

Building momentum

Half-year Report 2005



investor information

	Financial Calendar 2005	Indicative Financial Calendar 2006
Half-year results announcement	10 Feb	9 Feb
Ex-dividend share trading commences	24 Mar	20 Feb
Record date for interim dividend	1 Apr	24 Feb
Interim dividend paid	29 Apr	24 Mar
Annual results announcement	11 Aug	10 Aug
Ex-dividend share trading commences	26 Sep	21 Aug
Record date for final dividend	30 Sep	25 Aug
Annual General Meeting	25 Oct	tbc
Final dividend paid	31 Oct	22 Sep

Note: Timing of events may be subject to change. Any changes will be notified to the market.

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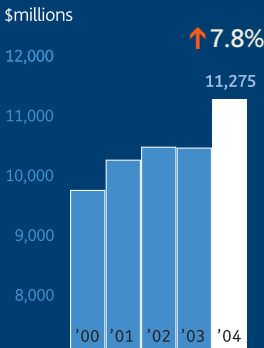
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Telstra has delivered its best first half-year result in many years, with strong revenue growth and costs discipline. We completed a \$750 million share buy-back, increased our interim ordinary dividend to shareholders and declared a special dividend of 6 cents per share.

FINANCIAL HIGHLIGHTS

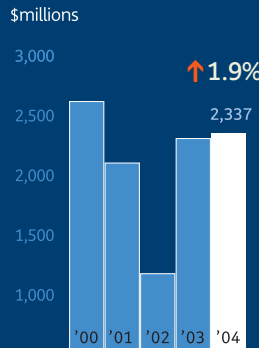
half-year ended 31 December

sales revenue



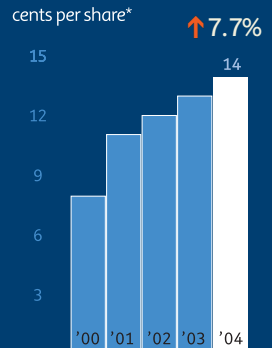
Sales revenue increased by 7.8% to \$11,275 million. Revenue growth was due to increases in mobiles, broadband, pay TV bundling, advertising and directories, other sales & services, and our newly acquired controlled entities, offset by a decline in revenues from PSTN calling products.

net profit after minorities



Reported net profit after minorities increased by 1.9% to \$2,337 million. Excluding the impact of newly acquired controlled entities and other one-off items, underlying net profit after minorities increased 8.8%.

dividends per share



Total ordinary dividends per share increased 7.7% to 14 cents. Telstra also declared a special dividend of 6 cents per share for the half-year. Both dividends are fully franked.

*Note:
'02 excludes a special dividend of 3 cents per share.
'04 excludes a special dividend of 6 cents per share.

Dear fellow shareholders

Ziggy Switkowski
Chief Executive Officer and Managing Director

Telstra is again on the front foot; successfully competing in an Australian telecommunications industry seeing renewed growth, improving returns and intense competitive activity.

Your company's revenues increased in line with industry growth of around 4-5 per cent, with our highest half-yearly profit in four years. These results have been achieved because of the success of our strategies, continuously improving service levels, and our stringent cost management initiatives.

It's important that Telstra leads this industry, not just in terms of the company's business success but also in meeting customers' future needs. Customers right across Australia, from the cities to remote areas, can be reassured that Telstra is setting the pace and direction of product, service and technology innovation to meet their growing requirements for sophisticated communications tools. Telstra is Australia's connection to the future.



Donald G McGauchie AO
Chairman

The improved business performance has not happened overnight. It is the result of a highly focused, ongoing effort from the Board and senior management, whose strategies have been diligently supported and implemented by our committed staff of about 40,000 employees. Some demanding targets were set in relation to revenue growth, cash flows, customer service, margin protection, broadband take-up and mobiles market share. We are pleased to report that nearly every target we set, we have hit and in some cases exceeded.

The challenge now is to continue the momentum.

Financials

Telstra’s financial performance over the six months to December 2004 has been one of steady improvement. We have delivered on our forecasts – and delivered ahead of schedule.

The balance sheet is very solid. Profit after tax is up 1.9 per cent. Free cash flow continues to grow strongly even as we continue to make increased capital investments to meet customer demand and prepare for the future. Revenue growth has stepped up on the back of our broadband, wireless, advertising and directories businesses, and a very successful Christmas

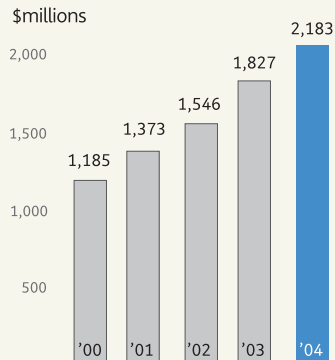
season. Our ability to bundle a number of services as part of our consumer packages is becoming a key contributor improving customer loyalty.

These strong results have not been achieved at the expense of profitability or customer service. Rather, we are showing that as service is improved, customers are more satisfied and financial results follow, as do improvements in shareholder value.

Importantly, shareholders are realising the benefits of our capital management strategy, which transfers more of the company’s cash flow to them. For the half-year ended 31 December 2004, Telstra

Free cash flow*

half-year ended 31 December



* '02 excludes one-off asset sale of \$570m
'04 excludes acquisitions of \$574m

reported a net profit of \$2.3 billion, and will return to shareholders through the interim dividend, 14 cents per share, and special dividend, 6 cents per share, a total of \$2.5 billion. This is in addition to the \$750 million share buy-back completed late last year.

First half activity

Telstra has achieved a quality combination of financial and service outcomes.

We have increased staff levels in the customer service areas and the improvements are now coming through. Service performance continues to improve. Our response times are quicker.

Average broadband connection times are substantially reduced, with ADSL connections taking nine days on average, while call dropout rates on our CDMA mobile network fell below two per cent for the first time.

Telstra's costs reduction program is on track to achieve \$800 million in savings as we foreshadowed. During the half-year we achieved a further \$96 million of cost reductions to add to last year's savings of \$313 million. So, 18 months into the three-year program, we are over half-way there.

Our so-called non-traditional businesses are leading our renewed growth. Broadband is booming. We added more than 400,000 subscribers in the half-year, bringing the total to over 1.2 million. Broadband revenue grew 70 per cent to \$309 million.

Mobiles posted a very good result – the 8.7 per cent increase is our largest contributor to revenue growth.

Sensis®, our advertising and directories division, is an exciting business and continues to perform.

With many customers wanting a variety of products – telephone, broadband, internet, mobiles and entertainment products, FOXTEL® is an important part of our bundled offerings.

Our challenge is to manage the traditional fixed line telephony business, which has experienced small revenue declines, to optimise returns and manage customer migration to other technologies, such as mobiles.

Opportunities ahead

One of the key drivers of our performance – and indeed the industry – is broadband. Around 20 per cent of Australian households currently have broadband internet connections, mainly through Telstra networks, and we are confident this will double in the next couple of years.

Telstra is well positioned within its mobiles business. Even as Australia approaches 18 million services in operation, mobiles are still looking to be an attractive market segment for years to come. There will almost certainly be more mobile appliances than there are people in Australia sometime next year.

We have formed a 3G infrastructure sharing joint venture with Hutchison, and will be offering 3G services on both of our digital national mobile networks, GSM and CDMA, this year.

Sensis® has a very strong, familiar core business of paper-based directories – White Pages® and Yellow Pages®. However it is Sensis®' combination of assets, databases, online properties and mastheads that makes it such an appealing business.

FOXTEL® will grow in importance, and value, in several ways – as a valuable media company, as part of our broad product offering, and as a content carrier.

Outlook

Our top priority remains the performance of our domestic operations and improving the customer experience at every touch point of the organisation.

We will grow our business, and invest accordingly, pacing our spending to accommodate increased customer demand while ensuring our financial ratios remain strong.

There will be continuing attention to the structure of the organisation – simplifying it, flattening the hierarchy, and empowering our people to be more accountable for the customer experience. We will be competitive and innovative. We will continue to pursue

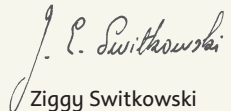
productivity and cost improvements throughout the company.

Notwithstanding our costs discipline, we will not hesitate to invest in support of our various businesses to provide the products, service and platforms that customers need and want, in a way that maintains the high returns that you, our shareholders, expect of us.

Telstra is well positioned for the next stage of renewed growth - a stage in which we intend to serve the Australian consumer better than ever in terms of communications choice, innovation and service excellence. Having seized the momentum, we intend to keep building on it on behalf of our customers and our shareholders.



Donald McGauchie AO
Chairman



Ziggy Switkowski
Chief Executive Officer
and Managing Director



consumer and marketing

Telstra Consumer and Marketing (TC&M) is responsible for serving metropolitan consumer and small business customers with our full range of products and services. It also manages Telstra's brand, advertising, commercial sponsorships and product bundling initiatives.

TC&M supports over nine million services and has a relationship with the majority of Australian households.

Serving the customer

We always strive to provide easy to understand, profitable solutions to satisfy customer needs. This year our customer sales and service leadership team have spent a week every month capturing the voice of the customer. Visiting a different state each month, they have listened to over 4,500 people in shops, call centres, dealer and support groups across the country to identify service improvement opportunities.

Our Telstra shops are receiving a progressive refresh. Incorporating innovative technology, an enhanced product range and visual changes, these fit outs help bring our offers to life.

Telstra is committed to great service through great people. Since July 2004 we have delivered a 20% improvement in the speed at which customer calls are answered. Combined with higher first call resolution we believe our customers' experience has significantly improved over the past six months.

Rewarding the customer

Telstra Rewards Options recognise customers who bundle their eligible Telstra services. Targeted to a customer's lifestyle, free local calls, free SMS and free family calls have been well received.

Innovation for the customer

In November 2004, Telstra launched its new i-mode² mobile phone service in Australia through an exclusive strategic partnership with NTT DoCoMo, Inc., Japan's leading mobile communications provider. i-mode¹ handsets offer customers quick and simple access to a wide range of internet-like services, such as maps, shopping, travel, weather and news. This lifestyle content is available anytime on Telstra's extensive mobile data network.

Performance indicators: Half-year ended 31 December	2004	2003	% change
GSM services in operation	6,868,000	6,139,000	↑ 11.9
CDMA services in operation	1,115,000	846,000	↑ 31.8
Total services in operation	7,983,000	6,985,000	↑ 14.3
Mobile voice telephone minutes	3,404,000,000	3,011,000,000	↑ 13.1
SMS (messages sent)	1,104,000,000	910,000,000	↑ 21.3



business and government

Telstra Business & Government (TB&G) is responsible for providing innovative and leading edge communication solutions to Australian corporate and government customers that, in turn, improve both their productivity and ability to serve their customers.

Full services capability for all customers

TB&G's whole of business communications solutions capability has been enhanced by recent acquisitions of the KAZ and Damovo Groups.

The KAZ Group has combined with Telstra to service our business customers' information technology (IT) needs, differentiating Telstra as the only communication company in Australia capable of providing end-to-end Information and Communications Technology (ICT) services from within its own group of companies.

Business customers are telling us they want a single point of accountability for all their Customer Premise Equipment (CPE) and carriage requirements. The acquisition of the Damovo Group combined with our newly established CPE business, gives Telstra a unique position in the marketplace to offer a full range of products and services to satisfy customers' ICT requirements.

TB&G continually develops innovative solutions for its customers' communications and technology requirements. For example,

by understanding Woolworths' desire to provide greater convenience, better quality and a larger range of products at lower prices for its customers, Telstra provided Woolworths with a state of the art managed services solution encompassing voice, data, mobile and IT asset management services in both Australia and New Zealand.

Leadership in innovative mobile solutions

Rapid growth of mobility solutions is due to the evolution of cost effective mobile applications, the availability of smaller, faster computing devices and the introduction of high-speed data networks. Companies including P&O Ports, Transurban, Storagetek and Yallourn Energy have already employed Telstra's leading mobile solutions to improve productivity in their businesses.

Taking care of business customers with IP solutions

TB&G has deployed innovative Internet Protocol (IP) business communications solutions for a wide range of business and government customers.

Partnering with customers such as Tyrrell's Wines, Yamaha Music Australia and Collingwood Football Club, Telstra has combined the flexibility of access to the internet with the benefits of a private network.



Country Wide™

Telstra Country Wide® delivers services to regional, rural and remote customers through the local presence of Area General Managers and their teams.

In response to the growing business and community interest in broadband ADSL, we have committed \$38 million this financial year to an ongoing program to upgrade our exchanges and other network equipment to deliver this service. Approximately 190 exchanges have been ADSL enabled since July, with a further 240 qualifying for an upgrade through Telstra's ADSL Demand

Register. The significant ADSL growth in regional and rural areas has been assisted by the Australian Government's Higher Bandwidth Incentive Scheme (HiBIS). HiBIS in effect offsets the cost of upgrading exchanges, reducing the number of ADSL customers required to make the upgrade commercially viable.

We successfully achieved our end-of-year deadline to upgrade all CDMA mobile phone base stations in rural and regional Australia to also transmit high-speed wireless internet services at speeds up to 153 kbps.

international

Hong Kong CSL (CSL)

Telstra's 100% owned mobile carrier CSL is Hong Kong's leading provider of mobile voice and data services. CSL delivered a solid financial result despite significantly increased market competition and local voice price erosion.

In December 2004, CSL announced the launch of its 3G services offering both businesses and consumers high-speed data access and an enhanced experience across a wide range of mobile multimedia services.

REACH

REACH is Asia's largest international wholesale carrier of combined voice, International Private Leased Lines and IP data services. It is also one of the world's top ten carriers of international voice traffic.

Against the background of continuing depressed prices for international data services, REACH's shareholders have determined that it should focus on meeting rapidly increasing shareholder demand and withdraw from data sales to external customers.

TelstraClear

TelstraClear is the second largest full service carrier in New Zealand. TelstraClear has increased its ability to reach all segments of the market by developing new and innovative bundled services for residential customers including both voice and data services.

In the corporate market TelstraClear has strengthened its competencies in IP telephony, IP contact centre technologies, managed infrastructure and voice over IP (VOIP) solutions, to better meet the needs of its larger customers.



advertising, media & BigPond™

Sensis®

Sensis®, Telstra's advertising subsidiary, continues to deliver growth with strong performance across a range of products. Product innovation continues to drive growth particularly in the White Pages® and Yellow Pages® directories.

Our Location and Navigation business also continues to enjoy strong demand amongst our expanding customer base, particularly for our navigation DVD.

The development and launch of the Sensis® search products (Sensis®1234 and sensis.com.au) and Sensis® wireless applications (such as FindNearby and Nightlife) are testament to our commitment to provide value adding solutions for both advertisers and consumers alike. Sensis® is also developing a full wireless search product which will deliver a search capability for wireless devices that is very similar to sensis.com.au.

In December 2004, Telstra acquired Universal Publishers Pty Ltd which produces and markets two iconic Australian brands, Gregory's^ and UBD#. This acquisition is consistent with Sensis®' overall growth strategy to provide deep and relevant local content across multiple media.

FOXTEL®

FOXTEL® continues to grow its subscriber base, with almost one million direct customers, as at 31 December 2004. Of these

customers, 55%, or approximately 550,000 homes are connected to FOXTEL®'s new Digital service, offering approximately 130 channels.

In November 2004, FOXTEL® and Virgin Blue airlines announced they had joined forces to introduce live satellite in-flight television to Australia. From mid-2005, Virgin Blue flights will commence offering travellers unlimited use of a selection of 24 FOXTEL® channels during flight for a one-off \$5 payment. FOXTEL® will beam live programming to the aircraft via satellite to be displayed on individual, back-of-seat screens.

BigPond™

BigPond™ continued to lead the industry with record broadband growth and improvements in customer satisfaction.

BigPond™ is at the forefront of internet content and applications and its BigPond™ Music and BigPond™ Movies businesses are market leaders in music downloads and online DVD rentals. 2004 has seen the continued development of BigPond™'s sporting channels, including afl.com.au and v8supercar.bigpond.com and the addition of thoroughbred racing coverage.

Strong customer growth is expected to continue in 2005 as broadband enters mass market take up and more Australians recognise the benefits high speed internet can bring them and their families.



wholesale

Telstra Wholesale continues to deliver strong growth in a price competitive market, particularly in our innovative broadband and data products. We are focused on industry innovation and being the partner of choice for service providers.

Wholesale released the Virtual Internet Service Provider (VISP) in-a-Box™ product which delivers complete ISP functionality and allows our customers to add their own brand to Wholesale's quality service. We continued to develop our business to business solution,

the LinxonLine™ Interactive Gateway, which provides productivity and cost benefits for both Telstra and our customers. This service now averages 20,000 DSL orders per month and 1.5 million enquiries. We expect this to increase significantly by 30 June 2005.

Telstra Wholesale has led our new partnership with Hutchison 3G Australia Pty Ltd that will see Telstra provide innovative 3G mobile telephone services during 2005. This agreement provides Telstra with broad 3G network coverage and a high level of performance.

infrastructure services

As Telstra's primary service delivery entity, Infrastructure Services provides and manages Telstra's communications infrastructure to ensure that every Telstra retail and wholesale customer can communicate effectively using our integrated networks whenever they need to. This includes fixed line, data and internet, mobile, and wireless services.

Around 72 million calls are managed by Telstra's fixed network daily, and about 1.57 million BigPond™ dial-up connections

are made per day. The one-millionth broadband customer was connected in October.

Telstra achieved its best ever national service performance results and improvements in key areas for the September quarter.

The next half will see a continued strong focus on the mobility, broadband and content portfolios, with a greater emphasis on convergence as people and corporations leverage their expanded information and communication technology mobility options.

Performance indicators: Half-year ended 31 December	2004	2003	% change
Basic Access lines in service			
– Retail	8,210,000	8,640,000	↓ 5.0
– Wholesale	1,980,000	1,710,000	↑ 15.8
Broadband Subscribers			
– Retail	617,000	287,000	↑ 115.0
– Wholesale	611,000	220,000	↑ 177.7



technology, innovation & product

Telstra Technology, Innovation & Product is the engine for Telstra's profitable growth. To accelerate the development of new and emerging technology solutions for customers, two Innovation Centres were opened in October 2004. They provide an environment where Telstra and its technology partners can work together to rapidly develop new and improved customer-focused communication applications, devices and services.

Some innovations currently underway include:

Fibre to The Premises: a commercial pilot in Brisbane and Melbourne of a next-generation access infrastructure technology that can deliver telephony, broadband data and digital pay TV to customer premises on a single optical fibre.

Mobile Wireless Broadband: 1xEV-DO (Evolution-Data only) offers mobile broadband over Telstra's CDMA network. Customers with a compatible 1xEV-DO device can reach average throughput data speeds from 300 to 600kbps, and burst speeds up to 1.2Mbps. 1xEV-DO has coverage within the metropolitan centres of all capital cities as well as in a number of regional centres. Outside these areas customers can continue their data session uninterrupted as 1xEV-DO devices roam seamlessly onto Telstra's CDMA 1X network at data speeds from 70-144 kbps.

Voice over Internet Protocol (VOIP):

We are aiming to be in a position to launch VOIP, the next technology to shape the telecommunications industry, with trials commencing in March 2005.

corporate social responsibility

In January 2005 Telstra published its second corporate social responsibility report, available online at www.telstra.com.au/csrreport2004. The report examines our impact in five areas – our people, our community, our environment, our marketplace and our customers.

Our activities over the period included:

- Telstra committed to donate a minimum of \$1 million to Asian tsunami relief aid funds, and will match staff donations which exceed \$1 million, dollar for dollar. In addition, we provided approximately \$250,000 of services,

which included establishing and staffing call centres for aid agencies, fund raising drives, providing extra phone lines, waiving call costs where appropriate and providing staff volunteer support;

- We introduced a staff awareness and action campaign, 'Creating a supportive workplace', about the importance of mental health; and
- We extended our Melbourne pit water recycling program to Geelong, Parramatta and Brisbane – we recycled more than four million litres of water from July 2004 to December 2004.

selected items from the

statement of financial performance

	6 months to 31 Dec. 2004 \$m	6 months to 31 Dec. 2003 \$m	change %
Sales revenue	11,275	10,456	7.8
1 Total revenue (excluding interest)	11,382	10,826	5.1
2 Total expenses (excluding borrowing costs)	7,695	7,304	5.4
Net borrowing costs	371	355	4.5
Profit before income tax expense	3,316	3,167	4.7
3 Income tax expense	979	874	12.0
Net profit available to Telstra Entity shareholders	2,337	2,293	1.9
Basic and diluted earnings per share ¹	18.6	17.9	3.9
Interim ordinary dividends declared ²	1,742	1,642	6.1
Interim ordinary dividend per share (cents) ²	14.0	13.0	7.7
Special dividends declared ²	747	–	N/M
Special dividend per share (cents) ²	6.0	–	N/M
Dividend franking percentage at 30% tax rate applicable to both interim and special dividends	100.0%	100.0%	

¹ Our earnings per share for the half-year ended 31 December 2004 was based on a weighted average number of shares of 12,581,030,877 (2003: 12,817,398,218). The weighted average number of shares was impacted by a buy-back of 185,284,669 shares that took place on 15 November 2004.

² The 31 December 2004 interim ordinary dividend and special dividend are scheduled to be paid on 29 April 2005, to shareholders who are registered as a shareholder on 1 April 2005. Shares will trade excluding entitlement to the dividend on 24 March 2005. The income tax payments anticipated to be made relating to earnings in the current year should enable full franking of the final 2005 dividend.

1 Total revenue

↑ 5.1%

Total revenue (excluding interest) increased by \$556 million to **\$11,382 million**, due to:

- sales revenue increasing by 7.8% or \$819 million to \$11,275 million mainly due to growth in mobile services and handsets, internet and IP solutions, offshore revenues, pay TV bundling and advertising and directories revenues. A decline in PSTN revenues as the market continues to move towards newer technologies to satisfy their telecommunications requirements partially offset the strong sales growth in other areas. Sales revenue also includes \$322 million of revenue generated by our recently acquired controlled entities, including the Trading Post Group, the Kaz Group, the Damovo Group and our United Kingdom subsidiaries, the PSINet Group; and
- other revenue decreasing by \$263 million to \$107 million, primarily due to lower revenue from the sale of properties and investments. Included in the prior corresponding half-year was revenue from the sale of our 22.6% shareholding in our associated entity IBM Global Services Australia Limited (IBMGSA) of \$154 million.

2 Total expenses

↑ 5.4%

Total expenses (excluding borrowing costs) increased by \$391 million to **\$7,695 million** primarily due to:

- increased goods and services purchased of 22.3% or \$387 million, attributable to increased network payments, handset subsidies and pay TV service fees;
- an increase in labour of 10.8% or \$177 million which was mainly attributable to the newly acquired entities;
- increased depreciation and amortisation expense of 2.7% or \$48 million. The increase in this expense was due to higher goodwill amortisation charges associated with the Trading Post Group, the KAZ Group and PSINet UK Limited and higher depreciation and amortisation resulting from growth in our communications plant and software assets; and
- a decrease in other expenses of 9.1% or \$192 million, mainly due to reduced assets and investments sold. Included in our other operating expenses in the prior corresponding half-year was a modification to an information technology services contract with IBMGSA that resulted in a \$130 million expense being recognised upon sale of our shareholding in this entity. During the half-year ended 31 December 2004, there were also further cost reductions across a variety of other expense categories.

3 Income tax expense

↑ 12.0%

Income tax expense increased by 12.0% or \$105 million to **\$979 million**, giving an effective tax rate of 29.5%.

selected items from the

statement of financial position

	As at 31 Dec. 2004 \$m	As at 30 June 2004 \$m
Cash assets	1,102	687
Other current assets	4,968	4,640
1 Total current assets	6,070	5,327
Property, plant and equipment	23,324	22,863
Other non-current assets	7,094	6,803
2 Total non-current assets	30,418	29,666
Total assets	36,488	34,993
Current interest-bearing liabilities	3,360	3,246
Other current liabilities	4,508	4,330
Non-current interest-bearing liabilities	10,116	9,014
Other non-current liabilities	3,250	3,042
3 Total liabilities	21,234	19,632
4 Shareholders' equity	15,254	15,361

selected items from the

statement of cash flows

	6 months to 31 Dec. 2004 \$m	6 months to 31 Dec. 2003 \$m
5 Net cash provided by operating activities	3,993	2,925
Net cash used in investing activities	(2,384)	(1,098)
Free cash flow	1,609	1,827
Net cash used in financing activities	(1,189)	(2,562)
Net increase/(decrease) in cash	420	(735)

1 Total current assets

Total current assets increased by \$743 million to **\$6,070 million** due to:

- an increase in cash assets of \$415 million. Our cash flows for the period have been strong, and cash receipts from operations and proceeds from borrowings that have not been used to fund our investing activities or our program of returning funds to shareholders, have been reflected in increased bank deposits and bills of exchange; and
- other current assets increased by \$328 million predominantly due to an increase in receivables as a result of increased revenues and the inclusion of our recently acquired controlled entities.

2 Total non-current assets

Total non-current assets increased by \$752 million to **\$30,418 million** due to:

- an increase in property, plant and equipment of \$461 million due mainly to communication asset additions. \$428 million in addition is attributable to the recognition of our share of assets as part of the formation of a new joint venture with Hutchison 3G Australia Pty Ltd (H3GA). The joint venture will jointly own and operate H3GA's existing third generation (3G) Radio Access Network assets and fund future development;
- an increase in total intangibles of \$379 million recognised on the acquisition of the Trading Post Group, the KAZ Group, the Damovo Group and our United Kingdom subsidiaries the PSINet Group; and
- a decrease in receivables of \$126 million, due mainly to a reduction in our hedge receivable balances, arising from exchange rate fluctuations.

3 Total liabilities

Total liabilities increased by \$1,602 million to **\$21,234 million** due to:

- an increase in current payables by \$327 million due to deferred settlement payments for our investments in the 3G Joint Venture; and
- an increase in total interest-bearing liabilities of \$1,216 million mainly due to new borrowings including the issue of Telstra bonds during the half-year. This increase in gross debt was used to purchase the newly acquired controlled entities as listed above and fund dividend payments and a buy-back of shares.

4 Shareholders' equity

Shareholders' equity decreased by \$107 million to **\$15,254 million** primarily due to our net profit for the half-year of \$2,337 million being offset by the payment of the fiscal 2004 final ordinary dividend of \$1,642 million and the completion of a share buy-back amounting to \$756 million (including \$6 million in associated transaction costs).

5 Net cash provided by operating activities

Cash flow from operating activities increased by \$1,068 million to **\$3,993 million** due to strong operating results and the timing of certain payments. The increase in cash from operating activities together with funds from additional borrowings during the half-year ended 31 December 2004, was primarily used to purchase our newly acquired controlled entities, and fund dividend payments of \$1,642 million and a share buy-back amounting to \$756 million (including \$6 million in associated transaction costs).

shareholder information

How can I access information about my shareholding?

You can contact the Telstra Share Registry on 1300 88 66 77 or you can visit our website at www.telstra.com.au/communications/shareholder. From this site you can access your holding information, you can make changes to your holding record, or you can download forms to complete and return to the Telstra Share Registry to ensure that your details are up to date.

To access your shareholder information via this secure website you will need to log in using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), as well as your surname or company name and postcode.

What's all this about becoming an electronic shareholder?

Australian shareholders who have not already elected to receive their shareholder information electronically, would have received with this hardcopy report a form giving them the opportunity to become an electronic shareholder and assist the environment at the same time. Telstra is proud to be associated with eTree, an initiative of leading Australian companies and Landcare Australia. Last year, 110,000 Telstra shareholders signed up to receive some or all of their communications electronically resulting in a donation of more than \$156,000. Becoming an electronic shareholder is entirely your choice. If you are interested please refer to the enclosed form.

Shareholders by State as at 31 December 2004

Shareholders by State*	Number of Shareholders	Number of Shares	Shares **
Australian Capital Territory	36,569	63,200,910	<ul style="list-style-type: none"> ● New Zealand Private 0.27% ● Other Overseas Private 6.36% ● Australian Private 41.56% ● Commonwealth of Australia 51.81%
New South Wales	508,059	1,002,823,216	
Northern Territory	7,948	11,539,993	
Queensland	241,974	466,846,610	
South Australia	124,459	226,864,408	
Tasmania	24,217	42,008,012	
Victoria	522,777	996,648,955	
Western Australia	163,717	300,927,655	
Total Australia	1,629,720	3,110,859,759	

* Retail Shareholders (holding less than 100,000 shares) as at 31 December 2004.

** Includes American Depository Receipts

FOXTEL® is a registered trade mark of Twentieth Century Fox Film Corporation.

¹ i-mode and the i-mode logo are registered trade marks of NNT DoCoMo, Inc. in Japan and other countries

UBD is a registered trade mark of Universal Publishers Pty Ltd

^ Gregory's is a registered trade mark of Universal Publishers Pty Ltd

contact details

Telstra Corporation Limited

Incorporated in the Australian Capital Territory

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

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The Half-year Report is also available on Telstra's Investor Relations home page at: www.telstra.com.au/communications/shareholder

Mini Glossary

ADSL Asymmetric Digital Subscriber Line – a technology for transmitting digital information at high speed on existing phone lines to homes and businesses

CDMA Code Division Multiple Access – a digital mobile standard which provides voice, data, fax and short messaging services

GSM Global System for Mobile Communications – one of Telstra's two digital mobile networks. GSM covers 96% of the Australian population. This system uses the customers' personal SIM card

IP Internet Protocol – the method or protocol by which data is sent from one computer to another on the Internet

SMS Short Messaging Service – refers to the ability to receive and deliver text messages to mobile devices such as the mobile phone

VOIP Voice over Internet Protocol – a term used in IP telephony for a set of facilities for managing the delivery of voice information using the Internet. In general, this means sending voice information in digital form rather than in the traditional protocols of the public switched telephone network (PSTN)

3G Third Generation Mobile Technology – is an evolution of GSM and CDMA 2G and 2.5G technology to support voice and high speed data & multimedia services

1xEV-DO Evolution Data Only – supports high speed packet data transmission over the existing CDMA mobile network

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