	**2,623**	**(20.0)**
	Dividend declared*	1,415	1,029	37.5
4	**Interim dividend per share (cents)***	**11.0**	**8.0**	**37.5**
	Basic earnings per share (cents)	**16.3**	**20.4**	**(20.0)**
	Dividend franking percentage at 30% tax rate (2000: 34%)	100%	100%	

(a) Underlying earnings before interest and taxes (EBIT). This result is produced to allow a like for like comparison by removing those items which are either not comparable in nature (eg. owing to structural changes such as acquisitions/disposals), significant and non recurring, or not part of the core operations of the business. These adjustments have included the acquisition of our controlled entities Regional Wireless Company (RWC), TelstraClear and Keycorp, asset sales including the sale of our global wholesale business to form our Asian joint venture Reach, redundancy costs, adoption of a new revenue recognition policy (SAB 101), investment write downs and superannuation writeback.

* The 31 December 2001 interim dividend is scheduled to be paid on 29 April 2002, to shareholders who are registered as a shareholder on 22 March 2002, and will be fully franked at an income tax rate of 30 per cent. Under current legislation, it is expected that Telstra will be able to fully frank declared ordinary dividends out of fiscal 2002 earnings.

discussion and analysis

1 Total revenue

↓ 6·2%

Total revenue decreased by $699m to **$10,612m** primarily due to the inclusion of a number of favourable one-off items in the prior corresponding period. These included the partial sale of our interest in Computershare Limited for $386m and the release of our obligations under the Telstra Additional Contributions agreement to the superannuation fund of $725m.

Offsetting this decline in other revenue has been an increase in sales revenue of $508m to $10,266m due to:

- continued strong growth in mobile services, intercarrier and fixed to mobile due to increased call volumes and higher mobile customer numbers. Partially offsetting this growth is the decline in data and Internet services revenue due to general economic downturn particularly in the IT industry;
- ongoing implementation of our rebalancing initiatives resulting in increased basic access revenue and decreases in local call and national long distance revenues; and
- the inclusion of $577m in revenues from our 60 per cent owned Asian controlled entity, known as the RWC (parent company of CSL). This is partly offset by a reduction in sales revenue from our global wholesale business of $407m following its sale to our 50 per cent owned Asian joint venture Reach Ltd in February 2001.

2 Total expenses

↑ 3·4%

Total expenses grew $250m to **$7,519m** due to:

- direct cost of sales increased due to higher volumes of outgoing calls terminating on other carriers' networks and an increase in mobile handset sales;
- depreciation and amortisation increased due to continued capital expenditure on our communications plant asset base and ongoing software development, together with $142m of depreciation and amortisation relating to our Asian controlled entity RWC;
- labour expenses decreased due to reduced staff numbers, partly offset by higher costs resulting from outsourcing arrangements and employee redundancies;
- discretionary spending declined due to strong cost management;
- borrowing costs increased $66m to $417m due to a higher level of net debt following investment in our Asian ventures; and
- our share of net losses of associates and joint venture entities has decreased $73m to $93m. This is after taking into account our share of profits from our Asian joint venture Reach Ltd ($20m) and our share of losses, including restructuring provisions and asset write offs recognised on gaining control, of TelstraClear Limited ($75m).

3 Underlying EBIT[(a)]

↑ 2·0%

Underlying EBIT has increased by $69m to $3,583m due to modest underlying revenue growth and a strong focus on costs.

4 Interim dividend*

↑ 3·0¢ to 11.0 cents

Interim dividend per share was up 37.5 per cent to 11 cents demonstrating the directors' confidence in the future performance of the company.

statement of financial position

		As at Dec 2001 A$m	As at June 2001 A$m
	Cash	652	1,077
	Other current assets	4,882	5,176
1	**Total current assets**	**5,534**	**6,253**
	Property, plant and equipment	23,699	22,803
	Other non-current assets	8,412	8,417
2	**Total non-current assets**	**32,111**	**31,220**
	Total assets	37,645	37,473
	Current borrowings	3,509	2,604
	Other current liabilities	5,770	6,675
	Non-current borrowings	10,495	11,386
	Other non-current liabilities	3,344	3,086
3	**Total liabilities**	**23,118**	**23,751**
	Shareholders' equity	14,527	13,722

statement of cash flows

		6 months to Dec 2001 A$m	6 months to Dec 2000 A$m
	Net cash provided by operating activities	2,856	2,665
	Net cash used in investing activities	(1,483)	(1,480)
4	Free cash flow	1,373	1,185
5	Net cash used in financing activities	(1,829)	(999)
	Net increase/(decrease) in cash	(456)	186

discussion and analysis

1 Total current assets

↓ 11.5%

Total current assets decreased by $719m to **$5,534m** due to:
- cash decreased by $425m mainly as a result of a loan provided to TelstraClear to facilitate the purchase of the Clear Communications Limited group;
- receivables decreased by $367m substantially due to the maturity of bank bills in October 2001 and the use of the those bills to pay the June 2001 final dividend; and
- offset slightly by increases across prepayments of $19m, deferred mobile handset subsidies of $53m, and other deferred expenditures of $35m.

2 Total non-current assets

↑ 2.9%

Total non-current assets increased by $891m to **$32,111m** primarily due to the acquisition of a controlling interest in TelstraClear. As a result of this transaction, we have recognised $794m of property, plant and equipment in our non-current assets as of 1 December 2001. Our non-current assets have also increased due to normal capital expenditure and capitalised software additions (net of depreciation and amortisation) during the period. These increases have been partially offset by the net reduction in the book value of investments of $207m.

3 Total liabilities

↓ 2.7%

Total liabilities decreased by $633m to **$23,118m.** The net decrease in total liabilities was mainly due to:
- current payables decreased by $341m due to lower levels of capital expenditure;
- income tax payable decreased by $181m;
- provisions decreased by $114m partially due to redundancy payments made against the provision relating to 1,166 employees;
- current revenue received in advance decreased by $269m due the timing of revenue collections relating to Yellow Pages® and White Pages™ directories;
- total borrowings have remained relatively stagnant after re-financing activities, the funding of our working capital requirements, and the inclusion of loan balances relating to TelstraClear;
- deferred income tax increased by $307m due in part to the differences in timing of depreciation recognition for tax and accounting; and
- offset by an increase of $636m on initial consolidation of TelstraClear.

4 Free cash flow

↑ 15.9%

Free cash flow increased by $188m to **$1,373m** driven primarily by a reduction in operational capital expenditure of $317m to $1,662m due to tight control of our capital program. Offsetting this reduced capital spend were increases in income taxes and borrowing costs paid.

5 Net cash used in financing activities

↑ 83.1%

Net cash used in financing activities increased by $830m to **$1,829m** mainly due to a comparable increase of $128m in the final dividend paid and the funding provided to undertake our acquisition of a controlling interest in TelstraClear.

investor information

Shareholding Information

Questions relating to your shareholding, including share transfers, dividends or changing your mailing address should be directed to the Telstra Share Registrar on FREECALL™ 1800 06 06 08*.

You can also log in to the website at www.registrars.aprl.com.au where you can also obtain share registry forms to transfer your shareholdings, notify a change of address, notify a deceased estate, provide dividend instructions and provide your TFN/ABN.

Is it possible to put the money from Telstra dividends back into a 'reinvestment plan' with Telstra?

Currently, a Telstra dividend reinvestment plan (DRP) is not possible as the Telstra Corporation Act precludes any reduction in the Commonwealth's voting rights below a 50.1 per cent interest in Telstra. We cannot, therefore, easily introduce a DRP or raise new equity without Commonwealth participation and there is no assurance that the Commonwealth would be willing to subscribe for additional shares in Telstra.

Telstra's Shareholder Email Service

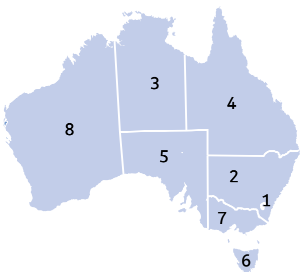
Telstra has introduced a new alert service via email for shareholders who don't wish to receive reports in the mail. Shareholders can now elect to do away with the hard copy documents altogether and instead we will notify you by email as soon as the reports are available on-line at Telstra's web site www.telstra.com.au/investor. Shareholders wishing to join this service can log in to the Telstra Share Registry website at www.registrars.aprl.com.au to provide their email address.

Is it possible to merge two Telstra shareholdings into one?

A merger of two Telstra shareholdings is possible where the registration details of both holdings are identical. For assistance with your merger query contact the Telstra Share Registry on 1800 06 06 08*. The Telstra Share Registry can also advise you if you wish to transfer shareholdings between two separate shareholders. You can also download a Share Transfer form from the Telstra Share Registrar's website at www.registrars.aprl.com.au

*A free call from fixed phones.

Australian shareholder split as at December 2001[1]



Retail shareholders by state

	State	Number of Shareholders	Number of Shares
1	Australian Capital Territory	42,806	65,929,351
2	New South Wales	584,867	1,006,129,985
3	Northern Territory	9,494	12,566,378
4	Queensland	273,056	438,987,552
5	South Australia	141,999	225,690,558
6	Tasmania	26,930	39,140,389
7	Victoria	595,169	1,000,214,305
8	Western Australia	192,505	308,580,408
	Total Australia	1,866,826	3,097,238,926

(1) As at 31 December 2001 includes Australian domiciled shareholders holding less than 100,000 shares. Shareholdings of greater than 100,000 are considered institutional shareholders and hence not included in this table.

financial calendar 2002

	Jun	Jul	Aug	Sep	Oct	Nov
Full-year end	30					
Annual result announced			28			
Ex-dividend share trading starts				16		
Record date for final dividend				20		
Final dividend paid					28	
Annual General Meeting						15

Note: Timing of events can be subject to change

contact details

Telstra Corporation Limited
Incorporated in the
Commonwealth of Australia

Telstra is listed on Stock
Exchanges in Australia,
New Zealand (Wellington)
and USA (New York)

Registered Office
Level 41, 242 Exhibition Street
Melbourne Victoria 3000
Australia

Douglas Gration
Company Secretary
Ph: (03) 9634 6400

Principal Australian Offices
242 Exhibition Street
Melbourne Victoria 3000 Australia

231 Elizabeth Street Sydney
New South Wales 2000 Australia

Investor Relations Unit
Level 36, 242 Exhibition Street
Melbourne Victoria 3000
Australia

Wayne Treeby
General Manager
Ph: (03) 9634 8632

The Telstra Share Registrar
ASX Perpetual Registrars Limited
PO Box 14300 Melbourne City MC
Victoria 8001

Shareholder Enquiries
Australia: FREECALL™ 1800 06 06 08*
All other: (613) 9615 9999
email: telstra@aprl.com.au
website: www.registrars.aprl.com.au
Facsimile: (613) 9615 9911

Website
The Half-year Report can also
be found via Telstra's Investor
Relations home page at:
http://www.telstra.com.au/investor

*A free call from fixed phones.

Designed and produced by The Ball Group Sydney and Melbourne TEL0030 3/02

Everyone, everywhere, needs to communicate, everyday.