



16 February 2023

The Manager

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ELECTRONIC LODGEMENT

- Telstra Group Limited (ACN 650 620 303)
- Telstra Corporation Limited (ACN 051 775 556)

Dear Sir or Madam

Telstra Group Limited – Financial results for the half-year ended 31 December 2022

In accordance with the Listing Rules, I enclose the following from Telstra Group Limited (ASX: TLS), approved by the Board, for immediate release to the market.

1. Appendix 4D – Half-Year Report;
2. Directors' Report;
3. Half-Year Results and Operations Review; and
4. Half-Year Financial Report

The material is also provided for the information of Telstra Corporation Limited (ASX: TL1) noteholders.

The enclosed documents comprise the information required by Listing Rule 4.2A and should be read in conjunction with Telstra's Annual Financial Report for the financial year ended 30 June 2022 and any public disclosures made by Telstra in accordance with the continuous disclosure requirements of the Listing Rules and the Corporations Act 2001.

Telstra will conduct an analyst and media briefing on the half-year results from 9.15am AEDT. The briefings will be webcast live at <https://www.telstra.com.au/aboutus/investors/financial-information/financial-results>.

A transcript of the analyst briefing will be lodged with the ASX when available.

Authorised for lodgement by:

Sue Laver
Company Secretary

APPENDIX 4D (ASX LISTING RULE 4.2A.3)

HALF-YEAR REPORT

31 December 2022

Telstra Group Limited ABN 56 650 620 303

1. Results for announcement to the market

Telstra Group	Half-year ended 31 Dec			
	2022	2021	Movement	
	\$m	\$m	\$m	%
Revenue (excluding finance income) from ordinary activities	11,306	10,503	803	7.6
Other income	277	384	(107)	(27.9)
Total income	11,583	10,887	696	6.4
Finance income	48	61	(13)	(21.3)
Profit for the period	934	743	191	25.7
Profit for the period attributable to equity holders of Telstra Entity	865	698	167	23.9
Profit from ordinary activities after tax attributable to equity holders of Telstra Entity	865	698	167	23.9

2. Telstra Group restructure

During the half-year ended 31 December 2022 a number of steps were undertaken to facilitate a corporate restructure of the Telstra Group (Restructure). The Restructure included, among other transfers and arrangements, establishing Telstra Group Limited as the new parent entity of the Telstra Group with effect from 31 October 2022 (Telstra Corporation Limited was the parent entity of the Telstra Group prior to this date). While Telstra Group Limited became the parent entity of Telstra Corporation Limited and its controlled entities, this did not result in a business combination for accounting purposes and it was accounted as an internal reorganisation. Accordingly, the consolidated financial statements have been presented as a continuation of the existing financial performance and financial position of the Telstra Group.

Refer to note 1.2 to the half-year financial statements and the half-year Directors' Report for further details about the Restructure, and to note 6.1 to the half-year financial statements for further details about Telstra Group Limited, the new Telstra Entity.

3. Dividend information

Telstra Entity	Amount per share	Franked amount per share
	cents	cents
Interim dividend per share	8.5	8.5
Interim dividend dates		
Record date	2 March 2023	
Payment date	31 March 2023	

Refer to note 4.2 to the half-year financial statements and the half-year Directors' Report for other dividend-related disclosures.

4. Net tangible assets per security information

Telstra Group	As at 31 Dec	
	2022	2021
	cents	cents
Net tangible assets per security	37.9	69.6

Net tangible assets are defined as the net assets of the Telstra Group less intangible assets and non-controlling interests. The net assets include both right-of-use assets and corresponding lease liabilities.

The number of Telstra Group Limited shares on issue as at 31 December 2022 was 11,554 million shares (2021: 11,751 million Telstra Corporation Limited shares).

The decrease in net tangible assets per security from 31 December 2021 was mainly driven by the acquisition of intangible assets via business combinations completed during the half-year ended 31 December 2022 and the completion of the on-market share buy-back in the financial year 2022. Refer to note 5.1.2 to the half-year financial statements for further details about acquisitions completed during the half-year ended 31 December 2022.

5. Group structure and details of entities where control has been gained or lost during the period

The table below sets out a complete list of our controlled entities as at 31 December 2022. The ownership percentages represent the relevant percentage of equity held by the subsidiary's immediate and ultimate parent, respectively. The percentage of equity held by the ultimate parent as at 30 June 2022 (then being Telstra Corporation Limited) has been presented as nil because the effect of the Restructure was to establish Telstra Group Limited as the new parent entity of the Telstra Group. Entities marked with an asterisk (*) have been directly impacted by the Restructure steps that were completed by 31 December 2022, which resulted in the following changes to the Telstra Group structure:

- Telstra Group Limited was established as the new parent entity of the Telstra Group
- Telstra Corporation Limited became a wholly-owned subsidiary of Telstra Group Limited
- the following controlled entities became wholly-owned subsidiaries of Telstra Group Limited:
 - Telstra ESOP Trustee Pty Ltd
 - Telstra Finance Limited
 - Telstra Foundation Ltd
 - Telstra Growthshare Pty Ltd
 - Telstra International Holdings Pty Ltd
 - Telstra Limited.

Refer to note 5.1 to the half-year financial statements for further details on changes in the group structure.

Footnotes under the table provide further details about entities within the Telstra Group, including information about entities where control has been gained or lost during the reporting period.

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5. Group structure and details of entities where control has been gained or lost during the period (continued)

Telstra Group		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at		As at	
		31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Name of entity	Country of incorporation	%	%	%	%
Parent entity					
Telstra Group Limited* (a)	Australia				
Controlled entities					
Telstra Corporation Limited* (a)	Australia	100.0	-	100.0	-
• CloudMed Pty Ltd (g)	Australia	100.0	100.0	100.0	-
• Telstra Health Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra Health Services Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Clinical Technology Holdings Pty Limited (a)	Australia	100.0	100.0	100.0	-
• Clinical Technology Systems Pty Limited (a)	Australia	100.0	100.0	100.0	-
• Health Communication Network Pty Limited (a)	Australia	100.0	100.0	100.0	-
• Phoenix Medical Publishing Pty Limited (g)	Australia	100.0	100.0	100.0	-
• MedicalDirector (NZ) Limited	New Zealand	100.0	100.0	100.0	-
• MedicalDirector Limited	United Kingdom	100.0	100.0	100.0	-
• Power Solutions Holdings Pty Ltd (e)	Australia	70.0	70.0	70.0	-
• Powerhealth Solutions W.L.L. (f)	Bahrain	100.0	-	70.0	-
• Power Solutions DTD Pty Ltd (e)	Australia	100.0	100.0	70.0	-
• Power Solutions Health Management Consulting LLC	Saudi Arabia	100.0	100.0	70.0	-
• PowerHealth Solutions Canada Inc	Canada	100.0	100.0	70.0	-
• Power Solutions DTD Limited (e)	Ireland	100.0	100.0	70.0	-
• PowerHealth Solutions Ltd (e)	United Kingdom	100.0	100.0	70.0	-
• PowerHealth Solutions Limited	New Zealand	100.0	100.0	70.0	-
• PowerHealth Solutions Limited (e)	Hong Kong	100.0	100.0	70.0	-
• PowerHealth Solutions Sdn. Bhd. (e) (g)	Malaysia	100.0	100.0	70.0	-
• Fred IT Group Pty Ltd (d) (e)	Australia	50.0	50.0	50.0	-
• ERX Script Exchange Pty Ltd (d)	Australia	100.0	100.0	50.0	-
• Fred Health Pty Ltd (d) (g)	Australia	100.0	100.0	50.0	-
• Fred Retail Pty Ltd (d) (g)	Australia	100.0	100.0	50.0	-
• Pharmacy Research Network Pty. Ltd. (d) (g)	Australia	100.0	100.0	50.0	-
• Medication Knowledge Pty Ltd (d) (e)	Australia	80.0	80.0	40.0	-
• Telstra Health UK (Holdings) Limited	United Kingdom	100.0	100.0	100.0	-

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31 December 2022

Telstra Group Limited ABN 56 650 620 303

5. Group structure and details of entities where control has been gained or lost during the period (continued)

Telstra Group (continued)		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at		As at	
		31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Name of entity	Country of incorporation	%	%	%	%
• Dr Foster Research Ltd (g)	United Kingdom	100.0	100.0	100.0	-
• Telstra Health UK Ltd	United Kingdom	100.0	100.0	100.0	-
• Dr Foster Inc. (c) (g)	United States	100.0	100.0	100.0	-
• DCA eHealth Solutions Pty Ltd (g)	Australia	100.0	100.0	100.0	-
• Argus Connecting Care Pty Ltd (g)	Australia	100.0	100.0	100.0	-
• Communicare eHealth Solutions Pty Ltd (g)	Australia	100.0	100.0	100.0	-
• Medinexus Pty Ltd (g)	Australia	100.0	100.0	100.0	-
• Mobile Payment Gateway Pty Limited	Australia	100.0	100.0	100.0	-
• Bridge Point Communications Pty Ltd (g)	Australia	100.0	100.0	100.0	-
• Merricks NewCo Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• MTData Holdings Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Mobile Tracking and Data Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Transport Compliance Services Pty Ltd	Australia	100.0	100.0	100.0	-
• MTData NZ Limited	New Zealand	100.0	100.0	100.0	-
• Epicon IT Solutions Pty. Ltd. (a)	Australia	100.0	100.0	100.0	-
• Service Potential Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Epicon Software Pty Ltd (g)	Australia	100.0	100.0	100.0	-
• Pacnet Services (A) Pty. Ltd. (a)	Australia	100.0	100.0	100.0	-
• Pacnet Internet (A) Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Hunterlink Pty Limited (g)	Australia	100.0	100.0	100.0	-
• Telstra Purple Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Alliance Automation Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• DLM Automation Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Aqura Technologies Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra 3G Spectrum Holdings Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra OnAir Holdings Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra Communications Limited (a)	Australia	100.0	100.0	100.0	-
• Telstra Energy (Holdings) Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra Energy (Retail) Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra Energy (Markets) Pty Ltd	Australia	100.0	100.0	100.0	-
• Telstra Energy (Generation) Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra Foundation (Philippines) Inc.	Philippines	100.0	100.0	100.0	-
• ACN 147 190 118 Pty Ltd (g)	Australia	74.0	74.0	74.0	-

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5. Group structure and details of entities where control has been gained or lost during the period (continued)

Telstra Group (continued)		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at		As at	
		31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Name of entity	Country of incorporation	%	%	%	%
• Neto (US) Inc (b)	United States	-	100.0	-	-
• Telstra Broadcast Services Pty Limited (a)	Australia	100.0	100.0	100.0	-
• Sapio Pty Ltd	Australia	51.0	51.0	51.0	-
• Telstra Holdings Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra International Operations Pty Limited (a) (g)	Australia	100.0	100.0	100.0	-
• Telstra International Networks Pty Limited (a) (g)	Australia	100.0	100.0	100.0	-
• Telstra Australia Networks Pty Limited (a) (g)	Australia	100.0	100.0	100.0	-
• Telstra Global (Malaysia) Sdn. Bhd	Malaysia	61.0	61.0	61.0	-
• Pacnet Limited	Bermuda	100.0	100.0	100.0	-
• Pacnet Services Corporation Ltd	Bermuda	100.0	100.0	100.0	-
• Asia Netcom Pacnet (Ireland) Limited	Ireland	100.0	100.0	100.0	-
• Pacnet Global Corporation (S) Pte Ltd	Singapore	100.0	100.0	100.0	-
• Pacnet Services (Korea) Limited (e)	Republic of Korea	100.0	100.0	100.0	-
• Pacnet Services South Asia (Philippines) Inc.	Philippines	100.0	100.0	100.0	-
• Pacnet Services (UK) Limited	United Kingdom	100.0	100.0	100.0	-
• Telstra Services (USA) Inc.	United States	100.0	100.0	100.0	-
• Pacnet Services (Japan) Corp.	Japan	39.6	39.6	100.0	-
• Pacnet Services Holdings (Taiwan) Limited (g)	Taiwan	100.0	100.0	100.0	-
• Telstra Services (Taiwan) Inc.	Taiwan	11.0	11.0	100.0	-
• Telstra Internet (S) Pte Ltd	Singapore	100.0	100.0	100.0	-
• Pacnet Internet (HK) Limited	Hong Kong	100.0	100.0	100.0	-
• Pacific Business Solutions (China) (c) (d) (e)	China	50.0	50.0	50.0	-
• Pacific Business Solutions (China) Xi'an (c) (d) (e)	China	100.0	100.0	50.0	-
• Pacific Business Solutions (China) Chongqing (c) (d) (e)	China	100.0	100.0	50.0	-
• Pacific Business Solutions (China) Tianjin (c) (d) (e)	China	100.0	100.0	50.0	-
• Pacific Business Solutions (China) Shanghai (c) (d) (g)	China	100.0	100.0	50.0	-
• Telstra PBS Limited (c) (d) (e)	Hong Kong	100.0	100.0	50.0	-
• Pacific Business Solutions (China) CQ (c) (d) (e)	China	100.0	100.0	50.0	-
• Pacific Internet India Private Limited (c) (e)	India	99.9	99.9	100.0	-
• Pacnet Network Limited	Bermuda	100.0	100.0	100.0	-

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5. Group structure and details of entities where control has been gained or lost during the period (continued)

Telstra Group (continued)		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at		As at	
		31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Name of entity	Country of incorporation	%	%	%	%
• Pacnet Network (UK) Limited	United Kingdom	100.0	100.0	100.0	-
• Pacnet Network (Korea) Limited (e)	Republic of Korea	100.0	100.0	100.0	-
• Pacnet Network (Philippines) Inc.	Philippines	100.0	100.0	100.0	-
• Pacnet Services (Japan) Corp.	Japan	57.8	57.8	100.0	-
• Pacnet Cable Limited	Bermuda	100.0	100.0	100.0	-
• C2C Pacnet (Ireland) Limited	Ireland	100.0	100.0	100.0	-
• Pacnet Cable (Korea) Limited (e)	Republic of Korea	100.0	100.0	100.0	-
• Telstra Network & Business Services Korea Co., Ltd. (e)	Republic of Korea	49.0	49.0	100.0	-
• Pacnet Cable (Taiwan) Limited	Taiwan	100.0	100.0	100.0	-
• Pacnet Cable (USA) Inc.	United States	100.0	100.0	100.0	-
• Pacnet Services (Japan) Corp.	Japan	2.6	2.6	100.0	-
• Asia Communications Investment Holdings (Taiwan) Limited (g)	Taiwan	100.0	100.0	100.0	-
• Asia Communications Investment (Taiwan) Limited (g)	Taiwan	100.0	100.0	100.0	-
• Telstra Services (Taiwan) Inc.	Taiwan	40.0	40.0	100.0	-
• Telstra Services (Taiwan) Inc.	Taiwan	49.0	49.0	100.0	-
• Beijing Australia Telecommunications Technical Consulting Services Co. Ltd (c)	China	100.0	100.0	100.0	-
• Reach Holdings Limited (c)	Mauritius	100.0	100.0	100.0	-
• Reach Network India Private Limited (c) (g) (h)	India	99.9	-	99.9	-
• Telstra Asia Limited (c)	British Virgin Islands	100.0	100.0	100.0	-
• Telstra SE Asia Holdings Limited (c)	British Virgin Islands	100.0	100.0	100.0	-
• PT Reach Network Services Indonesia	Indonesia	90.0	90.0	90.0	-
• Telstra Asia Regional Holdings Limited (c)	British Virgin Islands	100.0	100.0	100.0	-
• Telstra Malaysia Sdn. Bhd.	Malaysia	51.0	51.0	51.0	-
• Telstra (Thailand) Co. Ltd (d)	Thailand	49.0	49.0	49.0	-
• Telstra Philippines Holdings Limited (c)	British Virgin Islands	100.0	100.0	100.0	-
• Incomgen Holdings Inc. (d) (g)	Philippines	40.0	40.0	40.0	-
• Telstra Web Holdings Inc. (g)	Philippines	60.0	60.0	64.0	-
• Telstra Philippines Inc.	Philippines	60.0	60.0	78.4	-

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5. Group structure and details of entities where control has been gained or lost during the period (continued)

Telstra Group (continued)		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at		As at	
		31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Name of entity	Country of incorporation	%	%	%	%
• Telstra Philippines Inc.	Philippines	40.0	40.0	78.4	-
• Telstra Web Holdings Inc. (g)	Philippines	40.0	40.0	64.0	-
• Telstra Global Holdings Limited	British Virgin Islands	100.0	100.0	100.0	-
• Telstra International Limited	Hong Kong	100.0	100.0	100.0	-
• Telstra Global (HK) Limited	Hong Kong	100.0	100.0	100.0	-
• Pacnet Global Communications (India) Private Limited (c) (e) (g)	India	0.1	0.1	100.0	-
• Telstra Services Asia Pacific (HK) Limited	Hong Kong	100.0	100.0	100.0	-
• Telstra Cable (HK) Limited	Hong Kong	100.0	100.0	100.0	-
• Telstra Global Limited	United Kingdom	100.0	100.0	100.0	-
• PT Telstra Nusantara (g)	Indonesia	95.0	95.0	95.0	-
• Telstra UK Limited	United Kingdom	100.0	100.0	100.0	-
• Cordoba Holdings Limited (g)	Jersey	100.0	100.0	100.0	-
• Company 85 Limited	United Kingdom	100.0	100.0	100.0	-
• Telstra Holdings (Bermuda) No 1 Limited (g)	Bermuda	100.0	100.0	100.0	-
• Telstra Holdings Singapore Pte Ltd	Singapore	100.0	100.0	100.0	-
• Telstra Incorporated	United States	100.0	100.0	100.0	-
• Telstra India (Private) Limited (c)	India	99.9	99.9	100.0	-
• Pacific Internet India Private Limited (c) (e)	India	0.1	0.1	100.0	-
• Telstra Telecommunications Private Limited (c)	India	0.1	0.1	100.0	-
• Telstra International Philippines Inc.	Philippines	100.0	100.0	100.0	-
• Telstra International PNG Limited (c) (g)	Papua New Guinea	100.0	100.0	100.0	-
• Telstra Japan K. K.	Japan	100.0	100.0	100.0	-
• Telstra Network Services NZ Limited	New Zealand	100.0	100.0	100.0	-
• Telstra NZ Limited (b)	New Zealand	-	100.0	-	-
• Telstra Services Korea Limited (e)	Republic of Korea	100.0	100.0	100.0	-
• Telstra Network & Business Services Korea Co., Ltd. (e)	Republic of Korea	51.0	51.0	100.0	-
• Telstra Singapore Pte Ltd	Singapore	100.0	100.0	100.0	-
• Telstra India (Private) Limited (c)	India	0.1	0.1	100.0	-
• Pacific Internet India Private Limited (c) (e)	India	0.1	0.1	100.0	-

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5. Group structure and details of entities where control has been gained or lost during the period (continued)

Telstra Group (continued)		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at		As at	
		31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Name of entity	Country of incorporation	%	%	%	%
• Telstra Telecommunications Private Limited (c)	India	0.1	0.1	100.0	-
• Pacnet Global Communications (India) Private Limited (c) (e) (g)	India	99.9	99.9	100.0	-
• Telstra Software Group Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• muru-D Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra Telecommunications Private Limited (c)	India	99.9	99.9	100.0	-
• Telstra Global Business Services LLP (c)	India	50.0	50.0	100.0	-
• Telstra GmbH	Germany	100.0	100.0	100.0	-
• Telstra SARL	France	100.0	100.0	100.0	-
• Telstra International (Aus) Limited (a)	Australia	100.0	100.0	100.0	-
• Telstra Global Business Services LLP (c)	India	50.0	50.0	100.0	-
• Heritage Telecommunications Ltd	Australia	100.0	100.0	100.0	-
• Telstra Multimedia Pty Limited (a)	Australia	100.0	100.0	100.0	-
• Telstra Pay TV Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra Plus Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Telstra Services Solutions Holdings Limited (a) (g)	Australia	100.0	100.0	100.0	-
• Telstra Ventures Pty Limited (a)	Australia	100.0	100.0	100.0	-
• Virtual Machine Technology Pty Ltd (g)	Australia	100.0	100.0	100.0	-
• Telstra Towerco No.2 Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Amplitel Pty Ltd	Australia	51.0	51.0	51.0	-
• Fone Zone Pty Ltd (a)	Australia	100.0	100.0	100.0	-
• Fone Zone People Pty Ltd	Australia	100.0	100.0	100.0	-
• Sprout Corporation Pty Ltd	Australia	100.0	100.0	100.0	-
• Kel 2000 Pty Ltd	Australia	100.0	100.0	100.0	-
• Kel 2010 Pty Ltd	Australia	100.0	100.0	100.0	-
• One Zero Communications Pty Ltd	Australia	100.0	100.0	100.0	-
• One Xerro TLS (Bundaberg) Pty Ltd	Australia	100.0	100.0	100.0	-
• Geek Squad Australia Pty Ltd	Australia	100.0	100.0	100.0	-
• Computer Geek Squad Pty Ltd	Australia	100.0	100.0	100.0	-
• One Zero TCS (Warwick) Pty Ltd	Australia	100.0	100.0	100.0	-
• Media Innovations Holdings Pty Ltd (f)	Australia	51.4	-	51.4	-
• Media Innovations IP Pty Ltd (f)	Australia	100.0	-	51.4	-
• Media Innovations Pty Ltd (f)	Australia	100.0	-	51.4	-
• Media Innovations Management Pty Ltd (f)	Australia	100.0	-	51.4	-

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5. Group structure and details of entities where control has been gained or lost during the period (continued)

Telstra Group (continued)		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at		As at	
		31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Name of entity	Country of incorporation	%	%	%	%
• Convergent Media Investments Pty Ltd (f)	Australia	100.0	-	51.4	-
• FetchTV Pty Ltd (f)	Australia	100.0	-	51.4	-
• Fetch TV Retail Pty Ltd (f)	Australia	100.0	-	51.4	-
• FetchTV Content Pty Ltd (f)	Australia	100.0	-	51.4	-
• FetchTV Management Pty Ltd (f)	Australia	100.0	-	51.4	-
• Media Innovations Services Sdn. Bhd. (f)	Malaysia	100.0	-	51.4	-
Telstra ESOP Trustee Pty Limited*	Australia	100.0	-	100.0	-
Telstra Finance Limited* (a)	Australia	100.0	-	100.0	-
Telstra Foundation Ltd*	Australia	100.0	-	100.0	-
Telstra Growthshare Pty Ltd*	Australia	100.0	-	100.0	-
Telstra International Holdings Pty Ltd* (a)	Australia	100.0	-	100.0	-
• Telstra PM Holdings Pty Ltd	Australia	100.0	100.0	100.0	-
• Telstra PM Pty Ltd	Australia	100.0	100.0	100.0	-
• BidCo (S) Pte. Ltd	Singapore	100.0	100.0	100.0	-
• Digicel Pacific Limited (c) (f)	Bermuda	100.0	-	100.0	-
• Digicel (Nauru) Corporation (c) (f)	Nauru	80.0	-	80.0	-
• Digicel International Resources Ltd (c) (f)	Cayman Islands	100.0	-	100.0	-
• Digicel Carrier Services (Pacific) Limited (c) (f)	Hong Kong	100.0	-	100.0	-
• Digicel (Singapore) Private Limited (c) (f)	Singapore	100.0	-	100.0	-
• Digicel (PNG) Limited (c) (f)	Papua New Guinea	100.0	-	100.0	-
• Digicel (PNG) Financial Services Ltd (c) (f)	Papua New Guinea	100.0	-	100.0	-
• Site & Towers (PNG) Limited (c) (f)	Papua New Guinea	100.0	-	100.0	-
• Hitron Limited (c) (f)	Papua New Guinea	100.0	-	100.0	-
• Diaspora Talktime (Australia) Pty Ltd (c) (f)	Australia	100.0	-	100.0	-
• Diaspora Talktime (NZ) Limited (c) (f)	New Zealand	100.0	-	100.0	-
• Digicel Australia Pty Ltd (c) (f)	Australia	100.0	-	100.0	-
• Digicel Central Resources Fiji Limited (c) (f)	Fiji	99.0	-	100.0	-
• Digicel Pacific Finance Limited (c) (f)	Bermuda	100.0	-	100.0	-
• Digicel (Fiji Islands) Pte Limited (c) (f)	Fiji	100.0	-	100.0	-

APPENDIX 4D (ASX LISTING RULE 4.2A.3)

HALF-YEAR REPORT

31 December 2022

Telstra Group Limited ABN 56 650 620 303

5. Group structure and details of entities where control has been gained or lost during the period (continued)

Telstra Group (continued)		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at		As at	
		31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Name of entity	Country of incorporation	%	%	%	%
• Digicel (Fiji) Pte Limited (c) (f)	Fiji	49.0	-	100.0	-
• Digicel (Fiji) Pte Limited (c) (f)	Fiji	51.0	-	100.0	-
• Digicel Central Resources (Fiji) Limited (c) (f)	Fiji	1.0	-	100.0	-
• Digicel (Tonga) Limited (c) (f)	Tonga	100.0	-	100.0	-
• Digicel (Tonga) Media Ventures Limited (c) (f)	Tonga	100.0	-	100.0	-
• Digicel (Tonga) Financial Services Limited (c) (f) (g)	Tonga	100.0	-	100.0	-
• Digicel (Vanuatu) Limited (c) (f)	Vanuatu	100.0	-	100.0	-
• Highrise Properties Ltd (c) (f) (g)	Vanuatu	100.0	-	100.0	-
• Digicel Properties (Vanuatu) Limited (c) (f) (g)	Vanuatu	100.0	-	100.0	-
• Digicel (Samoa) Limited (c) (f)	Samoa	80.0	-	80.0	-
• Digicel (Samoa) Financial Services Ltd (c) (f) (g)	Samoa	100.0	-	80.0	-
• Telstra Reach Holdings Pty Ltd (a) (g)	Australia	100.0	100.0	100.0	-
Telstra Limited* (a)	Australia	100.0	-	100.0	-
• NDC Global Holdings Pty Limited (g)	Australia	100.0	100.0	100.0	-
• NDC Global Services Pty Limited (g)	Australia	100.0	100.0	100.0	-
• Quantum Telstra Pty Ltd (f)	Australia	100.0	-	100.0	-

5. Group structure and details of entities where control has been gained or lost during the period (continued)**(a) ASIC deed of cross guarantee financial information**

Telstra Group Limited and each of the wholly-owned subsidiaries set out below (being the Closed Group as defined below), are party to a deed of cross guarantee (New Deed), as defined in Australian Securities and Investments Commission (ASIC) legislative instrument: 'ASIC Corporations (Wholly-owned Companies) Instrument 2016/785' (ASIC Instrument). The effect of the New Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up. Pursuant to the ASIC Instrument, the wholly-owned subsidiaries within the Closed Group that are eligible for the benefit of the ASIC Instrument are relieved from the requirement to prepare and lodge separate financial statements, directors' reports and auditors' reports.

As disclosed in the 2022 Annual Report of Telstra Corporation Limited and its controlled entities, Telstra Corporation Limited (as the then holding entity of the Telstra Group), certain of its wholly-owned subsidiaries and Telstra Finance Limited (as trustee) were party to a deed of cross guarantee (Previous Deed), as defined in the ASIC Instrument.

As detailed in notes 1.2 and 5.2 to the half-year financial statements, in connection with the Restructure the following changes occurred in relation to the deed of cross guarantee:

- on 23 November 2022, a revocation deed was lodged with ASIC to revoke the Previous Deed. The revocation deed will take effect on 24 May 2023 (being the day following the expiration of six months from the date of lodgement with ASIC).
- on 23 November 2022, the New Deed was lodged with ASIC between Telstra Group Limited (as holding entity), Telstra Corporation Limited and certain of its wholly-owned subsidiaries, Telstra Limited and certain of its wholly-owned subsidiaries and Telstra International Holdings Pty Ltd and certain of its wholly-owned subsidiaries (together, Closed Group) and Telstra Finance Limited (as trustee). The entities in the Closed Group are set out below.

The following entities are party to the New Deed and part of the Closed Group:

- Telstra Group Limited (holding entity)
- Alliance Automation Pty Ltd
- Aqura Technologies Pty Ltd
- Clinical Technology Holdings Pty Limited
- Clinical Technology Systems Pty Limited
- DLM Automation Pty Ltd
- Epicon IT Solutions Pty. Ltd.
- Fone Zone Pty Ltd
- Health Communication Network Pty Limited
- Merricks NewCo Pty Ltd
- Mobile Tracking and Data Pty Ltd
- MTDData Holdings Pty Ltd
- muru-D Pty Ltd
- Pacnet Internet (A) Pty Ltd
- Pacnet Services (A) Pty Ltd.
- Service Potential Pty Ltd
- Telstra 3G Spectrum Holdings Pty Ltd
- Telstra Australia Networks Pty Limited
- Telstra Broadcast Services Pty Limited
- Telstra Communications Limited
- Telstra Corporation Limited
- Telstra Energy (Generation) Pty Ltd
- Telstra Energy (Holdings) Pty Ltd
- Telstra Energy (Retail) Pty Ltd

- Telstra Health Pty Ltd
- Telstra Health Services Pty Ltd
- Telstra Holdings Pty Ltd
- Telstra International (Aus) Limited
- Telstra International Holdings Pty Ltd
- Telstra International Networks Pty Limited
- Telstra International Operations Pty Limited
- Telstra Limited
- Telstra Multimedia Pty Limited
- Telstra OnAir Holdings Pty Ltd
- Telstra Pay TV Pty Ltd
- Telstra Plus Pty Ltd
- Telstra Purple Pty Ltd
- Telstra Reach Holdings Pty Ltd
- Telstra Services Solutions Holdings Limited
- Telstra Software Group Pty Ltd
- Telstra Towerco No.2 Pty Ltd
- Telstra Ventures Pty Limited.

There were no financial impacts on the Telstra Group resulting from the revocation of the Previous Deed and the establishment of the New Deed.

(b) Deregistrations and disposals (i.e. entities over which control has been lost during the period)

During the half-year, the following entities ceased being a controlled entity:

- Neto (US) Inc (deregistered on 7 July 2022)
- Telstra NZ Limited (deregistered on 21 July 2022).

(c) Controlled entities with different reporting dates**31 December**

- Beijing Australia Telecommunications Technical Consulting Services Co. Ltd
- Dr Foster Inc.
- Pacific Business Solutions (China) and its controlled entities
- Reach Holdings Limited
- Telstra Asia Limited
- Telstra Asia Regional Holdings Limited
- Telstra International PNG Limited
- Telstra Philippines Holdings Limited
- Telstra SE Asia Holdings Limited

31 March

- Digicel Pacific Limited and its controlled entities
- Pacific Internet India Private Limited
- Pacnet Global Communications (India) Private Limited
- Reach Network India Private Limited
- Telstra Global Business Services LLP
- Telstra India (Private) Limited
- Telstra Telecommunications Private Limited

(d) Controlled entities with our equity ownership less than or equal to 50 per cent

We have effective control over Incomgen Holdings Inc. and Telstra (Thailand) Co. Ltd through economic dependency and contractual arrangements with the majority shareholders and have consolidated them into our group.

We have control over Fred IT Group Pty Ltd and its controlled entities and Pacific Business Solutions (China) and its controlled entities through our decision making ability on the respective boards.

APPENDIX 4D (ASX LISTING RULE 4.2A.3)

HALF-YEAR REPORT

31 December 2022

Telstra Group Limited ABN 56 650 620 303

5. Group structure and details of entities where control has been gained or lost during the period (continued)

(e) Controlled entities not individually audited by EY

These companies are not audited by EY, our Australian statutory auditor.

(f) New incorporations and entities where control has been gained during the period

The following entities were acquired during the half-year:

- Digicel Pacific Limited and its controlled entities (acquired on 13 July 2022), of which we own 100 per cent
- Media Innovations Holdings Pty Ltd and its controlled entities (acquired on 2 August 2022), of which we own 51.4 per cent.

The following entities were incorporated during the half-year:

- Powerhealth Solutions W.L.L. (incorporated on 30 August 2022), of which we own 70 per cent
- Quantum Telstra Pty Ltd (incorporated on 8 December 2022), of which we own 100 per cent.

(g) Dormant

Companies with reference '(g)' are dormant.

(h) Changes in ownership other than those resulting from Telstra Group restructure

During the half-year ended 31 December 2022, Reach Network India Private Limited was transferred from Reach Holdings Limited to Telstra Holdings Pty Ltd.

6. Details of investments in joint ventures

Telstra Group			Ownership interest	
			As at	
			31 Dec 2022	30 Jun 2022
Name of entity	Principal activities	Principal place of business / country of incorporation	%	%
3GIS Pty Ltd	Management of former 3GIS Partnership (non-operating)	Australia	50.0	50.0
Reach Limited ¹	International connectivity services	Bermuda	50.0	50.0
Telstra Ventures Fund II, L.P.	Venture capital	Guernsey	62.5	62.5

¹ Balance date is 31 December.

APPENDIX 4D (ASX LISTING RULE 4.2A.3)

HALF-YEAR REPORT

31 December 2022

Telstra Group Limited ABN 56 650 620 303

7. Details of investments in associated entities

Telstra Group			Ownership interest	
			As at	
			31 Dec 2022	30 Jun 2022
Name of entity	Principal activities	Principal place of business / country of incorporation	%	%
Asia Netcom Philippines Corporation ¹	Ownership of physical property	Philippines	40.0	40.0
Australia-Japan Cable Holdings Limited ¹	Network cable provider	Bermuda	46.9	46.9
Dacom Crossing Corporation ¹	Network cable provider	Korea	49.0	49.0
NXE Australia Pty Limited	Pay television	Australia	35.0	35.0
Pacific Carriage Holdings Limited Inc. ¹	Network cable provider	United States	25.0	25.0
Pivotal Labs Sydney Pty Ltd ²	Software development	Australia	20.0	20.0
Samoa Submarine Cable Company Limited ³	Network cable provider	Samoa	16.7	-
Southern Cross Cables Holdings Limited ¹	Network cable provider	Bermuda	25.0	25.0
Telstra Converge Inc ¹	Telecommunication services	Philippines	48.0	48.0
Telstra Super Pty Ltd	Superannuation trustee	Australia	100.0	100.0
Telstra Ventures Fund III, L.P.	Venture capital	Guernsey	50.0	50.5
Tianjin TenLink Electronic Technology Co., Ltd. ¹	Control system of industrial internet supplier	China	10.0	10.0
Tonga Cable Limited ³	Network cable provider	Tonga	16.6	-

¹ Balance date is 31 December

² Balance date is 31 January

³ Balance date is 31 March

8. Dividend Reinvestment Plan

In connection with the Restructure, on 20 October 2022 the Board resolved to discontinue Telstra Corporation Limited's Dividend Reinvestment Plan (DRP) and establish a new DRP for Telstra Group Limited.

The Board determined that the new DRP will operate for the interim dividend in the financial year 2023.

Additional Appendix 4D disclosure requirements can be found in the notes to our half-year financial report, the half-year Directors' Report and the Half-year results and operations review lodged with this document.

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors (the Board), the Directors present their report on the consolidated entity (Telstra Group) consisting of Telstra Group Limited (Telstra Entity) and the entities it controlled at the end of or during the half-year ended 31 December 2022. Financial comparisons used in this report are of results for the half-year ended 31 December 2022 compared with the half-year ended 31 December 2021 for income statement analysis, and 31 December 2022 compared with 30 June 2022 for statement of financial position analysis. Financial comparisons are with the results of the previous parent entity of the Telstra Group, Telstra Corporation Limited, as further outlined below.

Significant changes in the state of affairs

During the reporting period, Telstra Corporation Limited implemented a scheme of arrangement (Scheme) to support the restructure of the Telstra Group (Restructure) first announced in November 2020. The Restructure was an internal legal reorganisation and did not, by itself, result in any immediate change to the underlying assets or business activities of the Telstra Group.

The Scheme was comprised of two components: the top hat component which established the Telstra Entity as the parent entity of the Telstra Group, and the business restructure component which was used to transfer certain assets and liabilities within the Telstra Group. The Restructure also involved certain other steps in addition to the Scheme. While these steps were completed over a period of time, for accounting purposes, all the steps should be considered together as they were undertaken in contemplation of the Restructure as a whole.

The top hat component of the Scheme was implemented on 31 October 2022 and the business restructure component of the Scheme was implemented on 1 January 2023 (i.e. after the reporting date).

On implementation of the top hat component, all of the shares in Telstra Corporation Limited (11,554,427,353 in total) were transferred to the Telstra Entity in exchange for the issue of 11,554,427,353 shares in Telstra Group Limited to eligible Telstra Corporation Limited shareholders under the Scheme.

While Telstra Group Limited became the parent entity of Telstra Corporation Limited and its controlled entities as a result of the Scheme, this did not result in a business combination for accounting purposes and was accounted for as an internal reorganisation. Accordingly, the consolidated financial statements have been presented as a continuation of the existing financial performance and financial position of the Telstra Group. As such, as at and for the period ended 31 December 2022, the consolidated financial statements of the Telstra Group include the historical financial information of the Telstra Group for both the period before and after the Restructure steps that were completed by 31 December 2022.

On 31 October 2022, Telstra Group Limited became the new head entity of the Australian tax consolidated group.

On 30 November 2022, Telstra Group Limited became the sponsoring employer in our Telstra Superannuation Scheme.

Subsequent to the reporting date, on 1 January 2023, the final steps of the Restructure (including the business restructure component of the Scheme) were completed. Those steps involved Telstra Corporation Limited transferring the retail and active wholesale business assets and liabilities and related investments to Telstra Limited, and the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities. Telstra Corporation Limited also transferred its interest in Telstra Towerco No.2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited. As a result, Telstra Corporation Limited continues to operate our passive fixed infrastructure business and service our nbn Definitive Agreements.

The businesses and investments transferred between Telstra Corporation Limited and Telstra Group Limited or other entities within the Telstra Group under the Restructure did not result in business combinations for accounting purposes. Accordingly, the Restructure was accounted for as an internal reorganisation, i.e. assets and liabilities transferred were recognised at their existing values in the balance sheet. From the Telstra Group perspective the internal reorganisation transfers eliminate on consolidation, i.e. they do not impact the Telstra Group financial results.

Refer to notes 1.2, 5.1, 6.1 and 6.3 of the 2023 half-year financial report for further details about the Restructure.

Review and results of operations

Information on the operations and the results of those operations for the Telstra Group during the half-year ended 31 December 2022 is set out on pages 1 to 11 of the Half year results and operations review accompanying this Directors' Report.

Dividend

Since the end of the half-year, the Directors resolved to pay an interim dividend for the financial year 2023 of 8.5 cents per ordinary share. The interim dividend will be fully franked at a tax rate of 30 per cent. The record date for the interim dividend will be 2 March 2023, with payment being made on 31 March 2023. From 1 March 2023, shares will trade excluding entitlement to the dividend.

Our final dividend for the financial year ended 30 June 2022 of 8.5 cents per ordinary share (\$982 million), comprising a final ordinary dividend of 7.5 cents and a final special dividend of 1.0 cent, was paid by Telstra Corporation Limited (the then parent entity of the Telstra Group) during the half-year ended 31 December 2022. This dividend was fully franked at a tax rate of 30 per cent. The final dividend had a record date of 25 August 2022 and payment was made on 21 September 2022.

In connection with the Restructure, Telstra Corporation Limited's Dividend Reinvestment Plan (DRP) was discontinued and a new DRP was established by the Telstra Entity. The new DRP will operate for the interim dividend in the financial year 2023.

Directors

Directors who held office during the half-year ended 31 December 2022 and until the date of this report were¹:

Director	Period of directorships
John P Mullen	Chairman since 2016, Director since 2008
Vicki Brady	Chief Executive Officer and Managing Director since 1 September 2022
Andrew R Penn	Chief Executive Officer and Managing Director until 31 August 2022
Eelco Blok	Director since 2019
Roy H Chestnutt	Director since 2018
Craig W Dunn	Director since 2016
Ming Long	Director since 1 January 2023
Bridget Loudon	Director since 2020
Elana Rubin	Director since 2020
Nora L Scheinkestel	Director until 11 October 2022
Niek Jan van Damme	Director since 2018

¹ The periods of directorship for all directors are reflective of their time as directors of the parent entity of the Telstra Group, i.e. Telstra Corporation Limited prior to 31 October 2022 and Telstra Group Limited on and from 31 October 2022.

On 16 February 2023, the Board announced the appointment of Ms Maxine Brenner as a non-executive Director, with effect from 17 February 2023. She will stand for election at our 2023 Annual General Meeting.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration is on page 3 and forms part of this report.

Rounding of amounts

The Telstra Entity is a company of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, as amended from time to time, and issued pursuant to section 341(1) of the *Corporations Act 2001*. As a result, amounts in this report and the accompanying financial report have been rounded to the nearest million dollars (\$m), except where otherwise indicated.

This report is made on 16 February 2023 in accordance with a resolution of the Directors.



John P Mullen
Chairman
16 February 2023



Vicki Brady
Chief Executive Officer and Managing Director
16 February 2023



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Auditor's independence declaration to the directors of Telstra Group Limited

As lead auditor for the review of the half-year financial report of Telstra Group Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b) No contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Telstra Group Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Sarah Lowe' in a cursive style.

Sarah Lowe
Partner
16 February 2023

Half year results and operations review

Reported results

Summary financial results	1H23	1H22	Change
	\$m	\$m	%
Revenue (excluding finance income)	11,306	10,503	7.6
Total income (excluding finance income)	11,583	10,887	6.4
Operating expenses	7,723	7,412	4.2
Share of net profit/(loss) from equity accounted entities	1	(9)	n/m
EBITDA	3,861	3,466	11.4
Depreciation and amortisation	2,260	2,189	3.2
EBIT	1,601	1,277	25.4
Net finance costs	252	238	5.9
Income tax expense	415	296	40.2
Profit for the period	934	743	25.7
Profit attributable to equity holders of Telstra Entity	865	698	23.9
Capex ¹	1,658	1,386	19.6
Free cashflow	(1,300)	1,324	n/m
Earnings per share (cents)	7.5	5.9	27.1

1. Capex is defined as additions to property, plant and equipment and intangible assets, excluding expenditure on spectrum and guidance adjustments, externally funded capex, and capitalised leases. Capex is measured on an accrued basis

Financial results

Telstra delivered 1H23 results showing strong and continued growth, with positive momentum across key indicators. Total income was up 6.4 per cent and EBITDA increased 11.4 per cent, driven by momentum from the mobiles business and support from the acquisition of Digicel Pacific. This flowed through to a 25.7 per cent increase in NPAT. EPS increased 27.1 per cent and underlying EPS¹ increased by 27.4 per cent.

Telstra achieved strong growth, successfully transitioned to, and made good early progress on its T25 strategy, and finalised its legal restructure.

On the back of our continued growth, the Board resolved to pay a fully franked interim dividend of 8.5 cents per share representing a 6.3 per cent increase on the prior corresponding period, and in line with the second half of last financial year. The interim dividend is consistent with our policy to maximise the fully franked dividend and seek to grow it over time.

Guidance² for the full year was reaffirmed across all measures, with income now expected to be at the bottom end of guidance due to mobile hardware and fixed product revenues being lower than expected.

Telstra's T25 strategy leverages the foundation and capabilities Telstra has built over the last few years. It has the four pillars: an exceptional customer experience, leading network and technology solutions, sustained growth and value, and the place you want to work. T25 is about growing sustainably by doing the right thing by our customers, our people, our shareholders, and by Australia.

T25 is about growing sustainably by doing the right thing by our customers, our people, our shareholders, and by Australia. It's an ambitious strategy built around our customers and recognises that providing them great connectivity is only half the customer experience equation – we have to make doing business with us an exceptional experience too.

Telstra made good early progress on T25 in the half.

On customer experience, Episode NPS improved 4 points, customer complaints reduced by more than one third and Telstra Plus members grew to 4.8 million. Our customer complaint numbers have dropped to record lows and our Episode NPS results have seen historic highs. We have also led the industry on blocking scams and malicious contact reaching our customers, as well as taken steps to improve the way we collect and retain customer ID data.

On network leadership, we are on track to meet all our commitments by FY25. We have the largest 5G network, our 5G population coverage reaches over 81 percent and is on track for our FY23 target of 85 per cent. We are currently leading the majority of key mobile and fixed network surveys for coverage and speed.

Against the growth and value pillar, we delivered growth in Underlying EBITDA and EPS. With underlying ROIC³ at 7.5 per cent we are on track to achieve around 8 per cent in FY23. On cost, while inflation is having an impact, we continue to have cost mitigants and revenue levers, and remain committed to our FY25 \$500 million cost out ambition.

The current economic climate creates challenges for our customers. The changes we have made in recent years to remove lock-in

1 Underlying EPS calculated as PATMI attributable to each share, excluding net one-off nbn receipts and guidance adjustments.

2 This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.

3 Underlying ROIC calculated as NOPAT as a percentage of total capital, excluding net one-off nbn receipts and guidance adjustments less tax.

contracts and move to a multi-brand strategy mean we can continue to provide customers with flexibility and options to ensure they can choose plans they can afford.

Against the place you want to work pillar, our employee engagement score was 79. This result ranks us near the top companies globally, however below our target. We are focussed on continuing to improve employee engagement.

Results on a guidance basis ¹	1H23	FY23 Guidance basis
Total income	\$11.6b	\$23.0b to \$25.0b
Underlying EBITDA	\$3.9b	\$7.8b to \$8.0b
Capex	\$1.7b	\$3.5b to \$3.7b
Free cash flow after lease payments (FCFaL)	\$1.0b	\$2.6b to \$3.1b

Guidance basis versus reported results ¹	1H23	1H23	1H23	1H22
	Reported results \$m	Adjustments \$m	Guidance basis \$m	Guidance basis \$m
Total income	11,583	-	11,583	10,866
EBITDA	3,861	34	3,895	3,495
Free cashflow	(1,300)	2,321	1,021	1,675

1. These tables detail adjustments made to the reported results for the current and comparative periods to reflect the performance of the business on the basis on which we provided guidance to the market, which excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. A detailed reconciliation of our reported results to guidance can be found in the guidance versus reported results schedule. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases. Free cash flow after lease payments defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities, and excludes spectrum and guidance adjustments. Refer to the guidance versus reported results schedule. The adjustments within the tables in this schedule have been reviewed by our auditors.

Dividend

On 16 February 2023, the Directors of Telstra Group Limited resolved to pay a fully franked interim dividend of 8.5 cents per share representing a 6.3 per cent increase on the prior corresponding period, and in line with the final dividend for the second half of last financial year. Shares will trade excluding entitlement to the interim dividend from 1 March 2023 with payment to be made on 31 March 2023.

The interim dividend represents a 113 per cent payout ratio on 1H23 reported earnings per share and is in line with Principle 2 of our Capital Management Framework to 'maximise fully franked dividend and seek to grow over time'.

Other information

The following commentary is provided for statutory and management financial results. Consistent with information presented for internal management reporting purposes, the result of each segment is measured based on its EBITDA contribution. Refer to Note 2.1.1 in the Half-Year Financial Report for further detail.

First half performance against our FY23 Executive Variable Remuneration Plan (EVP) metrics is included on page 11. For additional details on EVP metrics and targets, refer to pages 69-71 of our 2022 Annual Report available at <https://www.telstra.com.au/aboutus/investors/financial-information/reports>.

Segment performance

We report segment information on the same basis as our internal management reporting structure as at the reporting date. Segment comparatives reflect organisational changes that have occurred since the prior reporting period to present a like-for-like view.

Segment total income (including internal charges)



Total income	1H23	1H22	Change
	\$m	\$m	%
Telstra Consumer and Small Business (C&SB) ¹	6,394	5,995	6.7
Telstra Enterprise	3,851	3,496	10.2
Networks and IT ²	138	123	12.2
Telstra InfraCo ²	1,818	1,776	2.4
All Other ²	224	269	(16.7)
Total management reported income	12,425	11,659	6.6
Transactions between segments	(842)	(772)	(9.1)
Total income	11,583	10,887	6.4

1. Includes one-off nbn DA and Connection in 1H22

2. Includes internal charges

Total income (excluding finance income) increased by 6.4 per cent to \$11,583 million due to higher mobile services and hardware income, the inclusion of Digicel Pacific income following acquisition, and income growth from C&SB off-net fixed, Enterprise Network Applications and Services, Telstra InfraCo Fixed and Amplitel. Income growth was partly offset by declines across fixed products including C&SB on-net fixed, Enterprise Data and Connectivity and Active Wholesale.

Telstra Consumer and Small Business

Telstra Consumer and Small Business provides telecommunications, media and technology products and services to Consumer and Small Business customers in Australia using mobile and fixed network technologies. It also operates call centres, retail stores, a dealership network, digital channels, distribution systems and Telstra Plus customer loyalty program in Australia.

Income increased by 6.7 per cent to \$6,394 million including 11.1 per cent growth in mobile income. Mobile services revenue increased with growth in Average Revenue Per User (ARPU) and Services In Operation (SIOs) across mobile products, and higher mobile hardware revenue from increased sales volumes. Fixed product income was relatively stable, increasing 0.2 per cent, with growth in off-net revenue offset by decline in on-net revenue due to nbn migration.

Telstra Enterprise

Telstra Enterprise provides telecommunication services and advanced technology solutions for government and large enterprise and business customers in Australia and globally. It provides product management for advanced technology solutions through Data and Connectivity and Network Applications and Services (NAS) products such as unified communications, cloud, security, industry solutions and integrated services. It provides wholesale services outside of Australia, including both voice and data, and provides telecommunication, media and technology products and services to consumer, business and government customers in the South Pacific through our Digicel Pacific acquisition which was completed on 13 July 2022.

Income increased by 10.2 per cent to \$3,851 million including \$356 million for Digicel Pacific. Domestic mobile income increased by 1.4 per cent including growth from Internet of Things (IoT) value-add applications. Domestic fixed revenue declined 2.5 per cent, with NAS revenue gains offset by declines in Data and Connectivity. NAS revenue increased 2.0 per cent including growth in professional services and cloud, partly offset by calling applications legacy decline.

Networks and IT

Networks and IT supports the other segments and their respective revenue generating activities by maintaining high level of reliability and security of our network platforms and data. It also builds and manages software and provides information technology services to all internal functions.

Telstra InfraCo

Telstra InfraCo provides telecommunication products and services delivered over Telstra networks to other carriers, carriage service providers and internet service providers, and provides other Telstra functions and wholesale customers with access to network infrastructure within Telstra InfraCo's asset accountabilities. It operates the fixed passive network infrastructure including data centres, exchanges, poles, ducts, pits and pipes and fibre network. It provides nbn co with long-term access to certain components of our infrastructure under the Infrastructure Services Agreement and operates the passive and physical mobile tower assets owned or operated by the Amplitel business.

Income, including internal charges, increased by 2.4 per cent to \$1,818 million due to growth in recurring nbn Definitive Agreement (DA) receipts in line with CPI, increased internal and external access charges, and growth in wholesale mobility. This was partly offset by expected declines from Fixed – Active Wholesale legacy products and commercial works supporting the nbn. Excluding internal access charges, income increased by 0.3 per cent to \$1,152 million.

All Other

Certain items of income and expense relating to multiple functions are recorded by our corporate areas and included in the All Other category. This category also includes the Product and Technology Group, Global Business Services (GBS), Telstra Health and Telstra Energy generation and markets.

Income decreased by 16.7 per cent to \$224 million mainly due to a \$134 million decline in Per Subscriber Address Amount (PSAA) disconnection fees as the nbn migration nears completion. Telstra Health income increased by \$40 million to \$147 million from organic growth and prior year MedicalDirector and PowerHealth acquisitions. Telstra Energy income increased by \$44 million from energy generation revenue and fair value gains on energy firming derivatives.

Product performance

Product revenue breakdown (including internal charges)



Product income	1H23	1H22	Change
	\$m	\$m	%
Mobile	5,130	4,683	9.5
Fixed – C&SB	2,264	2,260	0.2
Fixed – Enterprise	1,769	1,814	(2.5)
Fixed – Active Wholesale	209	252	(17.1)
International	1,148	758	51.5
InfraCo Fixed	1,226	1,183	3.6
Amplitel (Towers)	197	179	10.1
One-off nbn DA & Connection	46	203	(77.3)
Other	436	327	33.3
Total management reported income	12,425	11,659	6.6
Eliminations	(842)	(772)	(9.1)
Total external income	11,583	10,887	6.4

Product EBITDA contribution margins	1H23 %	2H22 %	1H22 %	FY22 %
Mobile	43.2	42.6	41.8	42.2
Fixed – C&SB	2.2	1.4	1.0	1.2
Fixed – Enterprise	12.0	19.1	16.5	17.9
Fixed – Active Wholesale	34.0	30.7	35.7	33.3
International	32.7	26.0	25.6	25.8
InfraCo – Fixed	65.8	68.3	66.4	67.4
Amplitel (Towers)	81.2	75.1	84.9	79.9
Other	0.5	12.7	(2.0)	6.3
Net one-off nbn DA less nbn net cost to connect	56.5	61.7	61.6	61.6

Mobile

Mobile income increased by 9.5 per cent to \$5,130 million including 9.3 per cent services revenue growth and 12.2 per cent hardware growth. Growth in services revenue was achieved across all mobile sub-products. Retail mobile SIOs increased by 848,000 in the half bringing the total to 21.7 million. We now have 8.8 million postpaid handheld retail SIOs, an increase of 68,000.

Postpaid handheld services revenue increased by 6.3 per cent to \$2,657 million with a 1.6 per cent uplift in SIOs and a 4.5 per cent ARPU increase from \$48.29 to \$50.47 driven by price rises and higher international roaming.

Prepaid handheld revenue increased by 28.7 per cent to \$556 million with a 285,000 increase in unique users (including 137,000 in the half) and 20.7 per cent increase in ARPU from increased usage and one-off revenue of \$42 million from product migration.

Mobile broadband revenue increased by 5.6 per cent to \$337 million driven by a 5.8 per cent uplift in ARPU from \$17.58 to \$18.60.

Internet of Things (IoT) revenue increased by 7.8 per cent to \$139 million with SIOs increasing by 1,232,000 (including 660,000 in the half) and growth in value-add applications for Enterprise customers.

Wholesale revenue increased 14.2 per cent to \$169 million driven by 289,000 net SIO adds (including 162,000 in the half) and ARPU growth. Wholesale mobile SIOs total 2.1 million from the continued popularity of our Mobile Virtual Network Operator's (MVNO) plans on the Telstra mobile network.

Hardware, interconnect and other revenue increased by 10.2 per cent to \$1,263 million largely due to higher hardware volumes.

Mobile EBITDA contribution margin increased by 1.4 percentage points to 43.2 per cent due to increased high-margin service revenue partly offset by increased costs associated with insourcing our retail channel, internal infrastructure and international roaming, and increased low margin hardware revenue.

Fixed – Consumer and Small Business (C&SB)

Fixed – C&SB income increased by 0.2 per cent to \$2,264 million impacted by nbn migration. Off-net fixed revenue, which is revenue from services for which we are a reseller, increased by 6.2 per cent to \$1,651 million from ARPU growth and as customers continue to migrate onto the nbn network. On-net fixed revenue, which is revenue from services on the Telstra fixed network, decreased by 30.9 per cent to \$179 million. C&SB bundles and standalone data ARPU increased by 3.7% to \$79.57 and SIOs declined by 50,000 in the half to 3.5 million.

Consumer content and services revenue increased by 1.0 per cent to \$309 million including growth from the Fetch TV acquisition. Gaming contributed to growth with a 6 per cent increase in gaming SIOs in the half to 89,000. Growth was partly offset by a 14.4 per cent reduction in Foxtel from Telstra SIOs.

Business apps and services revenue declined by 3.5 per cent to \$83 million due to legacy product decline.

Fixed – C&SB EBITDA contribution margin increased by 1.2 percentage points to 2.2 per cent with growth in off-net fixed revenue and cost-out, partly offset by reduction in on-net fixed revenue. Off-net nbn resale contribution margin increased by 3 percentage points to 7 per cent. On-net fixed and consumer content and services reduce the Fixed – C&SB EBITDA contribution margin.

Fixed – Enterprise

Fixed – Enterprise income declined by 2.5 per cent to \$1,769 million with declines in Data and Connectivity partly offset by gains in NAS. Data and Connectivity income declined by 14.4 per cent to \$423 million driven by ARPU compression from competition and technology change. Our T-Fibre customer base declined marginally with government contract renewals offset by churn in mostly mid-market and business segments.

NAS income increased by 2.0 per cent to \$1,346 million with growth in managed services, professional services and cloud applications, partly offset by decreases in calling applications and equipment sales.

Managed services and maintenance revenue increased by 5.9 per cent to \$378 million due to an increase in large customers attaching cyber security services and service management. Professional services revenue increased by 43.8 per cent to \$266 million including from one-off infrastructure builds on large strategic contracts and Telstra Purple acquisitions (including Alliance Automation and Aqura Technologies). Cloud applications revenue increased by 15.6 per cent to \$156 million from growth in demand for partner cloud products including AWS and Microsoft.

Calling applications revenue declined by 25.4 per cent to \$255 million due to ISDN and legacy fixed line calling products (in line with planned exit and market shift to integrated video solutions), and COVID driven demand for unified communications in the prior corresponding period which did not repeat this half. Equipment sales revenue declined by 16.9 per cent to \$147 million.

Fixed – Enterprise EBITDA contribution margin declined by 4.5 percentage points to 12.0 per cent with an increased mix of lower margin NAS income and Data and Connectivity margin decline. Data and Connectivity EBITDA contribution margin declined by 15.2 percentage points to 24.3 per cent due to revenue reduction and increased costs. NAS EBITDA contribution margin grew by 0.2 percentage points to 8.2 per cent due to revenue growth in managed services, professional services and cloud applications.

Fixed – Active Wholesale

Fixed – Active Wholesale income declined by 17.1 per cent to \$209 million impacted by ongoing migration to the nbn and legacy product decline. Data and Connectivity revenue decreased by 10.1 per cent to \$142 million reflecting SIO and ARPU decline in wideband products partly offset by growth in Telstra Wholesale Internet with increased SIOs and usage. Legacy calling and fixed revenue declined by 28.7 per cent to \$67 million from continued legacy fixed product SIO decline.

Fixed – Wholesale EBITDA contribution margin decreased by 1.7 percentage points to 34.0 per cent due to continued legacy and nbn revenue decline offset partly by cost-out. The margin improved sequentially in the half due to lower costs.

International

International income increased by 51.5 per cent to \$1,148 million including \$356 million for Digicel Pacific. Digicel Pacific income was 6 per cent higher than constant currency (CC) proforma income with growth in mobile SIOs across all its South Pacific markets. Excluding Digicel Pacific, income increased by 4.5 per cent to \$792 million (0.4 per cent growth in CC) with growth in Data and Connectivity due to investment in subsea capacity and Enterprise products, offset by expected declines in low margin legacy voice.

International EBITDA contribution margin increased by 7.1 percentage points to 32.7 per cent due to the inclusion of Digicel Pacific EBITDA margin of 45.8 per cent. Excluding Digicel Pacific, margin improved by 1.2 percentage points due to Data and Connectivity revenue growth.

InfraCo Fixed

InfraCo Fixed income increased by 3.6 per cent to \$1,226 million. Recurring nbn DA income increased by 4.8 per cent to \$481 million reflecting inflation linked price increases. Recurring nbn DA income includes infrastructure services across ducts, racks and fibre provided to nbn Co.

External infrastructure revenue increased by 31.6 per cent to \$125 million including \$51m from disposal of legacy network copper assets which we expect to be ongoing. Internal infrastructure access revenue increased by 4.8 per cent to \$500 million.

Commercial and recoverable works revenue declined by 21.1 per cent to \$120 million mostly due to the initial nbn rollout nearing completion. InfraCo Fixed income grew 4.8 per cent excluding commercial and recoverable works and legacy network disposals.

InfraCo Fixed EBITDA contribution margin reduced 0.6 percentage points to 65.8 per cent due to increased power costs and investment in asset maintenance and growth opportunities.

Amplitel (Towers)

Amplitel income grew by 10.1 per cent to \$197 million, including internal charges, from contracted growth, continued demand for new tower builds and 5G upgrades. Amplitel external revenue grew 6.9 per cent.

Amplitel EBITDA contribution margin reduced 3.7 percentage points to 81.2 per cent due to asset maintenance.

One-off nbn DA & connection

One-off nbn DA & connection income includes receipts from nbn Co for disconnecting customers from our legacy network, and one-off income from customers to connect to the nbn network. Income decreased by 77.3 per cent to \$46 million as the nbn migration nears completion.

Other

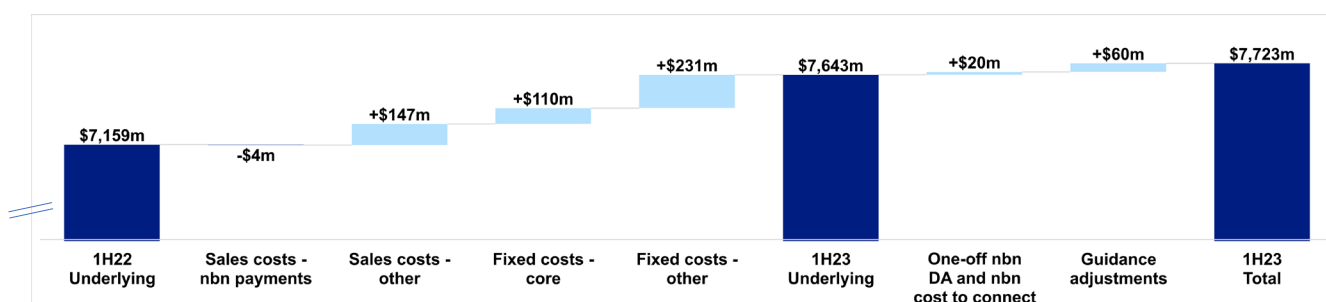
Other product income increased by \$109 million to \$436 million including Telstra Health, Telstra Energy and corporate adjustments. Telstra Health income increased by \$40 million to \$147 million from organic growth and prior year MedicalDirector and PowerHealth acquisitions. Telstra Energy income increased by \$44 million from energy generation revenue and fair value gains on energy firming derivatives.

Elimination

Elimination represents internal revenue comprising \$500 million in InfraCo Fixed, \$166 million in Amplitel and \$176 million in Other.

Expense performance

Operating expenses ¹	1H23	1H22	Change	
	\$m	\$m	\$m	%
Sales costs	3,935	3,792	143	3.8
- nbn payments	1,030	1,034	(4)	(0.4)
- other	2,905	2,758	147	5.3
Fixed costs	3,708	3,367	341	10.1
- core	3,407	3,297	110	3.3
- other ²	301	70	231	330.0
Underlying	7,643	7,159	484	6.8
One-off nbn DA and nbn cost to connect	20	78	(58)	(74.4)
Guidance adjustments ³	60	175	(115)	(65.7)
Total	7,723	7,412	311	4.2



1. The data in this table includes adjustments to historical numbers to reflect changes in sales and fixed costs.

2. Fixed costs – other includes Telstra Health, and recent acquisitions including Digicel Pacific, Alliance Automation and Aqura Technologies.

3. Guidance adjustments include material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management

Total operating expenses increased by 4.2 per cent to \$7,723 million. Excluding Digicel Pacific, total operating expenses increased by 1.6 per cent. Adjusted for one-off nbn costs and guidance adjustments, underlying operating expenses increased by \$484 million or 6.8 per cent due to higher sales and fixed costs, including \$193 million for Digicel Pacific.

Sales costs, which are direct costs associated with revenue and customer growth, increased by 3.8 per cent to \$3,935 million. This was due to a \$147 million increase in other non-nbn sales costs, associated with higher mobile hardware sales volumes, and \$61 million of Digicel Pacific sales costs.

Core fixed costs increased by 3.3 per cent or \$110 million with productivity offset by cost inflation (labour and non-labour including energy), and costs associated with insourcing of our retail channel and onshoring of call centres. Productivity gains were achieved across back of house and support functions through process simplification and improvement.

Other fixed costs increased by \$231 million including \$132 million for Digicel Pacific, and fixed costs associated with other recently acquired businesses such as Alliance Automation, Aqura Technologies, MedicalDirector and PowerHealth.

One-off nbn DA and nbn cost to connect declined by 74.4 per cent as the nbn migration process nears completion. Guidance adjustments for operating expenses decreased by \$115 million mostly due to transaction costs in the prior period relating to InfraCo Towers (now Amplitel) not repeating in this half.

Operating expenses on a reported basis

Our progress on achieving our productivity target is reported through the above operating expenses table. The detail below provides commentary on operating expenses as disclosed in our statutory accounts.

Operating expenses on a reported basis	1H23	1H22	Change
	\$m	\$m	%
Labour	2,046	1,834	11.6
Goods and services purchased	4,221	4,148	1.8
Net impairment losses on financial assets	38	41	(7.3)
Other expenses	1,418	1,389	2.1
Total	7,723	7,412	4.2

Labour

Total labour expenses increased by 11.6 per cent or \$212 million to \$2,046 million. Salary and associated costs increased by \$192 million due to increased total full time staff equivalents (FTE) and wage inflation as agreed in our Enterprise Agreement. Total FTE increased by 18.4 per cent or 4,906 to 31,634 largely due to acquisitions (including Digicel Pacific), the insourcing of our retail channel, additional retail channel and technical hires, and onshoring of call centres. Excluding Digicel Pacific, total FTE increased by 10.8 per cent or 2,875 and was offset by a reduction in indirect workforce including from the insourcing of our retail channel and onshoring of call centres.

Goods and services purchased

Total goods and services purchased increased by 1.8 per cent or \$73 million to \$4,221 million. Cost of goods sold, which includes mobile handsets and accessories, tablets, mobile broadband hardware, modems and other fixed hardware, increased by 6.5 per cent or \$86 million to \$1,408 million mainly due to higher C&SB postpaid mobile hardware volumes and inclusion of Digicel Pacific hardware sales costs following acquisition.

Other expenses

Total other expenses increased by 2.1 per cent or \$29 million to \$1,418 million. The increase in other expenses was primarily due to inclusion of Digicel Pacific following acquisition. Service contracts and other agreements expenses decreased by 3.6 per cent or \$20 million. Impairment losses (excluding net losses on financial assets) decreased by 16.2 per cent or \$11 million.

Depreciation and amortisation

Depreciation and amortisation increased by 3.2 per cent or \$71 million to \$2,260 million. Amortisation of intangible assets increased by 24.4 per cent or \$149 million due to higher software amortisation and the inclusion of Digicel Pacific. Depreciation of property, plant and equipment decreased by \$65 million due to a subset of legacy copper assets being fully depreciated in the prior period. Depreciation of right-of-use assets decreased by \$13 million.

Net finance costs

Net finance costs increased by 5.9 per cent or \$14 million to \$252 million. Interest on borrowings increased by \$36 million, and average gross borrowing rate increased from 3.7 per cent to 4.4 per cent, reflecting higher market interest rates and non-recourse borrowing facilities with the Australian Government through Export Finance Australia used to fund the majority of the consideration for the Digicel Pacific acquisition. Our borrowing portfolio is more than 50 per cent fixed. The increase in interest on borrowings was partly offset by \$10 million growth in interest income and \$12 million net reduction in other financing items (as set out in note 4.4.3 in the Half-Year Financial Report).

Cash flows

Summary statement of cash flows	1H23	1H22	Change
	\$m	\$m	%
Net cash provided by operating activities	2,866	3,246	(11.7)
Net cash used in investing activities	(4,166)	(1,922)	n/m
- Capital expenditure (before investments)	(1,862)	(1,626)	(14.5)
- Other investing cash flows	(2,304)	(296)	n/m
Free cashflow	(1,300)	1,324	n/m
Net cash provided by/(used in) financing activities	1,298	(815)	n/m
Net increase/(decrease) in cash and cash equivalents	(2)	509	n/m
Cash and cash equivalents at the beginning of the period	1,040	1,125	(7.6)
Effects of exchange rate changes on cash and cash equivalents	4	14	(71.4)
Cash and cash equivalents at the end of the period	1,042	1,648	(36.8)

Free cashflow used in operating and investing activities was \$1,300 million representing a decrease of \$2,624 million due to reduction in net cash provided by operating activities and increase in net cash used in investing activities. Significant acquisitions included Digicel Pacific this period and MedicalDirector, PowerHealth and Fone zone in the prior period.

Net cash provided by operating activities decreased by 11.7 per cent or \$380 million to \$2,866 million mainly due to a \$490 million increase in payments to suppliers and employees, partly offset by a \$158 million increase in receipts from customers. Net cash provided by operating activities was positively impacted by an increase in reported EBITDA, offset by working capital increase of \$451 million including higher inventories and lower payables.

Net cash used in investing activities increased by \$2,244 million to \$4,166 million. This included a \$1,872 million increase in payments for shares in controlled entities mostly due to the acquisition of Digicel Pacific. Payments for intangible assets increased by \$312 million including increased spend on network virtualised software and spectrum renewals.

Accrued capital expenditure on a guidance basis was \$1,658 million or 14.9 per cent of sales revenue. This included \$69 million for Digicel Pacific and \$81m of strategic investment for the inter-city fibre and Viasat infrastructure projects.

Net cash provided by financing activities increased by \$2,113 million to \$1,298 million. This included increase in net proceeds from borrowings of \$3,618 million and \$923 million of proceeds from the issue of equity-like securities to Export Finance Australia as funding for the Digicel Pacific acquisition. The prior period included proceeds of \$2,883 million from disposal of a 49 per cent interest in our towers business (now Amplitel), and payment of \$571 million for share buy back.

On a guidance basis, free cashflow after operating lease payments was \$1,021 million. Free cashflow after operating lease payments on a guidance basis excludes mergers and acquisitions (\$2,594 million including Digicel Pacific) and spectrum payments (\$91 million), and includes lease payments (\$364 million).

Debt position

Debt issuance	\$m	Debt repayments	\$m
Revolving bank facilities (net)	1,950	Euro bond	(1,248)
Debt facilities with Australian Government	1,127	AUD bond	(500)
Commercial paper (net)	739	Other loans	(34)
Bilateral bank and other loans	9		
Total	3,825	Total	(1,782)

Our gross debt position was \$15,927 million comprising borrowings of \$12,882 million less \$255 million in net derivative assets plus lease liabilities of \$3,300 million. Gross debt increased by 15.7 per cent or \$2,167 million reflecting debt issuance of \$3,825 million, including \$1,127 million in debt facilities entered into with the Australian Government through Export Finance Australia, \$124 million of non-cash increase and net movement in lease liabilities, partially offset by debt repayments of \$1,782 million.

Net debt increased by 17.0 per cent or \$2,165 million to \$14,885 million reflecting the increase in gross debt and a \$2 million increase in cash holdings.

Financial settings	1H23 Actual	Comfort zone
Debt servicing ¹	1.9x	1.5x to 2.0x
Gearing ²	45.8%	50% to 70%
Interest cover ³	13.1x	>7x

1. Debt servicing ratio is calculated as net debt/EBITDA.

2. Gearing ratio is calculated as net debt/total net debt plus equity.

3. Interest cover is calculated as EBITDA/net interest on debt (excluding capitalised interest and non-cash accounting impacts within net finance costs).

We remain within our comfort zones for our credit metrics. Our debt servicing is 1.9 times including impact from our acquisition of Digicel Pacific (30 Jun 2022: 1.8 times), gearing ratio is 45.8 per cent (30 Jun 2022: 43.0 per cent) and interest cover is 13.1 times (30 Jun 2022: 14.5 times).

Financial position

Summary statement of financial position	31 Dec 2022	30 Jun 2022	Change
	\$m	\$m	%
Current assets	6,660	6,260	6.4
Non-current assets	37,993	35,368	7.4
Total assets	44,653	41,628	7.3
Current liabilities	11,195	9,860	13.5
Non-current liabilities	15,861	14,931	6.2
Total liabilities	27,056	24,791	9.1
Net assets	17,597	16,837	4.5
Total equity	17,597	16,837	4.5
Return on invested capital (%)	7.1	7.1	-
Return on average equity (%)	11.3	11.3	-

Our balance sheet is in a strong position with net assets of \$17,597 million. The acquisition of Digicel Pacific increased net assets by \$1,083 million at acquisition date. Refer to Note 5.1.2(a) in the Half-Year Financial Report for further detail on Digicel Pacific.

Current assets increased by 6.4 per cent to \$6,660 million. Inventories increased by \$252 million to support project activity, seasonality, insourcing of Telstra branded retail stores and mitigate supply chain issues. Current tax receivables increased by \$77 million due to lower taxable profit and higher PAYG compared to second half FY22. Prepayments increased by \$56 million including for Digicel Pacific and software licences. Derivative financial assets increased by \$36 million due to instruments maturing in the next 12 months and valuation impacts offset by maturities. Trade and other receivables and contract assets reduced by \$61 million reflecting lower deferred debt and improved credit metrics.

Non-current assets increased by 7.4 per cent to \$37,993 million. Intangible assets increased by \$2,630 million due to acquisitions including Digicel Pacific. Property, plant and equipment increased by \$293 million due to additions, including Digicel Pacific, exceeding depreciation expenses. This was partly offset by derivative financial assets decreasing by \$263 million mostly due to instruments maturing in the next 12 months and valuation impacts.

Current liabilities increased by 13.5 per cent to \$11,195 million. The increase was mostly due to borrowings increasing by \$1,298 million as maturities became due and the issue of short-term debt. Other provisions increased by \$161 million including Digicel Pacific. Contract liabilities and other revenue received in advance increased by \$87 million including Digicel Pacific. Trade and other payables decreased by \$227 million including payment of stamp duty relating to Amplitel in the period, reduced accruals for capex, spectrum, employee incentives and interest, partly offset by Digicel Pacific.

Non-current liabilities increased by 6.2 per cent to \$15,861 million. The increase was primarily due to borrowings increasing by \$602 million including non-recourse debt used for funding the acquisition of Digicel Pacific, partly offset by a reclassification to current liabilities of debt maturing within the next 12 months. Deferred tax liabilities increased by \$78 million due to the inclusion of deferred tax liabilities recognised by Digicel Pacific partly offset by derecognition of deferred tax liabilities previously recognised on equity accounted investments in other comprehensive income. Other provisions increased by \$63 million due to including Digicel Pacific.

Guidance versus reported results

This schedule details adjustments made to the reported results for the current and comparative periods to reflect the performance of the business on the basis on which we provided guidance to the market, which excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. Free cashflow after lease payments (FCFaL) defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities', and excludes spectrum and guidance adjustments.

The following adjustments provide a detailed reconciliation from reported to guidance results for each guidance measure:

	Total Income			Underlying EBITDA			Free Cashflow	
	1H22	1H23		1H22	1H23		1H22	1H23
	\$m	\$m		\$m	\$m		\$m	\$m
Reported Total Income	10,887	11,583	Reported EBITDA	3,466	3,861	Reported Free Cashflow	1,324	(1,300)
<i>Adjustments</i>								
M&A adjustment ¹	(21)	n/a	M&A adjustment ¹	132	16	M&A adjustment ¹	654	2,594
Restructuring costs ²	n/a	n/a	Restructuring costs ²	22	44	Restructuring costs ²	n/a	n/a
Net one-off NBN receipts ³	n/a	n/a	Net one-off NBN receipts ³	(125)	(26)	Net one-off NBN receipts ³	n/a	n/a
Spectrum payments ⁴	n/a	n/a	Spectrum payments ⁴	n/a	n/a	Spectrum payments ⁴	33	91
Lease ⁵	n/a	n/a	Lease ⁵	n/a	n/a	Lease ⁵	(336)	(364)
Guidance Total Income	10,866	11,583	Guidance Underlying EBITDA	3,495	3,895	Guidance Free Cashflow	1,675	1,021

The adjustments set out in the above tables have been reviewed by our auditor for consistency with the guidance basis as set out on this page.

Note:










- Adjustments relating to acquisitions and disposals of controlled entities, joint ventures, associates and other investments and any associated net gains or losses and contingent consideration. Consistent with the guidance we provided to the market we are not adjusting Income, EBITDA or Free Cashflow for the trading results of acquisitions. During 1H22 we disposed of a 49 per cent interest in our towers business to non-controlling interests and we acquired:
 - Power Solutions Holdings Pty Ltd and its subsidiaries (PowerHealth)
 - Clinical Technology Holdings Pty Ltd and its subsidiaries (MedicalDirector) and
 - Fone Zone Pty Ltd (Fone Zone) and its controlled entities and multiple individually immaterial retail stores from various licensees.
During 1H23 we paid stamp duty relating to Amplitel Pty Ltd (Amplitel) and acquired:
 - Digicel Pacific Limited and its subsidiaries (Digicel Pacific);
 - Media Innovations Holdings Pty Ltd and its subsidiaries (Fetch TV).
- 1H22 adjustments include costs for the strategic focus (T22 program) to establish a standalone infrastructure business, simplify structure, improve customer experience and cut costs, in addition to our normal business as usual redundancies for 1H22. 1H23 adjustments include costs for Telstra's legal restructure including legal and IT costs.
- Adjustments for net one-off nbn receipts which is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA and Infrastructure Ownership) less nbn net cost to connect.
- Adjustment relating to the impact on free cashflow associated with our spectrum purchases and renewals for 1H23 including:
 - \$28m for renewal of our national spectrum licence in the 900 MHz band. We surrendered this licence in December 2022 and received a refund from ACMA of \$16m
 - \$57m for renewal of our national spectrum licence in the 26 GHz band
 - \$19m for renewal of our national spectrum licence in the 3.6 GHz band
 - \$3m payments for spectrum and apparatus licences in various spectrum bands.
- Adjustment to Free Cashflow for payment of lease liabilities and interest.

n/a Adjustment is not relevant to the respective guidance measure.

Executive Variable Remuneration Plan (EVP) Metric Additional Detail

First half performance against FY23 EVP Performance Measures and Targets:

All of the following measures have been selected on the basis that they are directly linked to our T25 strategy.

FY23 EVP Performance Measures and Targets								
Performance Measure	Metric	Weighting	FY22 EVP Baseline [^]	FY23			1H23 Actual ^{**}	
				Threshold	Target	Max		
Financial 60% of total weighting	 Total Income	Telstra External Income (excluding finance income)	15%	\$21,920m	At or above bottom end of Market Guidance*	Approx. Midpoint of Market Guidance*	At or above top end of Market Guidance*	\$11,583m
	 Underlying EBITDA	Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments	15%	\$7,214m				\$3,895m
	 Free Cash Flow (FCF)	Free Cashflow after lease payments defined as 'operating cash flows' less 'investing cash flows', less 'payments for lease liabilities', and excludes spectrum and guidance adjustments	15%	\$3,938m				\$1,021m
	 Underlying Return On Invested Capital (ROIC)	Underlying ROIC is Total NOPAT less guidance adjustments after tax, less net nbn one-off earnings after tax, divided by Average Invested Capital	15%	7.0%				7.5%
Customer 25% of total	 Episode NPS	Measures our customer experience from their feedback on each transaction using a Net Promoter Score (NPS)	15%	+37	+38	+40	+42	+41
	 RepTrak	Measures our reputation score on the RepTrak index	10%	62.2	63.6	63.8	64.5	62.5
Strategic 15% of total weighting	 Responsible Business	Our % reduction in absolute scope 1 + 2 greenhouse gas emissions from our FY19 baseline	5%	14%	17%	20%	23%	n/a
	 Digital Leadership	% achievement of our target build of Application Programming Interfaces (APIs)	5%	n/a	88% of FY23 target build achieved	100% of FY23 target build achieved	100% of FY23 target build achieved, and first product using those APIs being in market	14% of FY23 target build achieved
	 People Engagement	Maintain employee engagement in the high performing norm (90 th percentile)	5%	n/a	80	82	84	79

[^] For FY23 targets, for metrics continuing from FY22 the baseline refers to the FY22 EVP performance outcomes as outlined in Section 2.2 of the 2022 Remuneration Report. For metrics that are new in FY23, the baseline (where available) is our current internal measurement to the end of June 2022 where this provides relevant context to the determination of Threshold, Target and Maximum for FY23.

* Market Guidance means guidance for FY23 as set out in Telstra's ASX announcement dated 11 August 2022.

** For the financial metrics only, the 1H23 actuals are calculated on a guidance basis.

Financial report

for the half-year ended 31 December 2022



About this report

This is the half-year financial report for Telstra Group Limited (referred to as the Company or Telstra Entity) and its controlled entities (together referred to as we, us, Telstra, the Telstra Group or the Group).

Telstra Group Limited is a 'for profit' company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX) following the exchange of shares in Telstra Corporation Limited for shares in Telstra Group Limited under the Telstra Group restructure described in note 1.2 (Restructure).

As part of the Restructure, Telstra Group Limited replaced Telstra Corporation Limited as the new parent entity of the Telstra Group. Our half-year financial report has been prepared as a continuation of the existing financial performance and financial position of Telstra Corporation Limited and its controlled entities. As such, as at and for the half-year ended 31 December 2022, the consolidated financial statements of the Group include the historical financial information of the Telstra Group for both the period before and after the Restructure steps that were completed by 31 December 2022.

Our half-year financial report does not include all of the information required for the annual financial report. It should be read in conjunction with the 2022 Annual Report of Telstra Corporation Limited and its controlled entities (2022 Annual Report) and together with any public announcements made by Telstra Corporation Limited or by Telstra Group Limited in accordance with the continuous disclosure obligations arising under the ASX listing rules and the *Corporations Act 2001*, up to the date of the Directors' Declaration.

Reading the financials

Section introduction

Introduction at the start of each section outlines the focus of the section and explains the purpose and content of that section.

Note and topic summary

A summary at the start of certain notes explains the objectives and content of that note, or at the start of certain specific topics clarifies complex concepts, which users may not be familiar with.

Narrative table

Some narrative disclosures are presented in a tabular format to provide readers with a clearer understanding of the information being presented.

Information panel

The information panel describes our key accounting estimates and judgements applied in the preparation of the financial report, which are relevant to that section or note.

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Income Statement

For the half-year ended 31 December 2022

Telstra Group	Note	Half-year ended 31 Dec	
		2022	2021
		\$m	\$m
Income			
Revenue (excluding finance income)	2.2	11,306	10,503
Other income	2.2	277	384
		11,583	10,887
Expenses			
Labour		2,046	1,834
Goods and services purchased		4,221	4,148
Net impairment losses on financial assets		38	41
Other expenses		1,418	1,389
		7,723	7,412
Share of net profit/(loss) from joint ventures and associated entities		1	(9)
		7,722	7,421
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)		3,861	3,466
Depreciation and amortisation		2,260	2,189
Earnings before interest and income tax expense (EBIT)		1,601	1,277
Finance income	2.2	48	61
Finance costs		300	299
Net finance costs	4.4	252	238
Profit before income tax expense		1,349	1,039
Income tax expense		415	296
Profit for the period		934	743
Profit for the period attributable to:			
Equity holders of Telstra Entity		865	698
Non-controlling interests		69	45
		934	743
Earnings per share (cents per share)		cents	cents
Basic		7.5	5.9
Diluted		7.5	5.9

The notes following the financial statements form part of the half-year financial report.

Statement of Comprehensive Income

Telstra Half-Year Financial Report

For the half-year ended 31 December 2022

Telstra Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Profit for the period attributable to:		
Equity holders of Telstra Entity	865	698
Non-controlling interests	69	45
	934	743
Items that will not be reclassified to the income statement		
Retained profits		
Actuarial gain on defined benefit plans attributable to equity holders of Telstra Entity	28	74
Income tax on actuarial gain on defined benefit plans	(8)	(22)
Fair value of equity instruments reserve		
Share of other comprehensive income of equity accounted investments	(54)	(74)
Income tax on share of other comprehensive income of equity accounted investments	71	15
Foreign currency translation reserve		
Translation differences of foreign operations attributable to non-controlling interests	-	1
	37	(6)
Items that may be subsequently reclassified to the income statement		
Foreign currency translation reserve		
Translation differences of foreign operations attributable to equity holders of Telstra Entity	19	29
Cash flow hedging reserve		
Changes in cash flow hedging reserve	(142)	100
Income tax on movements in the cash flow hedging reserve	42	(30)
Foreign currency basis spread reserve		
Changes in the value of the foreign currency basis spread	(15)	45
Income tax on movements in the foreign currency basis spread reserve	4	(14)
	(92)	130
Total other comprehensive income	(55)	124
Total comprehensive income for the period	879	867
Total comprehensive income for the period attributable to:		
Equity holders of Telstra Entity	810	821
Non-controlling interests	69	46

The notes following the financial statements form part of the half-year financial report.

Statement of Financial Position

As at 31 December 2022

Telstra Group	Note	As at	
		31 Dec 2022	30 Jun 2022
		\$m	\$m
Current assets			
Cash and cash equivalents		1,042	1,040
Trade and other receivables and contract assets	3.2	4,013	4,074
Deferred contract costs		154	116
Inventories		728	476
Derivative financial assets	4.4	338	302
Current tax receivables		94	17
Prepayments		291	235
Total current assets		6,660	6,260
Non-current assets			
Trade and other receivables and contract assets	3.2	950	861
Deferred contract costs		1,147	1,238
Inventories		26	28
Investments – accounted for using the equity method		754	814
Investments – other		19	15
Property, plant and equipment		20,778	20,485
Intangible assets		10,785	8,155
Right-of-use assets		2,948	2,926
Derivative financial assets	4.4	249	512
Deferred tax assets		46	60
Defined benefit asset		291	274
Total non-current assets		37,993	35,368
Total assets		44,653	41,628
Current liabilities			
Trade and other payables		3,962	4,189
Employee benefits		666	667
Other provisions		321	160
Lease liabilities		510	490
Borrowings	4.4	3,988	2,690
Derivative financial liabilities	4.4	15	-
Current tax payables		24	42
Contract liabilities and other revenue received in advance		1,709	1,622
Total current liabilities		11,195	9,860
Non-current liabilities			
Other payables		229	233
Employee benefits		135	132
Other provisions		182	119
Lease liabilities		2,790	2,797
Borrowings	4.4	8,894	8,292
Derivative financial liabilities	4.4	317	305
Deferred tax liabilities		1,917	1,655
Defined benefit liabilities		10	10
Contract liabilities and other revenue received in advance		1,387	1,388
Total non-current liabilities		15,861	14,931
Total liabilities		27,056	24,791
Net assets		17,597	16,837

Statement of Financial Position (continued)

As at 31 December 2022

Telstra Group	Note	As at	
		31 Dec 2022	30 Jun 2022
		\$m	\$m
Equity			
Share capital	4.3	3,087	3,098
Reserves		2,182	2,333
Retained profits		9,897	9,918
Equity available to Telstra Entity shareholders		15,166	15,349
Non-controlling interests		2,431	1,488
Total equity		17,597	16,837

The notes following the financial statements form part of the half-year financial report.

Statement of Cash Flows

For the half-year ended 31 December 2022

Telstra Group	Note	Half-year ended 31 Dec	
		2022	2021
		\$m	\$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		12,599	12,441
Payments to suppliers and employees (inclusive of GST)		(9,427)	(8,937)
Government grants received for operating activities		161	173
Net cash generated from operations		3,333	3,677
Income taxes paid		(467)	(431)
Net cash provided by operating activities		2,866	3,246
Cash flows from investing activities			
Payments for property, plant and equipment		(1,134)	(1,210)
Payments for intangible assets		(728)	(416)
Capital expenditure (before investments)		(1,862)	(1,626)
Payments for shares in controlled entities (net of cash acquired)		(2,486)	(614)
Payments for equity accounted investments		(46)	(4)
Payments for other investments		(4)	-
Total capital expenditure (including investments)		(4,398)	(2,244)
Proceeds from sale of property, plant and equipment		78	61
Proceeds from sale of equity accounted and other investments		52	158
Distributions received from equity accounted investments		28	38
Receipts of the principal portion of finance lease receivables		54	44
Government grants received for investing activities		21	8
Interest received		13	8
Settlement of hedges of net investments		(17)	-
Other		3	5
Net cash used in investing activities		(4,166)	(1,922)
Operating cash flows less investing cash flows		(1,300)	1,324
Cash flows from financing activities			
Proceeds from borrowings		5,010	309
Repayment of borrowings		(2,967)	(1,884)
Payment of principal portion of lease liabilities		(322)	(295)
Share buy-back		-	(571)
Purchase of shares for employee share plans		(21)	(5)
Finance costs paid		(275)	(285)
Dividends/distributions paid to non-controlling interests		(68)	(16)
Dividends paid to equity holders of Telstra Entity	4.2	(982)	(951)
Proceeds from issuance of equity-like instrument	5.1	923	-
Proceeds from the sale of units in a controlled trust		-	2,883
Net cash provided by/(used in) financing activities		1,298	(815)
Net (decrease)/increase in cash and cash equivalents		(2)	509
Cash and cash equivalents at the beginning of the period		1,040	1,125
Effects of exchange rate changes on cash and cash equivalents		4	14
Cash and cash equivalents at the end of the period	2.3	1,042	1,648

The notes following the financial statements form part of the half-year financial report.

Statement of Changes in Equity

For the half-year ended 31 December 2022

Telstra Group		Share capital	Reserves	Retained profits	Total	Non-controlling interests	Total equity
	Note	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 30 June 2022		3,098	2,333	9,918	15,349	1,488	16,837
Profit for the period		-	-	865	865	69	934
Other comprehensive income		-	(75)	20	(55)	-	(55)
Total comprehensive income for the period		-	(75)	885	810	69	879
Dividend	4.2	-	-	(982)	(982)	-	(982)
Non-controlling interests on acquisitions		-	-	-	-	925	925
Transactions with non-controlling interests		-	-	-	-	(51)	(51)
Transfer of fair value of equity instruments reserve to retained earnings		-	(76)	76	-	-	-
Additional shares purchased	4.3	(21)	-	-	(21)	-	(21)
Share-based payments		10	-	-	10	-	10
Balance at 31 December 2022		3,087	2,182	9,897	15,166	2,431	17,597
Balance as at 30 June 2021		4,436	138	10,014	14,588	687	15,275
Profit for the period		-	-	698	698	45	743
Other comprehensive income		-	71	52	123	1	124
Total comprehensive income for the period		-	71	750	821	46	867
Dividend	4.2	-	-	(951)	(951)	-	(951)
Share buy-back (net of Income tax)		(571)	-	-	(571)	-	(571)
Non-controlling interests from sale of units in a controlled trust and shares in a controlled entity		-	2,119	-	2,119	763	2,882
Transactions with non-controlling interests		-	-	-	-	(50)	(50)
Non-controlling interests on disposals		-	-	-	-	3	3
Additional shares purchased		(5)	-	-	(5)	-	(5)
Share-based payments		9	-	-	9	-	9
Balance at 31 December 2021		3,869	2,328	9,813	16,010	1,449	17,459

The notes following the financial statements form part of the half-year financial report.

Section 1. Basis of preparation

This section explains the basis of preparation of our half-year financial report and provides an update on some of our key accounting estimates and judgements to reflect the latest information available.



1.1 Basis of preparation of the half-year financial report

Our half-year financial report is a condensed general purpose financial report, prepared by a 'for-profit' entity in accordance with the *Corporations Act 2001* and AASB 134: 'Interim Financial Reporting' issued by the Australian Accounting Standards Board (AASB).

The financial report is presented in Australian dollars and, unless otherwise stated, all values have been rounded to the nearest million dollars (\$m) under the option available to us under the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 as amended from time to time.

The financial report is prepared in accordance with historical cost, except for some categories of financial instruments which are recorded at fair value.

The same accounting policies, including the principles of consolidation, have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in our 2022 Annual Report.

For the purpose of preparing this report, each half-year has been treated as a discrete reporting period.

1.2 Telstra Group restructure

During the reporting period, Telstra Corporation Limited implemented a scheme of arrangement (Scheme) to support the restructure of the Telstra Group (Restructure) first announced in November 2020. The Restructure was an internal legal reorganisation and did not, by itself, result in any immediate change to the underlying assets or business activities of the Telstra Group.

The Scheme was comprised of two components: the top hat component which established the Telstra Entity as the parent entity of the Telstra Group, and the business restructure component which was used to transfer certain assets and liabilities within the Telstra Group. The Restructure also involved certain other steps in addition to the Scheme. While these steps were completed over a period of time, for accounting purposes, all the steps should be considered together as they were undertaken in contemplation of the Restructure as a whole.

The top hat component of the Scheme was implemented on 31 October 2022 and the business restructure component of the Scheme was implemented on 1 January 2023 (i.e. after the reporting date).

On implementation of the top hat component, all of the shares in Telstra Corporation Limited (11,554,427,353 in total) were transferred to the Telstra Entity in exchange for the issue of 11,554,427,353 shares in Telstra Group Limited to eligible Telstra Corporation Limited shareholders under the Scheme.

While Telstra Group Limited became the parent entity of Telstra Corporation Limited and its controlled entities as a result of the Scheme, this did not result in a business combination for accounting purposes and was accounted for as an internal reorganisation. Accordingly, the consolidated financial statements have been presented as a continuation of the existing financial performance and financial position of the Telstra Group. As such, as at and for the period ended 31 December 2022, the consolidated financial statements of the Telstra Group include the historical financial information of the Telstra Group for both the period before and after the Restructure steps that were completed by 31 December 2022.

On 31 October 2022, Telstra Group Limited became the new head entity of the Australian tax consolidated group. Refer to note 6.1.2 for further details on accounting for the tax consolidated group.

On 30 November 2022, Telstra Group Limited became the sponsoring employer in our Telstra Superannuation Scheme (Telstra Super). Refer to note 6.1.3 for further details on accounting for Telstra Super.

Subsequent to the reporting date, on 1 January 2023, the final steps of the Restructure (including the business restructure component of the Scheme) were completed. Those steps involved Telstra Corporation Limited transferring the retail and active wholesale business assets and liabilities and related investments to Telstra Limited, and the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities. Telstra Corporation Limited also transferred its interest in Telstra Towerco No.2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited. As a result, Telstra Corporation Limited continues to operate our passive fixed infrastructure business and service our nbn Definitive Agreements. Refer to note 6.3.2 for details on the accounting for the final steps of the Restructure.

The businesses and investments transferred between Telstra Corporation Limited and Telstra Group Limited or other entities within the Telstra Group under the Restructure did not result in business combinations for accounting purposes. Accordingly, the Restructure was accounted for as an internal reorganisation, i.e. assets and liabilities transferred were recognised at their existing values in the balance sheet. From the Telstra Group perspective the internal reorganisation transfers are eliminated on consolidation, i.e. they do not impact the Telstra Group financial results.

Refer to notes 5.1 and 6.1 for further details about changes in our group structure and for new parent entity disclosures.

1.3 Terminology used in our income statement

EBITDA reflects earnings before interest, income tax, depreciation and amortisation. EBIT is a similar measure to EBITDA, but takes into account depreciation and amortisation.

We believe EBITDA is useful as a widely recognised measure of operating performance.

Section 1. Basis of preparation (continued)

1.4 Key accounting estimates and judgements

Preparing the financial report requires management to make estimates and judgements. In preparing this report, the key sources of estimation uncertainty were consistent with those applied in the 2022 Annual Report with the exception of those arising from new arrangements executed in the current reporting period.

1.4.1 COVID-19 pandemic

Financial impacts of the COVID-19 pandemic have been reflected in our financial performance for the half-year ended 31 December 2022 and considered in our financial position as at 31 December 2022. We have not identified any impacts other than those disclosed in note 1.4 to the financial statements in the 2022 Annual Report.

1.4.2 Summary of key management judgements

The key judgements and estimates used by management in applying the Group's accounting policies for the half-year ended 31 December 2022 have been updated to reflect the latest information available. They can be located in the following notes:

Key accounting estimates and judgements	Note	Page
Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income	2.2	18
Determining CGUs and their recoverable amount for impairment assessment of goodwill	3.1	20
Impairment assessment of our ubiquitous telecommunications network	3.1	21
Useful lives and residual values of tangible and intangible assets	3.1	22
Estimating expected credit losses	3.2	23
Equity-like securities issued to the Australian Government	5.1	31

1.5 Other accounting policies

1.5.1 Changes in accounting policies

A number of new or amended accounting standards became effective in the current reporting period but none of those had a material impact on our accounting policies.

1.5.2 New accounting standards to be applied in future reporting periods

We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and we do not expect any of them to have a material impact on our financial results upon adoption.

Section 2. Our performance

This section explains the results and performance of our segments, which are reported on the same basis as our internal management reporting structure. It also includes disaggregated revenue by segment.



2.1 Segment information

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management.

Our operating segments represent the functions which offer our main products and services in the market. However, only some of our operating segments meet the disclosure criteria for reportable segments.

During the half-year ended 31 December 2022, there were no changes to our operating segments. The Restructure described in note 1.2 did not change our operating segments as it focused on internal legal reorganisation.

In our segment results, the 'All Other' category includes functions that do not qualify as operating segments as well as the operating segments which are not material for reporting individually.

We have four reportable segments as follows:

2.1.1 Operating segments

We report segment information on the same basis as our internal management reporting structure at the reporting date. Segment comparatives reflect any organisational changes that have occurred since the prior reporting period to present a like-for-like view.

Segment	Operation
Telstra Consumer and Small Business (TC&SB)	<ul style="list-style-type: none"> provides telecommunication, media and technology products and services to Consumer and Small Business customers in Australia using mobile and fixed network technologies operates call centres, retail stores, a dealership network, digital channels, distribution systems and Telstra Plus customer loyalty program in Australia
Telstra Enterprise (TE)	<ul style="list-style-type: none"> provides telecommunication services, advanced technology solutions, network capacity and management, unified communications, cloud, security, industry solutions, integrated and monitoring services to government and large enterprise and business customers in Australia and globally provides telecommunication, media and technology products and services to consumer, business and government customers in the South Pacific provides wholesale services outside of Australia, including both voice and data manages Telstra's networks outside Australia in conjunction with Networks and IT and Telstra InfraCo segments
Networks and IT (N&IT)	<ul style="list-style-type: none"> supports the other segments and their respective revenue generating activities by maintaining high level of reliability and security of our network platforms and data builds and manages our digital platforms underpinning our customer digital experience builds and manages software and provides information technology services to all internal functions
Telstra InfraCo	<ul style="list-style-type: none"> provides telecommunication products and services delivered over Telstra networks to other carriers, carriage service providers and internet service providers provides other Telstra functions and wholesale customers with access to network infrastructure within Telstra InfraCo's asset accountabilities operates the fixed passive network infrastructure including data centres, exchanges, poles, ducts, pits and pipes and fibre network designs and constructs fibre, exchanges and other infrastructure provides nbn co with long-term access to certain components of our infrastructure under the Infrastructure Services Agreement operates the passive and physical mobile tower assets owned or operated by the Amplitel business

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.1 Operating segments (continued)

Consistent with information presented for internal management reporting, the result of each segment is measured based on its EBITDA contribution, which differs from our reported EBITDA.

The table below details how we determine segment income and EBITDA contribution of each segment.

Nature of transaction	Description	Measurement basis	Impact on segment results
Transactions with external parties	<p>Any transactions between any of the Telstra Group entities with:</p> <ul style="list-style-type: none"> an external counterparty, e.g. supplier or customer any related party which is not controlled by the Telstra Group, i.e. it is not eliminated on consolidation. 	Accounted for in accordance with the Australian Accounting Standards.	The effects of all transactions with external parties are included in the segment results.
Transactions with other segments	<p>Any transactions between segments arising from:</p> <ul style="list-style-type: none"> inter-company legal agreements between entities controlled by the Telstra Group internal arrangements for notional charges not governed by legal agreements. <p>The notional internal charges are determined based on a variety of internally and externally observable inputs to reflect an arm's length basis.</p>	<p>Different measurement bases apply to our transactions between segments depending on their nature:</p> <ul style="list-style-type: none"> transactions related to the performance of our infrastructure assets are measured based on a 'management view', i.e. all charges earned/incurred are recognised as either income or expenses. Such recognition may differ from the requirements of the Australian Accounting Standards in a number of areas, for example lease accounting. any transactions other than those described above are accounted for in accordance with the Australian Accounting Standards. <p>Transactions within the same segment are eliminated within that segment's results.</p> <p>Any transactions with other segments are eliminated on consolidation, therefore the total Telstra Group reported income and total reported EBITDA reconcile to the statutory financial statements.</p>	The effects of the transactions with other segments are included in the segment results and - depending on the nature of the transaction - either measured based on the management view or as accounted under the Australian Accounting Standards.
Some transactions which are managed centrally or by one segment	Certain items and transactions are managed centrally or by one of the segments even if they relate to results of multiple segments.	Accounted for in accordance with the Australian Accounting Standards.	The effects of these transactions are included in the segment results as detailed in the table on the following page.

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.1 Operating segments (continued)

The table below provides further details how some transactions are allocated and managed and, as a result, how they are reflected in our segment results.

Nature of transaction	TC&SB	TE	N&IT	All Other	Telstra InfraCo
Inter-company transactions for international connectivity disclosed as revenue from external customers and external expenses	EBITDA contribution includes inter-segment expenses recharged by TE	EBITDA contribution includes inter-segment revenue (earned from TC&SB and Telstra InfraCo) and expenses (recharged by Telstra InfraCo)	n/a	Elimination of inter-company transactions	EBITDA contribution includes inter-segment revenue (earned from TE) and expenses (recharged by TE)
Income from nbn disconnection fees and associated expenses	EBITDA contribution does not include these transactions		n/a	EBITDA contribution includes these transactions	EBITDA contribution does not include these transactions
Network service delivery expenses other than those supporting passive infrastructure	EBITDA contribution does not include the network service delivery expense for TC&SB and TE customers		EBITDA contribution includes network service delivery expenses related to TC&SB, TE and Telstra InfraCo customers		EBITDA contribution does not include the network service delivery expense for customers serviced by Telstra InfraCo's passive infrastructure
Telstra Entity redundancy and restructuring expenses for all segments	EBITDA contribution does not include those expenses			EBITDA contribution includes those expenses for the Telstra Entity	EBITDA contribution does not include those expenses

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results

Table A details our segment results and a reconciliation of EBITDA contribution to the Telstra Group's EBITDA, EBIT and profit before income tax expense.

Table A Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Subtotal	Elimina- tions	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Half-year ended 31 Dec 2022								
Mobility	4,128	820	-	183	(1)	5,130	-	5,130
Fixed - C&SB	2,264	-	-	-	-	2,264	-	2,264
Fixed - Enterprise	-	1,769	-	-	-	1,769	-	1,769
InfraCo Fixed	-	-	-	1,226	-	1,226	(500)	726
Amplitel	-	-	-	197	-	197	(166)	31
Fixed - Active Wholesale	-	-	-	209	-	209	-	209
International	-	1,253	-	-	(105)	1,148	-	1,148
One-off nbn DA and connection	-	-	-	-	46	46	-	46
Other	2	9	138	3	284	436	(176)	260
Total management reported income	6,394	3,851	138	1,818	224	12,425	(842)	11,583
Transactions between segments	-	-	(130)	(666)	(46)	(842)	842	-
Total external income	6,394	3,851	8	1,152	178	11,583	-	11,583
Share of net profit from equity accounted entities	-	-	-	-	1	1	-	1
EBITDA contribution	2,838	1,615	(1,179)	1,285	(698)	3,861	-	3,861
Depreciation and amortisation								(2,260)
Telstra Group EBIT								1,601
Net finance costs								(252)
Telstra Group profit before income tax expense								1,349
Half-year ended 31 Dec 2021								
Mobility	3,714	809	-	160	-	4,683	-	4,683
Fixed - C&SB	2,260	-	-	-	-	2,260	-	2,260
Fixed - Enterprise	-	1,814	-	-	-	1,814	-	1,814
InfraCo Fixed	-	-	-	1,183	-	1,183	(477)	706
Amplitel	-	-	-	179	-	179	(150)	29
Fixed - Active Wholesale	-	-	-	252	-	252	-	252
International	-	864	-	-	(106)	758	-	758
One-off nbn DA and connection	21	-	-	-	182	203	-	203
Other	-	9	123	2	193	327	(145)	182
Total management reported income	5,995	3,496	123	1,776	269	11,659	(772)	10,887
Transactions between segments	-	-	(107)	(627)	(38)	(772)	772	-
Total external income	5,995	3,496	16	1,149	231	10,887	-	10,887
Share of net loss from equity accounted entities	-	(1)	-	-	(8)	(9)	-	(9)
EBITDA contribution	2,565	1,487	(1,154)	1,150	(582)	3,466	-	3,466
Depreciation and amortisation								(2,189)
Telstra Group EBIT								1,277
Net finance costs								(238)
Telstra Group profit before income tax expense								1,039

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results (continued)

The effects of the following inter-company transactions with other segments have been reported as external income and expenses in the respective segment EBITDA contribution:

- revenue from external customers in the TE segment includes \$105 million (2021: \$106 million) of inter-segment revenue treated as external expenses in the TC&SB and Telstra InfraCo segments, which is eliminated in the 'All Other' category
- external expenses in the TE segment also include \$3 million (2021: \$2 million) of inter-segment expenses treated as external revenue in Telstra InfraCo and eliminated in the 'All Other' category.

The transactions between segments in 'All Other' category exclude \$163 million inter-company revenue and \$163 million inter-company expenses reflecting costs of employees transferred to Telstra Limited on 8 December 2022 in contemplation of the retail and active wholesale business transfer completed on 1 January 2023.

Negative revenue amounts in 'All Other' category related to certain corporate level adjustments.

2.2 Income

Table A Telstra Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Revenue from contracts with customers	11,134	10,320
Revenue from other sources	172	183
Total revenue (excluding finance income)	11,306	10,503
Other income		
Net gain on disposal of property, plant and equipment and intangibles assets	68	55
Net gain on disposal of businesses and investments	4	6
nbn disconnection fees	42	176
Government grants	119	119
Net gain on derivative financial instruments not related to financing	20	-
Other miscellaneous income	24	28
	277	384
Total income (excluding finance income)	11,583	10,887
Finance income		
Finance income (excluding income from finance leases)	45	57
Finance income from finance leases (Telstra as a lessor)	3	4
	48	61
Total income	11,631	10,948

Revenue from other sources includes income from:

- customer contributions to extend, relocate or amend our network assets, where the customer does not purchase any ongoing services under the same (or linked) contract(s)
- late payment fees
- our lease arrangements, including finance leases where Telstra is a dealer-lessor and operating leases.

nbn disconnection fees earned under the Subscriber Agreement with nbn co are recognised as other income because they do not relate to our ordinary activities. We recognise this income when we have met our contractual obligations under this agreement.

Government grants include income under the Telstra Universal Service Obligation Performance Agreement, the Federal Government's Mobile Black Spot Program and other individually immaterial government grants. There are no unfulfilled conditions or other contingencies attached to these grants.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue

Table B presents the disaggregated revenue from contracts with customers based on the nature and the timing of transfer of goods and services.

We recognise revenue from contracts with customers when the control of goods or services has been transferred to the customer. Revenue from sale of services is recognised over time, whereas revenue from sale of goods is recognised at a point in time.

Other revenue from contracts with customers includes licensing revenue (recognised either at a point in time or over time) and agency revenue (recognised over time).

Table B Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Half-year ended 31 Dec 2022						
Revenue from contracts with customers						
Sale of services	5,129	3,484	-	983	49	9,645
Sale of goods	1,095	305	-	2	48	1,450
Other revenue from contracts with customers	11	27	-	-	1	39
	6,235	3,816	-	985	98	11,134
Half-year ended 31 Dec 2021						
Sale of services	4,831	3,109	-	998	12	8,950
Sale of goods	985	325	-	-	26	1,336
Other revenue from contracts with customers	9	23	-	-	2	34
	5,825	3,457	-	998	40	10,320

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue (continued)

Table C presents total revenue from external customers disaggregated by major products and by geographical markets.

Our geographical operations are split between our Australian and offshore operations. No individual geographical area of our offshore operations forms a significant part of our operations.

Table C Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
	Half-year ended 31 Dec 2022					
Revenue from external customers by product						
Mobile	4,128	820	-	183	(1)	5,130
Revenue from contracts with customers	4,105	820	-	183	(1)	5,107
Revenue from other sources	23	-	-	-	-	23
Fixed - C&SB	2,158	-	-	-	-	2,158
Revenue from contracts with customers	2,127	-	-	-	-	2,127
Revenue from other sources	31	-	-	-	-	31
Fixed - Enterprise	-	1,769	-	-	-	1,769
Revenue from contracts with customers	-	1,755	-	-	-	1,755
Revenue from other sources	-	14	-	-	-	14
InfraCo Fixed	-	-	-	662	-	662
Revenue from contracts with customers	-	-	-	560	-	560
Revenue from other sources	-	-	-	102	-	102
Amplitel	-	-	-	30	-	30
Revenue from contracts with customers	-	-	-	30	-	30
Fixed - Active Wholesale	-	-	-	209	-	209
Revenue from contracts with customers	-	-	-	209	-	209
International	-	1,245	-	-	(105)	1,140
Revenue from contracts with customers	-	1,245	-	-	(105)	1,140
Other products and services	3	(4)	-	3	206	208
Revenue from contracts with customers	3	(4)	-	3	204	206
Revenue from other sources	-	-	-	-	2	2
Total revenue from contracts with customers	6,235	3,816	-	985	98	11,134
Total revenue from other sources	54	14	-	102	2	172
	6,289	3,830	-	1,087	100	11,306
Other income	105	21	8	65	78	277
	6,394	3,851	8	1,152	178	11,583
Revenue from external customers by geographical market						
Australian customers	6,289	2,702	-	1,087	205	10,283
Revenue from contracts with customers	6,235	2,688	-	985	203	10,111
Revenue from other sources	54	14	-	102	2	172
Offshore customers	-	1,128	-	-	(105)	1,023
Revenue from contracts with customers	-	1,128	-	-	(105)	1,023
Total revenue from contracts with customers	6,235	3,816	-	985	98	11,134
Total revenue from other sources	54	14	-	102	2	172
	6,289	3,830	-	1,087	100	11,306
Other income	105	21	8	65	78	277
	6,394	3,851	8	1,152	178	11,583

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue (continued)

Table C (continued) Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
	Half-year ended 31 Dec 2021					
Revenue from external customers by product						
Mobile	3,714	809	-	160	-	4,683
Revenue from contracts with customers	3,669	809	-	160	-	4,638
Revenue from other sources	45	-	-	-	-	45
Fixed - C&SB	2,157	-	-	-	-	2,157
Revenue from contracts with customers	2,135	-	-	-	-	2,135
Revenue from other sources	22	-	-	-	-	22
Fixed - Enterprise	-	1,814	-	-	-	1,814
Revenue from contracts with customers	-	1,804	-	-	-	1,804
Revenue from other sources	-	10	-	-	-	10
InfraCo Fixed	-	-	-	648	-	648
Revenue from contracts with customers	-	-	-	555	-	555
Revenue from other sources	-	-	-	93	-	93
Amplitel	-	-	-	29	-	29
Revenue from contracts with customers	-	-	-	29	-	29
Fixed - Active Wholesale	-	-	-	252	-	252
Revenue from contracts with customers	-	-	-	252	-	252
International	-	859	-	-	(106)	753
Revenue from contracts with customers	-	848	-	-	(106)	742
Revenue from other sources	-	11	-	-	-	11
One-off nbn DA and connection	21	-	-	-	-	21
Revenue from contracts with customers	21	-	-	-	-	21
Other products and services	-	(4)	-	2	148	146
Revenue from contracts with customers	-	(4)	-	2	146	144
Revenue from other sources	-	-	-	-	2	2
Total revenue from contracts with customers	5,825	3,457	-	998	40	10,320
Total revenue from other sources	67	21	-	93	2	183
	5,892	3,478	-	1,091	42	10,503
Other income	103	18	16	58	189	384
	5,995	3,496	16	1,149	231	10,887
Revenue from external customers by geographical market						
Australian customers	5,892	2,740	-	1,091	148	9,871
Revenue from contracts with customers	5,825	2,729	-	998	146	9,698
Revenue from other sources	67	11	-	93	2	173
Offshore customers	-	738	-	-	(106)	632
Revenue from contracts with customers	-	728	-	-	(106)	622
Revenue from other sources	-	10	-	-	-	10
Total revenue from contracts with customers	5,825	3,457	-	998	40	10,320
Total revenue from other sources	67	21	-	93	2	183
	5,892	3,478	-	1,091	42	10,503
Other income	103	18	16	58	189	384
	5,995	3,496	16	1,149	231	10,887

Revenue from other products and services includes miscellaneous income and revenue generated by Telstra Health.

'All Other' category includes eliminations of the inter-segment transactions described in the segment results below Table A in note 2.1.2. Other negative revenue amounts related to certain corporate level adjustments.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers

We continued to generate revenue from customer contracts described in note 2.2 to the financial statements in the 2022 Annual Report with the exception of the changes and updates detailed below.

During the half-year ended 31 December 2022, Telstra Enterprise earned revenue through our new acquisition, Digicel Pacific, which mainly offers prepaid and post-paid mobile services to consumer, and small to medium business customers, as well as off-the-shelf technology solutions to business customers. Where goods and services are provided as a bundle, we allocate the consideration and any relevant discounts to all products in the bundle based on their estimated relative standalone selling prices. Where observable prices are not available, we estimate standalone selling prices based on the cost plus margin approach. Refer to note 5.1.2 for further details on the acquisition of Digicel Pacific.

(a) Agreements with nbn co

We deliver a number of different services to nbn co under nbn Definitive Agreements (DAs). The transaction price in those agreements includes fixed and variable components, which require significant judgement as described below.

Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income

Under the ISA, we receive the following payments from nbn co:

- Infrastructure Access Payment (IAP) for long-term access to ducts and pits
- Infrastructure Ownership Payment (IOP) for the progressive transfer of infrastructure assets
- payments for long-term access to other infrastructure, including dark fibre and exchange rack spaces.

IAP are indexed to consumer price index (CPI) and will grow in line with the nbn™ network rollout until its completion (as defined under the DAs). Subsequently, IAP will continue being indexed to CPI for the remaining average contracted period of 25 years.

IOP are received over the duration of the nbn network rollout, CPI adjusted and linked to the progress of the nbn network rollout.

IAP and IOP are classified in the income statement as revenue and other income, respectively, and are recognised on a percentage rollout basis of the nbn network footprint.

For any given period, the IAP and IOP amounts ultimately received from nbn co may vary from the amounts recognised in the income statement depending on the progress of the nbn network rollout and the final number of our existing fixed line premises as defined and determined under the ISA. A change in the nbn network rollout progress and/or the final number of these premises could result in a material change to the amount of IAP and IOP recognised in the income statement and the associated cash flows. Some of these adjustments cannot be finalised and the related amounts cannot be settled until the completion of the rollout and are subject to interest.

The nbn network rollout progress and its completion date are controlled by nbn co and the final number of the fixed line premises may continue to change even after all the relevant assets have been transferred to nbn co. Therefore, the final price adjustments and the resulting cash flows, including interest payable where relevant, may not be known until nbn co declares that the nbn network rollout is complete in accordance with the DAs.

We have applied judgement in determining the amounts of IAP and IOP recognised for the half-year ended 31 December 2022 and did not identify material impacts resulting from reassessment of the assumptions described above. Should evidence exist in future reporting periods that changes these amounts, revenue and other income will be adjusted in the future reporting periods.

Section 2. Our performance (continued)

2.3 Notes to the statement of cash flows

2.3.1 Cash and cash equivalents

Telstra Group	As at 31 Dec	
	2022	2021
	\$m	\$m
Cash at bank and on hand	473	448
Bank deposits and negotiable certificates of deposit	569	1,203
	1,042	1,651
Bank overdraft	-	(3)
Cash and cash equivalents in the statement of cash flows	1,042	1,648

Section 3. Our core assets, lease arrangements and working capital

This section describes our core long-term tangible (owned and leased) and intangible assets underpinning the Group's performance and provides a summary of our asset impairment assessment. This section also describes our short-term assets and liabilities, i.e. our working capital supporting the operating liquidity of our business.



3.1 Property, plant and equipment and intangible assets

Our impairment assessment compares the carrying value of our cash generating units (CGUs) with their recoverable amounts determined using a 'value in use' calculation. The value in use calculations use key assumptions such as cash flow forecasts, discount rates and terminal growth rates.

Goodwill and intangible assets with indefinite useful lives are not subject to amortisation and are assessed for impairment at least annually, or whenever an indicator of impairment exists. All other non-current tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

For impairment testing, we identify CGUs, i.e. the smallest groups of assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets.

3.1.1 Impairment assessment

(a) Goodwill

During the half-year ended 31 December 2022, there were no changes to our CGUs with allocated goodwill, with the exception of new CGUs arising from the acquisitions of Digicel Pacific and Fetch TV. Refer to note 5.1.2 for further details about these acquisitions and the goodwill recognised.

Determining CGUs and their recoverable amount for impairment assessment of goodwill

We apply judgement to identify our CGUs and determine their recoverable amounts using a value in use calculation. These judgements include cash flow forecasts, as well as the selection of growth rates, terminal growth rates and discount rates based on experience and our expectations for the future.

Our cash flow projections are based on five-year management-approved forecasts unless a different period is justified. The forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each asset and CGU.

We have concluded that the discounted cash flows generated continue to support the carrying values of our CGUs, thus no impairment has been identified.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.1 Impairment assessment (continued)

(b) Telstra Entity ubiquitous telecommunication network

An impairment assessment is performed at the level of our Telstra Entity ubiquitous telecommunications network CGU.

Impairment assessment of our ubiquitous telecommunications network

We have determined that assets which form part of the Telstra Entity ubiquitous telecommunications network, comprising the customer access network and the core network, are working together to generate independent cash inflows. No one item of telecommunications equipment is of any value without the other assets to which it is connected to deliver our products and services.

Indicators of impairment may include changes in our operating and economic assumptions or possible impacts from risks such as changing economic and market conditions and climate change. We apply judgement in determining whether certain trends with an adverse impact on our cash flows are considered impairment indicators.

The rising inflation and the COVID-19 pandemic continue to create uncertainty in the economic environments we operate in. However, given the long-lived nature of the majority of our assets and the nature of the services we provide, the expected return on the assets is not significantly impacted. As a result, we did not consider it as an impairment indicator of our ubiquitous telecommunications network.

We continue to assess the potential impacts of climate change and the transition to a lower carbon economy. Some financial impacts of meeting our medium-term environmental goals associated with both maintaining our carbon neutral status, and with enabling 100 per cent renewable energy generation equivalent to our consumption by 2025, are incorporated in our management forecasts. Work is ongoing to incorporate the potential long-term financial impacts of climate change and our relevant adaptation strategies in our forward plans, as we progressively identify the impacts and develop the strategies.

As Telstra operates significant physical assets, including exchanges, mobile towers, data centres and fibre network, which are located in city centres as well as urban and regional areas of Australia, and many are exposed to extreme weather conditions, we continue to evaluate potential long-term financial impacts from extreme weather events on our terrestrial assets in Australia. This assessment is based on a range of climate scenarios to 2050.

We have assessed the potential impacts of physical climate risks on Telstra's domestic above ground assets due to bushfires, cyclones, coastal inundation and urban flooding. We have not yet assessed in detail or quantified the impacts of other potential climate-related chronic physical risks (such as increases in temperature) or transition risks or opportunities.

Based on our experience with extreme weather events, and considering the diverse location and nature of our assets as well as our continued focus on network resiliency and business continuity programs, we do not consider the potential impacts of climate change and the transition to a lower carbon economy to be an impairment indicator at this stage. In addition, based on the sensitivity analysis performed, the range of financial impacts identified and quantified to date for possible climate scenarios, namely the service disruption payments and asset loss/replacement costs, is not significant compared to the excess of the recoverable amount over the carrying value of our ubiquitous telecommunications network.

As we continue to assess climate impacts to our business we will incorporate any identified financial impacts into our impairment assessment. Should we identify material adverse effects of climate change or transition to a lower carbon economy on our cash flows, we may deem it an impairment indicator in the future.

Management forecasts require significant judgements and assumptions and are subject to risk and uncertainty that may be beyond our control. Hence, there is a possibility that changes in circumstances will materially alter projections, which may impact our assessment of impairment indicators and the recoverable amount of assets at each reporting date.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.2 Depreciation and amortisation

Useful lives and residual values of tangible and intangible assets

We apply judgement to estimate useful lives and residual values of our assets and review them each year. If useful lives or residual values need to be modified, the depreciation and amortisation expense changes from the date of reassessment until the end of the revised useful life for both the current and future years.

Assessment of useful lives and residual values includes a comparison with international trends for telecommunication companies and, in relation to communication assets, a determination of when the asset may be superseded technologically or made obsolete. For intangible assets, specifically business software, useful lives are adjusted to align with expected retirement dates of the relevant applications under the current corporate strategies.

For the half-year ended 31 December 2022, the net effect of the assessment of useful lives was \$27 million decrease (2021: \$4 million increase) in depreciation and no material impact on amortisation expense (2021: \$19 million decrease).

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Trade and other receivables and contract assets

Table A summarises trade and other receivables and contract assets. Where relevant, the amounts are presented net of impairment allowances.

Table A Telstra Group	As at	
	31 Dec 2022	30 Jun 2022
	\$m	\$m
Current		
Trade receivables from contracts with customers	2,964	2,755
Finance lease receivables	49	63
Accrued revenue	146	260
Other receivables	186	166
	3,345	3,244
Contract assets	668	830
	4,013	4,074
Non-current		
Trade receivables from contracts with customers	515	412
Finance lease receivables	111	112
Amounts owed by joint ventures and associated entities	160	132
Other receivables	20	47
	806	703
Contract assets	144	158
	950	861

Trade receivables from contracts with customers are measured at amortised cost.

3.2.1 Impairment of trade and other receivables and contract assets

Estimating expected credit losses

We apply judgement to estimate the expected credit losses for our trade and other receivables measured at amortised cost and for contract assets.

For trade receivables and contract assets arising from our Telstra Consumer & Small Business and Telstra Enterprise Australian customers, we have implemented a scenario-based approach incorporating base, good and bad economic scenarios. The overall expected credit loss was calculated as a weighted average of the three scenarios.

Our analysis has shown that generally overall macroeconomic factors, such as unemployment rates, interest rates or gross domestic product have no strong correlation with our bad debt losses unless certain thresholds are exceeded. As at 31 December 2022, those macroeconomic factors were within the relevant thresholds. During the half-year ended 31 December 2022 we have not made any significant COVID-19-specific adjustments to our estimated expected credit losses.

Section 4. Our capital and risk management

This section provides information on our approach to capital management and our capital structure. Our total capital is defined as equity and net debt.

4.1 Capital management

Capital management is undertaken in accordance with the financial parameters regularly reviewed and approved by the Board.

We manage our capital structure with the aim to provide returns for shareholders and benefits for other stakeholders, while:

- safeguarding our ability to continue as a going concern
- maintaining an optimal capital structure and cost of capital that provides flexibility for strategic investments.

In order to maintain or adjust our capital structure, we may issue or repay debt, adjust the amount of dividend paid to shareholders or return capital to shareholders.

4.2 Dividend

This note includes the previous year final dividend paid and the current year interim dividend to be paid.

As the current year interim dividend resolution was passed on 16 February 2023, no provision had been raised as at 31 December 2022.

We currently pay dividends to equity holders of Telstra Entity twice a year, an interim and a final dividend. The table below provides details about the previous year final dividend paid during the half-year.

Table A Telstra Entity	Half-year ended 31 Dec			
	2022	2021	2022	2021
	\$m	\$m	cents	cents
Dividends paid				
Previous year final dividend paid	982	951	8.5	8.0

On 16 February 2023, the Directors of Telstra Group Limited resolved to pay an interim dividend for the financial year 2023 of 8.5 cents per ordinary share. The interim dividend will be fully-franked at a tax rate of 30 per cent. The record date for the interim dividend will be 2 March 2023, with payment to be made on 31 March 2023. From 1 March 2023, shares will trade excluding entitlement to the dividend.

In connection with the Restructure, Telstra Corporation Limited's Dividend Reinvestment Plan (DRP) was discontinued and a new DRP was established by Telstra Group Limited. The new DRP will operate for the interim dividend in the financial year 2023. The election date for participation in the DRP is 3 March 2023.

As at 31 December 2022, the interim dividend for the financial year 2023 was not determined or publicly recommended by the Board. Therefore no provision for the dividend has been raised in the statement of financial position. A \$982 million provision for the interim dividend payable has been raised as at the date of the resolution.



There are no income tax consequences for the Telstra Group resulting from the resolution and payment of the interim dividend, except for \$421 million of franking debits arising from the payment of this interim dividend that will be adjusted in our franking account balance.

Our franking account balance as at 31 December 2022 was a \$9 million surplus. We believe that our current balance in the franking account, combined with the franking credits that will arise on our expected tax instalments, will be sufficient to fully frank our interim dividend for the financial year 2023.

4.3 Equity

This note provides information about our share capital presented in the statement of changes in equity.

We have established the Telstra Growthshare Trust to administer the Company's employee share schemes. The trust is consolidated as it is controlled by us. Shares held within the trust are used to satisfy future vesting of entitlements in these employee share schemes and reduce our contributed equity.

4.3.1 Share capital

Table A details components of our share capital balance.

Table A Telstra Group	As at	
	31 Dec 2022	30 Jun 2022
	\$m	\$m
Contributed equity	3,130	3,180
Shares held by employee share plans	(47)	(36)
Net services received under employee share plans	4	(46)
	3,087	3,098

(a) Contributed equity

As detailed in note 1.2, on implementation of the top hat component of the Restructure, eligible shareholders of Telstra Corporation Limited exchanged their shares in that company for shares in Telstra Group Limited. As a result, Telstra Group Limited became the parent entity of the Telstra Group. As at 31 October 2022, there were 11,554,427,353 fully paid ordinary shares of Telstra Corporation Limited on issue. Refer to note 6.1 for further details about the parent entity.

As at 31 December 2022, there were 11,554,427,353 fully paid ordinary shares of Telstra Group Limited on issue (June 2022: 11,554,427,353 fully paid ordinary shares of Telstra Corporation Limited on issue). Each of our fully paid ordinary shares carries the right to one vote on a poll at a meeting of the Company.

Section 4. Our capital and risk management (continued)

4.3 Equity (continued)

4.3.1 Share capital (continued)

(a) Contributed equity (continued)

Holders of our shares also have the right to receive dividends and to participate in the proceeds from sale of all surplus assets in proportion to the total shares issued in the event of the Company winding up.

(b) Shares held by employee share plans

On 30 November 2022, Telstra Corporation Limited transferred its shares in Telstra Growthshare Pty Ltd to Telstra Group Limited. As at 31 October 2022 (when shares were exchanged in Telstra Corporation Limited for the issue of shares in Telstra Group Limited to eligible Telstra Corporation Limited shareholders under the Scheme), the number of shares held by employee share plans totalled 12,585,314 shares of Telstra Corporation Limited. Refer to note 6.1.1 for further details about the impact on our employee share plans.

As at 31 December 2022, the number of shares held by employee share plans totalled 12,571,257 shares of Telstra Group Limited (June 2022: 10,132,961 shares of Telstra Corporation Limited).

During the half-year ended 31 December 2022, Telstra Growthshare Pty Ltd (the trustee of the Telstra Growthshare Trust that administers our employee share schemes) purchased on-market 5,454,684 shares of Telstra Corporation Limited for the purposes of the employee incentive schemes for a total consideration of \$21 million and at the average price per share of \$3.90.

(c) Net services received under employee share plans

We measure the fair value of services received under employee share plans by reference to the fair value of the equity instruments granted. The net services received under employee share plans represent the cumulative value of all instruments issued by the Telstra Entity (June 2022: Telstra Corporation Limited).

4.4 Net debt

As part of our capital management we monitor net debt. Net debt equals total interest-bearing financial liabilities and derivative financial instruments, less cash and cash equivalents.

This note provides information about components of our net debt and related finance costs.

Table A lists the carrying value of our net debt components (both current and non-current balances).

Table A Telstra Group	As at	
	31 Dec 2022	30 Jun 2022
	\$m	\$m
Lease liabilities	(3,300)	(3,287)
Borrowings	(12,882)	(10,982)
Net derivative financial instruments	255	509
Gross debt	(15,927)	(13,760)
Cash and cash equivalents	1,042	1,040
Net debt	(14,885)	(12,720)

No components of net debt are subject to any externally imposed capital requirements except a \$200 million non-recourse facility entered into by Telstra PM Pty Ltd with Export Finance Australia. The facility contains a covenant for Telstra PM Pty Ltd to maintain a minimum debt service cover ratio (subject to cure rights).

We did not have any defaults or breaches under any of our agreements with our lenders during the half-year ended 31 December 2022.

All amounts owing under or in relation to the borrowing facilities with Export Finance Australia in respect of the Digicel Pacific acquisition are secured by:

- substantially all of the assets (including any shares) and undertakings of substantially all of the acquired entities, comprising Digicel Pacific Limited and each of its wholly-owned subsidiaries
- the assets (including any shares) and undertakings of Telstra PM Pty Ltd and BidCo (S) Pte. Ltd
- the shares in Telstra PM Pty Ltd held by Telstra PM Holdings Pty Ltd.

Refer to note 5.1.2 for further details on the acquisition of Digicel Pacific.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

Table B summarises the key movements in net debt during the period and provides our gearing ratio. Our gearing ratio equals net debt divided by total capital, where total capital equals equity, as shown in the statement of financial position, plus net debt.

Table B Telstra Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Opening net debt at 1 July	(12,720)	(15,263)
Non-recourse borrowing facilities	(1,127)	-
Commercial paper (net)	(739)	258
Revolving bank facilities (net)	(1,950)	-
Debt repayments	1,782	1,626
Bilateral bank and other loans	(9)	(309)
Lease liability payments	322	295
Net cash (inflow)/outflow	(1,721)	1,870
Fair value (loss)/gain impacting:		
Equity	(145)	144
Other income/(expenses)	18	(2)
Finance costs	15	-
Other non-cash movements		
Lease liability (Telstra as a lessee)	(335)	(485)
Other loans	1	9
Total non-cash movements	(446)	(334)
Total (increase)/decrease in gross debt excluding bank overdraft	(2,167)	1,536
Net increase in cash and cash equivalents net of bank overdraft (includes effects of foreign exchange differences)	2	523
Total (increase)/decrease in net debt	(2,165)	2,059
Closing net debt at 31 December	(14,885)	(13,204)
Total equity	(17,597)	(17,459)
Total capital	(32,482)	(30,663)
	%	%
Gearing ratio	45.8%	43.1%

Non-recourse borrowing facilities entered into during the half-year ended 31 December 2022 of \$1,127 million comprised of borrowing facilities from the Australian Government, through Export Finance Australia, which were used to fund part of the consideration for the acquisition of Digicel Pacific. Refer to note 5.1.2 for further details on the acquisition of Digicel Pacific. These debt facilities are held by our wholly-owned subsidiary Telstra PM Pty Ltd.

4.4.1 Bank facilities

Table C presents our total and undrawn committed bank facilities at balance dates. As at 31 December 2022, we had total available facilities of \$4,205 million, the majority of which were held by Telstra Corporation Limited, a wholly-owned subsidiary of Telstra Group Limited. Refer to note 1.2 for further details on the Telstra Group restructure.

Our committed facilities mature on a staggered basis over the next five years with \$3.5 billion maturing beyond 12 months.

Table C Telstra Group	As at	
	31 Dec 2022	30 Jun 2022
	\$m	\$m
Facilities available	4,205	3,800
Facilities used	(1,969)	(14)
Facilities unused	2,236	3,786

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.2 Borrowings

Table D details the carrying and fair values of borrowings included in the statement of financial position.

Table D Telstra Group	As at 31 Dec 2022		As at 30 Jun 2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
Current borrowings				
Unsecured notes	1,744	1,742	2,035	2,033
Bank and other loans - unsecured	1,077	1,080	206	208
Commercial paper - unsecured	1,161	1,171	448	448
Non-recourse borrowing facilities	5	5	-	-
Other financial liabilities	1	1	1	1
	3,988	3,999	2,690	2,690
Non-current borrowings				
Unsecured notes	5,565	5,386	7,137	7,177
Bank and other loans - unsecured	1,793	1,803	739	751
Non-recourse borrowing facilities	1,120	1,043	-	-
Other financial liabilities	416	326	416	346
	8,894	8,558	8,292	8,274
Total borrowings	12,882	12,557	10,982	10,964

Unsecured notes comprise bonds and private placements.

Other financial liabilities represent amounts arising from sale and leaseback transactions accounted for as financial liabilities under the accounting standards.

Our commercial paper is used principally to support working capital and short-term liquidity and continues to be supported by a combination of liquid financial assets, and access to committed bank facilities.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.3 Finance costs

Table E presents our net finance costs. Interest expense on borrowings are net amounts after offsetting interest income and interest expense on associated derivative instruments.

Table E Telstra Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Interest income	18	8
Finance income from finance leases (Telstra as a lessor)	3	4
Finance income from contracts with customers	21	48
Net interest income on defined benefit plan	6	1
Total finance income	48	61
Interest expense on borrowings	(274)	(238)
Interest expense on lease liabilities	(42)	(41)
Gross interest on debt	(316)	(279)
Finance costs from contracts with customers	(32)	(54)
Net gains on financial instruments included in remeasurements	19	10
	(13)	(44)
Interest capitalised	29	24
Total finance costs	(300)	(299)
Net finance costs	(252)	(238)

Net gains on derivative financial instruments included in remeasurements within net finance costs comprise unrealised valuation impacts on our borrowings and derivatives. These include net unrealised gains or losses which arise from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective. These fair values increase or decrease because of changes in financial indices and prices over which we have no control.

4.4.4 Fair value measurement

The financial instruments included in the statement of financial position are measured either at fair value or their carrying value approximates fair value, with the exception of borrowings, which are held at amortised cost.

To determine fair value, we use both observable and unobservable inputs. We classify the inputs used in the valuation of our financial instruments according to a three level hierarchy as shown below. The classification is based on the lowest level input that is significant to the fair value measurement as a whole.

During the half-year ended 31 December 2022, there were no changes in valuation techniques for recurring fair value measurements of our financial instruments. There were also no transfers between fair value hierarchy levels.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.4 Fair value measurement (continued)

The table below summarises the methods used to estimate the fair value of our financial instruments. As at 31 December 2022, there were no financial instruments measured using level 1 inputs.

Level	Financial instrument	Fair value
Level 2: the lowest level input that is significant to the fair value measurement is directly (as prices) or indirectly (derived from prices) observable	Borrowings, cross currency and interest rate swaps	Valuation techniques maximising the use of observable market data. Present value of the estimated future cash flows using appropriate market-based yield curves, which are independently derived. Yield curves are sourced from readily available market data quoted for all major currencies.
	Forward contracts	Quoted forward rates at reporting date for contracts with similar maturity profiles.
Level 3: one or more key inputs for the instrument are not based on observable market data (unobservable inputs)	Unlisted investments in equity instruments	Valuation techniques (where one or more of the significant inputs is not based on observable market data) include reference to discounted cash flows and fair values of recent orderly sell transactions between market participants involving instruments that are substantially the same.
	Contingent consideration	Initial recognition: expectations of future performance of the business. Subsequent measurement: present value of the future expected cash flows.

Table F categorises our financial instruments which are measured at fair value, according to the valuation methodology applied.

Table F Telstra Group	As at 31 Dec 2022			As at 30 Jun 2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Derivative financial instruments	587	-	587	814	-	814
Investments in unlisted securities	-	19	19	-	15	15
	587	19	606	814	15	829
Liabilities						
Derivative financial instruments	(332)	-	(332)	(305)	-	(305)
Contingent consideration	-	(234)	(234)	-	(72)	(72)
	(332)	(234)	(566)	(305)	(72)	(377)
Total	255	(215)	40	509	(57)	452

Fair value of borrowings presented in Table D in note 4.4.2 was measured using level 2 inputs.

As at 31 December 2022, we held some floating rate derivative instruments hedging term debt issuances and bank facilities which have a reference to either BBSW, BBSY or EURIBOR. Unlike LIBOR, no decisions have yet been made for the replacement of these benchmark rates which continue to remain in place. We also have some interest rate swaps and short-term commercial paper issuance linked to the 3M USLIBOR and 6M USLIBOR benchmark which will remain in place until 30 June 2023.

We continue to monitor the developments of international regulations to ensure preparedness for any changes relating to Interest Rate Benchmark Reform. None of these amendments impacted the Telstra Group's financial results for the half-year ended 31 December 2022.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.4 Fair value measurement (continued)

Table G details movements in contingent consideration measured using level 3 inputs.

Table G Telstra Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Opening balance at 1 July	(72)	(4)
Amounts recognised on acquisition	(243)	(56)
Cash settlements made during the period	88	-
Remeasurements recognised in the income statement	(8)	(2)
Translation impacts recognised in foreign currency translation reserve	1	-
Closing balance at 31 December	(234)	(62)

Additions in contingent consideration measured using level 3 inputs resulted from \$243 million recognised on the acquisition of Digicel Pacific. Refer to note 5.1.2 for further details.

4.4.5 Financial risk factors

Our underlying business activities result in exposure to operational risks and a number of financial risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Our overall risk management program seeks to mitigate these risks in order to reduce volatility in our financial performance and to support the delivery of our financial targets. Financial risk management is carried out centrally by our treasury department under policies approved by the Board. Our financial risk management strategies ensure that we can withstand market disruptions for extended periods.

The half-year financial report does not include all financial risk management information and disclosures required for the annual financial statements. For further details on our financial risk management refer to note 4.5 to the financial statements in the 2022 Annual Report. There have been no material changes to our risk management policies since 30 June 2022.

Section 5. Our investments

This section outlines our group structure and includes information about our controlled entities, joint ventures and associated entities. It provides details of changes to these investments and their effect on our financial position and performance during the financial year. It also includes the results of our material joint ventures and associated entities.



5.1 Changes in the group structure

5.1.1 Changes due to the Telstra Group restructure

As detailed in note 1.2, during the half-year ended 31 December 2022 the Telstra Group undertook a number of steps in relation to the Restructure, which resulted in the following changes to our Group structure:

- Telstra Group Limited was established as the new parent entity of the Telstra Group
- Telstra Corporation Limited became a wholly-owned subsidiary of Telstra Group Limited
- the following controlled entities became wholly-owned subsidiaries of Telstra Group Limited:
 - Telstra ESOP Trustee Pty Ltd
 - Telstra Finance Limited
 - Telstra Foundation Ltd
 - Telstra Growthshare Pty Ltd
 - Telstra International Holdings Pty Ltd
 - Telstra Limited.

5.1.2 Current period acquisitions

During the half-year ended 31 December 2022 we have acquired a number of controlled entities being Digicel Pacific Limited and Media Innovations Holdings Pty Ltd and their subsidiaries; and other individually immaterial businesses. Details of the significant acquisitions have been disclosed below.

(a) Acquisition of Digicel Pacific

On 13 July 2022, we completed the acquisition of 100 per cent of the shares in Digicel Pacific Limited and its controlled entities (Digicel Pacific).

Digicel Pacific is a leading provider of communication services across Papua New Guinea (PNG), Fiji, Nauru, Samoa, Tonga and Vanuatu. The acquisition of Digicel Pacific expands our international footprint and supports our growth strategy.

The final consideration paid and payable consisted of \$2,378 million upfront cash payment, and up to \$370 million deferred payments contingent on Digicel Pacific's performance over the financial years 2023 and 2024. The consideration was funded by Telstra's contribution of \$400 million and a combination of non-recourse debt facilities from, and equity-like securities issued by the Telstra Group to, the Australian Government, through Export Finance Australia. The total acquisition cost for the acquisition was \$22 million, of which, \$7 million were incurred and paid during the financial year 2022.

Equity-like securities issued to the Australian Government

On 13 July 2022 and on 2 September 2022, we issued respectively \$903 million and \$20 million of equity-like securities to the Australian Government, through Export Finance Australia. The securities are perpetual, subordinated, unsecured and redeemable in certain circumstances. The securities do not grant the Australian Government any recourse, voting rights, or earnings in respect of the Telstra Group.

We applied judgement to classify the issued securities as equity and present them as non-controlling interests in our consolidated statement of changes in equity.

As at 31 December 2022, the non-controlling interests related to the equity-like securities issued to the Australian Government were \$923 million.

The vendor has entered into legal arrangements with the PNG tax authorities in relation to the additional company tax of PKG350 million. We have recognised a liability of \$147 million included in other provisions. Telstra is not part of this process, and the outcomes of this process are a matter for the vendor. The vendor has provided an indemnity to Telstra against the outcome of the legal process without further recourse to Digicel Pacific or its related entities, and an indemnification asset of \$147 million was recognised in trade and receivables on completion. This amount is held in escrow.

We have also recognised a \$41 million liability (included in other provisions) for other tax matters. The vendor has provided an indemnity to Telstra against the outcome of those tax matters and an indemnification asset of \$41 million was recognised in trade and receivables on completion. This amount is held in escrow.

The provisional accounting for this acquisition gave rise to \$1,739 million goodwill reflecting revenue growth opportunities, cost synergies and profitability of the acquired business. The goodwill is not deductible for income tax purposes.

Section 5. Our investments (continued)

5.1 Changes in the group structure (continued)

5.1.2 Current period acquisitions (continued)

(a) Acquisition of Digicel Pacific (continued)

Table A summarises the effects of the provisional accounting for this acquisition.

Table A Digicel Pacific	Half-year ended
	31 Dec 2022
	\$m
Consideration for acquisition	
Cash consideration	2,378
Contingent consideration	243
Total purchase consideration	2,621
Cash balances acquired	(30)
Contingent consideration payable	(169)
Outflow of cash on acquisition	2,422
Acquisition costs incurred included in other expenses in the income statement	15
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	30
Trade and other receivables	246
Inventories	11
Prepayments	15
Investments - accounted for using the equity method	8
Property, plant and equipment	522
Right-of-use assets	52
Intangible assets	827
Trade and other payables	(108)
Employee benefits	(12)
Other provisions	(248)
Lease liabilities	(52)
Contract liabilities and other revenue received in advance	(55)
Deferred tax liabilities	(337)
Net assets	899
Adjustments to reflect non-controlling interests	(17)
Goodwill on acquisition	1,739
Total purchase consideration	2,621
Contributions to the Group's performance from acquisition date to 31 December 2022	
Income	356
Profit before income tax expense	72

(b) Acquisition of Fetch TV

On 2 August 2022, we completed the acquisition of a 51.4 per cent controlling interest in Media Innovations Holdings Pty Ltd and its controlled entities (Fetch TV) for a total consideration of \$47 million upfront cash payment and a commitment to onboard Telstra TV customers onto the Fetch TV platform. The customer transition is yet to commence and is planned to be completed by the end of the financial year 2025.

Fetch TV is a subscription-based TV service provider based in Australia which operates its own proprietary streaming aggregation platform. Its services are distributed in partnership with internet service providers and major retailers. Fetch TV will be the new platform for Telstra TV and will strengthen Telstra's home and entertainment offering.

The provisional accounting for this acquisition gave rise to \$40 million goodwill reflecting cost and revenue synergies and revenue growth opportunities. The goodwill is not deductible for income tax purposes.

Table B summarises the effects of the provisional accounting for this acquisition.

Table B Fetch TV	Half-year ended
	31 Dec 2022
	\$m
Consideration for acquisition	
Total purchase consideration - cash	47
Cash balances acquired	(14)
Outflow of cash on acquisition	33
Acquisition costs incurred included in other expenses in the income statement	1
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	14
Trade and other receivables	10
Inventories	3
Property, plant and equipment	1
Right-of-use assets	3
Intangible assets	9
Trade and other payables	(22)
Employee benefits	(3)
Lease liabilities	(3)
Net assets	12
Adjustments to reflect non-controlling interests	(5)
Goodwill on acquisition	40
Total purchase consideration	47
Contributions to the Group's performance from acquisition date to 31 December 2022	
Income	31
Profit before income tax expense	1

(c) Telstra Group result if all acquisitions occurred on 1 July 2022

If all the acquisitions made during the half-year ended 31 December 2022 had occurred on 1 July 2022, our adjusted consolidated income and consolidated profit before income tax expense for the half-year would have been \$11,618 million and \$1,353 million, respectively.

Section 5. Our investments (continued)

5.2 Investments in controlled entities

Telstra Group has a direct or indirect interest in over 210 subsidiaries with our international presence spanning over 30 countries. We have controlled entities with a presence in Australia, Asia, the South Pacific, New Zealand, Europe, Middle East and the United States of America. As at the reporting date, we conducted most of our business through Telstra Corporation Limited and none of our other controlled entities are individually material to the Group's EBITDA.

A complete list of our controlled entities as at 31 December 2022 is available in Appendix 4D - Half-year Report published online at that date of this report at www.telstra.com/financial_results.

5.2.1 Deed of cross guarantee

As disclosed in the 2022 Annual Report, Telstra Corporation Limited (as the then holding entity of the Telstra Group), certain of its wholly-owned subsidiaries and Telstra Finance Limited (as trustee) were party to a deed of cross guarantee (Previous Deed), as defined in Australian Securities and Investments Commission (ASIC) legislative instrument: 'ASIC Corporations (Wholly-owned Companies) Instrument 2016/785'.

As detailed in note 1.2, by 31 December 2022 Telstra Group had completed a number of the Restructure steps. In connection with the Restructure the following changes occurred in relation to the deed of cross guarantee:

- on 23 November 2022, a revocation deed was lodged with ASIC to revoke the Previous Deed. The revocation deed will take effect on 24 May 2023 (being the day following the expiration of six months from the date of lodgement with ASIC).
- on 23 November 2022, a new deed of cross guarantee (New Deed) was lodged with ASIC between Telstra Group Limited (as holding entity), Telstra Corporation Limited and certain of its wholly-owned subsidiaries, Telstra Limited and certain of its wholly-owned subsidiaries and Telstra International Holdings Pty Ltd and certain of its wholly-owned subsidiaries (together, Closed Group) and Telstra Finance Limited (as trustee). The entities in the Closed Group are set out below.

The following entities are party to the New Deed and part of the Closed Group:

- Telstra Group Limited (holding entity)
- Alliance Automation Pty Ltd
- Aqura Technologies Pty Ltd
- Clinical Technology Holdings Pty Limited
- Clinical Technology Systems Pty Limited
- DLM Automation Pty Ltd
- Epicon IT Solutions Pty. Ltd.
- Fone Zone Pty Ltd
- Health Communication Network Pty Limited
- Merricks NewCo Pty Ltd
- Mobile Tracking and Data Pty Ltd
- MTData Holdings Pty Ltd
- muru-D Pty Ltd
- Pacnet Internet (A) Pty Ltd
- Pacnet Services (A) Pty. Ltd.
- Service Potential Pty Ltd
- Telstra 3G Spectrum Holdings Pty Ltd
- Telstra Australia Networks Pty Limited
- Telstra Broadcast Services Pty Limited
- Telstra Communications Limited
- Telstra Corporation Limited
- Telstra Energy (Generation) Pty Ltd
- Telstra Energy (Holdings) Pty Ltd
- Telstra Energy (Retail) Pty Ltd
- Telstra Health Pty Ltd

- Telstra Health Services Pty Ltd
- Telstra Holdings Pty Ltd
- Telstra International (Aus) Limited
- Telstra International Holdings Pty Ltd
- Telstra International Networks Pty Limited
- Telstra International Operations Pty Limited
- Telstra Limited
- Telstra Multimedia Pty Limited
- Telstra OnAir Holdings Pty Ltd
- Telstra Pay TV Pty Ltd
- Telstra Plus Pty Ltd
- Telstra Purple Pty Ltd
- Telstra Reach Holdings Pty Ltd
- Telstra Services Solutions Holdings Limited
- Telstra Software Group Pty Ltd
- Telstra Towerco No.2 Pty Ltd
- Telstra Ventures Pty Limited.

There were no financial impacts on the Telstra Group resulting from the revocation of the Previous Deed and the establishment of the New Deed.

5.3 Non-controlling interests

The Telstra Group includes entities which have material non-controlling interests. Summarised financial information of the entities which have material non-controlling interests over which the Telstra Group gained control during the reporting period is detailed below.

5.3.1 Telstra PM Pty Ltd and its controlled entities (Telstra PM Group)

As detailed in note 5.1.2, our controlled entity within the Telstra PM Group issued \$923 million of equity-like securities to the Australian Government, through Export Finance Australia. The issued securities are classified as equity and recognised as non-controlling interest.

Section 5. Our investments (continued)

5.3 Non-controlling interests (continued)

5.3.1 Telstra PM Pty Ltd and its controlled entities (Telstra PM Group) (continued)

Table A summarises provisional financial information for the half-year ended and as at 31 December 2022 of Telstra PM Group which have material non-controlling interests. The financial information represents the amounts before inter-company eliminations of transactions with other entities within the Telstra Group, with the exception of the transactions within the Telstra PM Group which have been eliminated.

Table A Telstra PM Group	As at/half-year ended
	31 Dec 2022
	\$m
Statement of financial position	
Current assets	417
Non-current assets	3,178
Total assets	3,595
Current liabilities	546
Non-current liabilities	1,659
Total liabilities	2,205
Net assets	1,390
Accumulated non-controlling interests	940
Statement of comprehensive income	
Revenue	352
Loss for the period attributable to Telstra PM Group	(13)
Total comprehensive income for the period	(10)
Profit allocated to non-controlling interests	1
Statement of cash flows	
Net cash inflow from operating activities	108
Net cash outflow from investing activities	(2,471)
Net cash inflow from financing activities	2,481
Net cash inflow	118

Section 6. Other information

This section provides other information and disclosures not included in the other sections, for example our commitments and contingencies, and significant events occurring after reporting date.



6.1 Parent entity disclosures

This note provides details of Telstra Entity's financial performance and financial position as a standalone entity. The results include transactions with its controlled entities.

As detailed in note 1.2, on 31 October 2022 Telstra Group Limited became the parent entity of the Telstra Group.

Tables A and B provide a summary of the financial information for Telstra Entity.

Table A Telstra Entity	As at
	31 Dec 2022
	\$m
Statement of financial position	
Total current assets	262
Total non-current assets	16,547
Total assets	16,809
Total current liabilities	765
Total non-current liabilities	86
Total liabilities	851
Share capital	3,087
Reorganisation reserve	91
Retained profits	12,780
Total equity	15,958

Table B Telstra Entity	Half-year ended
	31 Dec 2022
	\$m
Statement of comprehensive income	
Loss for the year	(7)
Total comprehensive income	(18)

6.1.1 Employee share plans

We have a number of employee share plans pursuant to which equity is awarded to executives as part of their total remuneration. Active share plans are conducted through the Telstra Growthshare Trust (Growthshare). Following the establishment of Telstra Group Limited as the new parent entity, on 30 November 2022 Telstra Corporation Limited transferred all of its shares in Telstra Growthshare Pty Ltd, the corporate trustee for Growthshare (the Trustee), to Telstra Group Limited, so that Telstra Group Limited wholly owns Telstra Growthshare Pty Ltd.

There were no changes to the restriction periods, performance periods and performance measures applying to our employee share plans as a result of the Restructure. However, from 31 October 2022 performance rights and restricted shares have been granted by Telstra Group Limited (the new parent entity) and a fully paid ordinary Telstra Group Limited share (or at Telstra Group Limited's discretion, a cash amount equivalent to the value of a Telstra Group Limited share) will be provided on vesting of a performance right. For the purpose of assessing the Relative Total Shareholder Return performance condition applying to performance rights, Telstra Corporation Limited is the relevant entity for the portion of the performance period up to (but excluding) 31 October 2022 and Telstra Group Limited will be the relevant entity for the portion of the performance period from and including 31 October 2022. We continue to account for the employee share plans using the original grant date fair value as there is no overall change to these awards as a result of the Restructure.

The results of the Trustee continue to be consolidated into the Telstra Group Financial Report, however, where Telstra Group Limited grants its equity instruments to employees of a subsidiary, the subsidiary records an expense, with a corresponding credit to equity, representing a capital contribution from Telstra Group Limited and Telstra Group Limited records an increase in its investment in the subsidiary equivalent to the expense in the subsidiary, with a corresponding credit to equity.

6.1.2 Tax consolidated group

Under the Australian taxation law, the Telstra Entity and its eligible Australian resident wholly-owned entities (members) form a tax consolidated group and are treated as a single entity for income tax purposes. The Telstra Entity is the head entity of the group and, in addition to its own transactions, it recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits for all members in the tax consolidated group.

As detailed in note 1.2, on 31 October 2022, Telstra Group Limited replaced Telstra Corporation Limited as the new head entity in the Australian tax consolidated group. Under Australian taxation law and confirmed by a ruling of the Australian Tax Office, Telstra has elected that the tax consolidated group will continue in existence, with Telstra Group Limited as the head company. This has been accounted for as a continuation of the antecedent tax consolidated group with Telstra Corporation Limited as the head entity, with the franking credits account being inherited by Telstra Group Limited. There were no income tax implications to the tax consolidated group resulting from the Restructure.

Entities within the tax consolidated group have entered into a new tax sharing agreement and a tax funding agreement with Telstra Group Limited as the head entity.

The tax sharing agreement specifies methods of allocating any tax liability in the event the head entity defaults on its group payment obligations and the treatment where a member exits the tax consolidated group.

Section 6. Other information (continued)

6.1 Parent entity disclosures (continued)

6.1.2 Tax consolidated group (continued)

Under the tax funding agreement, the head entity will pay the tax consolidated group liabilities to the Commissioner of Taxation and each of the members has agreed to pay/receive a current tax payable to/receivable from the head entity based on the current tax liability or current tax asset recorded in the financial statements of the relevant member. The Telstra Entity will also compensate the members for any deferred tax assets relating to unused tax losses and tax credits.

Amounts receivable by the Telstra Entity of \$104 million and payable by the Telstra Entity of \$103 million under the tax funding agreement are due in the next financial year upon final settlement of the current tax payable for the tax consolidated group.

6.1.3 Telstra Superannuation Scheme (Telstra Super)

We participate in, or sponsor, defined benefit and defined contribution schemes for our employees. This includes our Telstra Superannuation Scheme (Telstra Super) defined benefit plan.

Contributions of each employer participating in Telstra Super are based on the recommendations from the actuary of Telstra Super in line with any legislative requirements. The net defined benefit asset/(liability) at balance date is also affected by the valuation of Telstra Super's investments and our obligations to members of Telstra Super.

Entities participating in Telstra Super account for the net defined benefit cost based on an internal funding policy.

As detailed in note 1.2, on 30 November 2022, Telstra Group Limited became the sponsoring employer in Telstra Super, a regulated fund in accordance with the Superannuation Industry Supervision Act governed by the Australian Prudential Regulation Authority. On the same date, Telstra Corporation Limited became an associated employer participating in Telstra Super.

Telstra Super's board of directors operates and governs the plan, including making investment decisions.

Telstra Super has both defined benefit and defined contribution divisions. The defined benefit divisions, which are closed to new members, provide benefits based on years of service and final average salary paid as a lump sum. Post-employment benefits do not include payments for medical costs.

On an annual basis, we engage qualified actuaries to calculate the present value of the defined benefit obligations.

Contribution levels made to the defined benefit divisions are determined by the Telstra Entity after obtaining the advice of the actuary and in consultation with Telstra Super Pty Ltd (the Trustee). These are designed to ensure that benefits accruing to members and beneficiaries are fully funded as they fall due. The benefits received by members of each defined benefit division take into account factors such as each employee's length of service, final average salary, and employer and employee contributions.

As part of the Restructure, an internal funding policy has been put in place between the sponsoring employer (i.e. the Telstra Entity) and the associated employers (i.e. other legal entities under common control which participate in Telstra Super). Under that policy each entity recognises the net defined benefit cost related to its employees who are members of Telstra Super. Both the Telstra Entity and the associated employers account for their share of the net deficit (i.e. net defined benefit liability) where the fair value of the plan assets allocated to that entity based on the defined benefit obligations of the employees who are members of Telstra Super is less than the present value of the defined benefit obligations of those employees. The Telstra Entity also accounts for any surplus (i.e. net defined benefit asset) where the fair value of the total plan assets exceeds the total present value of the defined benefit obligations of Telstra Super as a whole.

6.1.4 Contingent liabilities and guarantees

We have provided the following indemnities, performance guarantees and financial support through Telstra Group Limited:

- guarantees to nbn co in respect of payment obligations of Telstra Limited or Telstra Corporation Limited to nbn co up to a maximum of \$2.5 billion in respect of the Subscriber Agreement, and \$2.5 billion in respect of the Infrastructure Services Agreement. At the reporting date, the likelihood of any claims under these guarantees is considered remote.
- Telstra Group Limited, Telstra Limited, and Telstra Corporation Limited have entered into (i) a multi entity bank account set off facility; and (ii) banking services agreement, for their transactional banking requirements. A cross guarantee and indemnity has been provided by each of Telstra Group Limited, Telstra Limited and Telstra Corporation Limited in respect of amounts due and payable to the applicable bank counterparty under each of these arrangements.

6.1.5 Recognition and measurement

The accounting policies for the Telstra Entity are consistent with those of the Telstra Group, except for those noted below:

- under our tax funding arrangements, amounts receivable (or payable) recognised by the Telstra Entity for the current tax payable (or receivable) assumed from our Australian wholly-owned entities are booked as current assets or liabilities
- investments in controlled entities, included within non-current assets, are recorded at cost less impairment of the investment value
- where the Telstra Entity grants its equity instruments to employees of a subsidiary, the subsidiary records an expense, with a corresponding credit to equity, representing a capital contribution from the Telstra Entity and the Telstra Entity records an increase in its investment in the subsidiary equivalent to the expense in the subsidiary, with a corresponding credit to equity.

Section 6. Other information (continued)

6.2 Commitments and contingencies

6.2.1 Capital expenditure commitments

During the half-year ended 31 December 2022, there were no significant changes in our total capital commitments for purchases of property, plant and equipment and intangible assets.

6.2.2 Contingent liabilities and contingent assets

Details and estimated maximum amounts (where reasonable estimates can be made) of contingent liabilities and guarantees for the Telstra Entity are disclosed in note 6.1.4.

(a) Indemnities, performance guarantees and financial guarantees

We have provided the following indemnities, performance guarantees and financial support through our controlled entities:

- indemnities to financial institutions to support bank guarantees to the value of \$263 million (June 2022: \$303 million) in respect of the performance of contracts
- indemnities and corporate guarantees to financial institutions and other third parties in respect of performance and other obligations of our controlled entities, with the maximum amount of our contingent liabilities of \$257 million (June 2022: \$232 million)
- letters of comfort to indicate support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions (including that the entity remains our controlled entity)
- during the financial year 1998, we resolved to provide IBM Global Services Australia Limited (IBMGSA) with guarantees issued on a several basis up to \$210 million as a shareholder of IBMGSA. During the financial year 2000, we issued a guarantee of \$68 million on behalf of IBMGSA. During the financial year 2004, we sold our shareholding in this entity. The \$68 million guarantee, provided to support service contracts entered into by IBMGSA and third parties, was made with IBMGSA bankers or directly to IBMGSA customers. As at 31 December 2022, this guarantee remains unchanged and \$142 million (June 2022: \$142 million) of the \$210 million guarantee facility remains unused. Upon sale of our shareholding in IBMGSA and under the deed of indemnity between shareholders, our liability under these performance guarantees has been indemnified for all guarantees that were in place at the time of sale. Therefore, the overall net exposure to any loss associated with a claim has effectively been offset.
- guarantees in favour of counterparties in respect of specified obligations of two of our controlled entities under contracts executed under the International Swap and Derivatives Association agreement (ISDA) between the controlled entity and the bank counterparty. As at 31 December 2022 there was no exposure as the outstanding amounts under these contracts were in an asset position of \$45 million. One of the guarantees has a \$20 million cap.

(b) Investigations by regulators

The Telstra Group is subject to a range of laws and regulations in Australia and overseas, including in the areas of telecommunications, corporate law, consumer and competition law and occupational health and safety. In Australia, the principal regulators who enforce these laws and regulations and who Telstra Group interacts with are the Australian Competition and Consumer Commission (ACCC), the Australian Communications and Media Authority (ACMA), the Office of the Australian Information Commissioner (OAIC), the Australian Securities and Investments Commission (ASIC), the Australian Securities Exchange (ASX), and Comcare.

The Telstra Group is subject to investigations and reviews from time to time by regulators, including certain current investigations into whether the Telstra Group has complied with relevant laws and regulations. These are taking place in an environment of heightened scrutiny and regulator expectation and where the Telstra Group has self-reported issues where it has not complied with relevant laws and regulations. In the ordinary course of our business, we identify, and may continue to identify, issues that have the potential to impact our customers and reputation, which do not meet relevant laws or regulations, or which do not meet our standards. Where we identify these issues, we make disclosures in accordance with the accounting standards, or our other legal disclosure obligations, or provide for such liabilities as required.

Regulatory investigations and reviews may result in enforcement action, litigation (including class action proceedings), and penalties (both civil and in limited circumstances, criminal).

One such matter is litigation commenced by the ACCC in August 2021 alleging representations made by Telstra to customers about the maximum internet speeds they would receive for certain nbn services, and the steps Telstra would take to check speeds and offer remedies where maximum speeds were not available, were misleading or false in breach of the Competition and Consumer Act 2010 (Act). The proceedings followed Telstra providing an Enforceable Undertaking under s87B of the Act to the ACCC in November 2017 in respect of similar conduct, and self-reporting breaches of that Undertaking to the ACCC. In November 2022, the Federal Court ordered Telstra to pay a pecuniary penalty of \$15 million, which was recognised against the existing provision, i.e. it did not impact current half-year profit. We continue our process of remediating all affected customers, with the financial impacts of the estimated refunds consistent with the amounts reflected in our results for the financial year 2022 as no material adjustments were required in the half-year ended 31 December 2022.

(c) Other contingent liabilities

Since 30 June 2022, there have been no significant changes to contingent liabilities arising from common law claims.

(d) Contingent assets

We had no significant contingent assets as at 31 December 2022.

Section 6. Other information (continued)

6.3 Events after reporting date

We are not aware of any matter or circumstance that has occurred since 31 December 2022 that, in our opinion, has significantly affected or may significantly affect in future periods:

- our operations
- the results of those operations, or
- the state of our affairs

other than the following:

6.3.1 Interim dividend

The details of our interim dividend for the half-year ended 31 December 2022 are disclosed in note 4.2.

6.3.2 The final steps of the Telstra Group restructure

As detailed in note 1.2, on 1 January 2023, the final steps of the Restructure were completed which involved Telstra Corporation Limited and its controlled entities transferring:

- the retail and active wholesale business assets and liabilities and related investments to Telstra Limited and its controlled entities
- the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities
- its interest in Telstra Towerco No.2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited.

As a result, Telstra Corporation Limited will continue to operate our passive fixed infrastructure business and service our nbn Definitive Agreements.

The businesses and investments transferred between Telstra Corporation Limited and Telstra Group Limited did not result in business combinations for accounting purposes. Accordingly, the Restructure was accounted for as an internal reorganisation, i.e. assets and liabilities transferred were recognised at their existing values in the balance sheet. From the Telstra Group perspective the internal reorganisation transfers eliminate on consolidation, i.e. they do not impact the Telstra Group financial results.

Refer to notes 5.1 and 6.1 for further details about changes in our group structure and for new parent entity disclosures.

6.3.3 Contingent liabilities and contingent assets arising after reporting date

After the reporting date, the following guarantees were issued:

As detailed in note 1.2, Telstra Group Limited became the Telstra Entity in the Telstra Group and the operating businesses are carried out by separate legal entities controlled by it. As a result, the performance obligations under a number of our existing contractual arrangements now apply to these separate legal entities. Where contractually required or otherwise agreed with counterparties, Telstra Group Limited has provided parent company guarantees, however those guarantees did not change the overall economic exposure the Telstra Group had under these arrangements prior to the Restructure. The material guarantees to which Telstra Group Limited is a party are:

- debt guarantees effective from 1 January 2023 in favour of holders of specified debt issued by Telstra Corporation Limited (including unsecured notes, bank loans, commercial paper and derivatives covering cross currency swaps, interest rate swaps and forward foreign exchange contracts) under which each of Telstra Group Limited and Telstra Limited guarantee all amounts due and payable but unpaid by Telstra Corporation Limited in respect of the guaranteed debt. The guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted (or similar) earlier, and, subject to certain applicable limitations and conditions, may also be released early in respect of the guarantee given by Telstra Group Limited.
- parent guarantee effective from 1 January 2023 under which Telstra Group Limited has provided a guarantee in favour of Amplitel Pty Ltd as trustee for the Towers Business Operating Trust in respect of obligations from Telstra Limited under the Master Services Agreement.

The following arrangements have also been put in place by other entities within the Telstra Group after the reporting date:


- a debt guarantee effective from 1 January 2023 in favour of holders of specified debt issued by Telstra Group Limited under which each of Telstra Limited and Telstra Corporation Limited guarantee all amounts due and payable but unpaid by Telstra Group Limited in respect of the guaranteed debt. Since 31 December 2022 guaranteed debt entered into by Telstra Group Limited comprises commercial paper and derivatives covering cross currency swaps and forward foreign exchange contracts. The guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted (or similar) earlier, and, subject to certain applicable limitations and conditions, may also be released early in respect of the guarantee given by Telstra Corporation Limited.
- an internal indemnity arrangement in connection to bank guarantees procured from, and indemnities granted to, financial institutions to the value of \$263 million in respect of the performance of contracts.

Directors' Declaration

This Directors' Declaration is required by the *Corporations Act 2001*. The Directors of Telstra Group Limited have made a resolution that declared:

- (a) in the Directors' opinion, there are reasonable grounds to believe that Telstra Group Limited will be able to pay its debts as and when they become due and payable
- (b) in the Directors' opinion, the financial statements and notes of the Telstra Group for the half-year ended 31 December 2022 as set out on pages 1 to 38 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134: 'Interim Financial Reporting' and the Corporations Regulations 2001
 - (ii) giving a true and fair view of the financial position of the Telstra Group as at 31 December 2022 and of the performance of the Telstra Group, for the half-year ended 31 December 2022.

For and on behalf of the board



John P Mullen
Chairman



Vicki Brady
Chief Executive Officer and
Managing Director

16 February 2023
Melbourne, Australia

Independent auditor's review report to the members of Telstra Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Telstra Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Ernst & Young



Sarah Lowe
Partner
Melbourne
16 February 2023