



14 February 2019

Office of the Company Secretary

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

**Telstra Corporation Limited - Financial results for the half-year ended 31 December 2018 –
CEO/CFO Analyst Briefing Presentation and Materials**

In accordance with the Listing Rules, I enclose for immediate release to the market:

- a) a presentation;
- b) CEO and CFO speeches;
- c) Telstra's Half-Year Results and Operations Review; and
- d) financial and statistical tables.

Telstra will conduct an analyst briefing on the half-year results from 9.15am AEDT and a media briefing from 11.00am AEDT. The briefings will be broadcast live by webcast 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.

This announcement has been released simultaneously to the New Zealand Stock Exchange.

Yours faithfully

Sue Laver
Company Secretary

Half year 2019 results

Andrew Penn
Chief Executive Officer



Disclaimer



These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results of Telstra to differ from those expressed in, or implied by, these forward-looking statements. The risks and uncertainties include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in "our material risks" section of our Operating and Financial Review (OFR) which is set out in Telstra's financial results for the year ended 30 June 2018 which was lodged with the ASX on 16 August 2018 and available on Telstra's Investor Centre website www.telstra.com/investor.

In addition to the risks and uncertainties outlined above, there are particular risks and uncertainties in connection with the implementation of Telstra2022 including the response of customers to changes in products, the risks of disruption from changes to the organisation structure; that detailed business plans have not been developed for the entirety of the strategy and the full scope and cost of Telstra2022 may vary as plans are developed and third parties engaged; Telstra's ability to execute and manage Telstra2022 in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed) and Telstra's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the plan.

These presentations are not intended to (nor do they) constitute an offer or invitation by or on behalf of Telstra, its subsidiaries, or any other person to subscribe for, purchase or otherwise deal in any equity, debt instrument or other securities, nor are they intended to be used for the purpose of or in connection with offers or invitations to subscribe for, purchase or otherwise deal in any equity, debt instruments or other securities.

AASB 15 superseded the existing accounting standards and interpretations for revenue and subscriber acquisition costs in the telecommunications industry. We have adopted AASB 15 from 1 July 2018 and applied the standard retrospectively to prior reporting periods from 1 July 2017 ('transition date'). As a result, comparatives have been restated where applicable. For further detail refer to Note 1.4 'Adoption of the new accounting standards' in half-year financial report.

All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences.

All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.

All amounts are in Australian Dollars unless otherwise stated.

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Half year 2019 results | Headlines



Reported	Guidance basis ¹	Underlying ²
Total income ³ \$13.8 billion, -4.1%	Total income ³ \$13.8 billion, -3.9%	Total income ³ \$12.8 billion, -1.8%
EBITDA \$4.3 billion, -16.4%	EBITDA excluding restructuring \$4.7 billion, -15.1%	EBITDA excluding restructuring \$3.9 billion, -11.2%
NPAT \$1.2 billion, -27.4%	Reported EPS: 10.4 cents FY19 interim dividend: 8 cps ⁴	

1. This guidance assumes wholesale product price stability and no impairments to investments or core assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY19 is broadly in accordance with the nbn Corporate Plan 2019. The guidance is provided on the basis of AASB15.
2. Underlying basis includes guidance adjustments and excludes one-off nbn DA and connection income, and one-off nbn DA and cost to connect (C2C) expenses.
3. Excluding finance income.
4. Interim dividend of 8 cents per share fully franked, comprising ordinary dividend of 5 cents per share and special dividend of 3 cents per share.

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Strong customer adds and T22 momentum



Continued growth in customer numbers			
Added net new mobile services in the half: +240k retail mobile services to 18.0m as at end of 1H19 +239k retail postpaid services to 8.1m as at end of 1H19 +115k Belong services included in net new retail postpaid services in the half +261k IoT services -90k prepaid handheld and -170k mobile broadband services +125k wholesale services to 1.1m as at end of 1H19		Mobile revenue growth +2.4% on PCP: - Service revenue -0.3% - Hardware revenue +9.8% - IoT revenue +35.6%	Added net new fixed services in the half: +64k retail bundle and data services to 3.7m as at end of 1H19 +22k Belong services included in net new retail bundle and data services in the half +308k nbn connections to 2.3m nbn™ network connections or 51% market share (excluding satellite) as at end of 1H19
Momentum in cost reduction program			Episode NPS improvement of +2 over the last 6 months (+6 vs Dec-17) Strategic NPS improvement of +3 over the last 6 months (+9 vs Dec-17)
4.2% or \$162m reduction in underlying fixed costs in first half ~\$900m cost reduction since FY16	On track to achieve \$2.5b net cost reduction target by FY22	Total costs in FY19 expected to be broadly flat on FY18 excluding restructuring costs	
We are executing against our T22 strategy			

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Strategic pillars	Radically simplify our product offerings, eliminate customer pain points and create all digital experiences	Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout	Greatly simplify our structure and ways of working to empower our people and serve our customers	Industry leading cost reduction program and portfolio management		
Enabled by our \$3b investment program	New digital platforms					
	Australia's largest, fastest, safest, smartest and most reliable next generation network					
Delivering	Market leading customer experience	Simplified products, business and operating model	Extended network superiority and 5G leadership	Achieve Global High Performance Norm in employee engagement	Net cost productivity of \$2.5bn by FY22	Post-nbn ROIC > 10%

T22 Strategic pillars | Progress to date

Strategic pillars	Radically simplify our product offerings, eliminate customer pain points and create all digital experiences	Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout	Greatly simplify our structure and ways of working to empower our people and serve our customers	Industry leading cost reduction program and portfolio management
Milestones progress	489k customers now enjoying Peace of Mind data - New consumer Choice plans including Kayo - Next generation of Smart Modem launched October 24/7 app relaunched July - Mass market servicing calls of 14m (FY18 35m) - C&SB digital sales increased to 9.7% (FY18 6.2%) - New level of experience to small business customers incl. Choice and Telstra Platinum for Business - On track to simplify ~1800 to ~20 active C&SB plans. Reduced active C&SB plans to 120 in the half - Released Connected Workplace on new Enterprise IT stack to early adopters and launched Track & Monitor - Reduced active Enterprise plans by 13% to 567	- Telstra InfraCo established as a standalone business unit from 1 July 2018 - Segment reporting in 1H19 financial accounts - High level SLA's developed in relation to access to key assets and services provided by Telstra InfraCo to the rest of Telstra - Telstra InfraCo on track to be fully operational by 30 June 2019	- New functional structure and operating model - Reduction of 3.2k FTE - Management and executive roles reduced by >1.5k - Simplified and flattened structure removing 1 to 2 management layers across most of the organisation \$25m investment in half to support people through significant change	- Total underlying fixed cost reduction achieved since FY16: ~\$900m vs FY22 target \$2.5b - Restructured Telstra Ventures in July 2018 and exited Ooyala in October 2018
Enabled by our \$3b investment program. \$2.6b invested to date with \$1.6b for networks and \$1.0b for digitisation. \$212m of EBITDA benefits delivered to date				

T22 Enablers | Progress to date



Enabled by our \$3b investment program	New digital platforms	Australia's largest, fastest, safest, smartest and most reliable next generation network		
		Network superiority and reliability	Leading in key industry speed benchmarks	Next generation software defined network
Milestones progress	- For our new mass market technology stacks we have stood up the infrastructure and platforms, implemented Salesforce CRM and upgraded ecommerce systems - Telstra Connect platform adopted by >1.6k Enterprise customers. 15% call reduction from Telstra Connect customers - Launched new quote API to provide real time communication with Wholesale customers	- Added 132 new mobile sites (including blackspots) and upgraded a further 801 mobile sites. 313 new small cells added - Delivered 56 macro blackspot sites bringing total to 537 (heading to >650) - Continue to have 1m sq km more coverage than any other Australian mobile network 4GX coverage now reaches 99.2% of the Australian population - CatM1 enabled with around 3m sq km coverage and increased NB-IoT coverage to more than 3.5m sq km 69% reduction in mobile customer outage hours since FY17	- Won P3 and Systemics networks surveys ranking us as Australia's best mobile operator - Won Ookla® Speedtest® awards "Fastest Mobile Network 2018" and "Fastest Fixed Network 2018" - Ranked #1 for Netflix speed index for twelve months straight from February 2018 to January 2019 P3 connect BEST IN TEST	- Launched Network as a Service (NaaS) platform which enables us to deliver simpler products, faster and at a lower cost - NaaS key enabler of new Consumer plans and Connected Workplace in 1H19 - Launched and migrated initial customers onto our virtual mobile core and virtual IP Multimedia Subsystem for VoIP to support traffic growth - Launched first common Network Function Virtualisation Infrastructure (NFVI) platform sites foundational for scaling and efficiency
	Leading into the 5G era			

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Leading into the 5G era

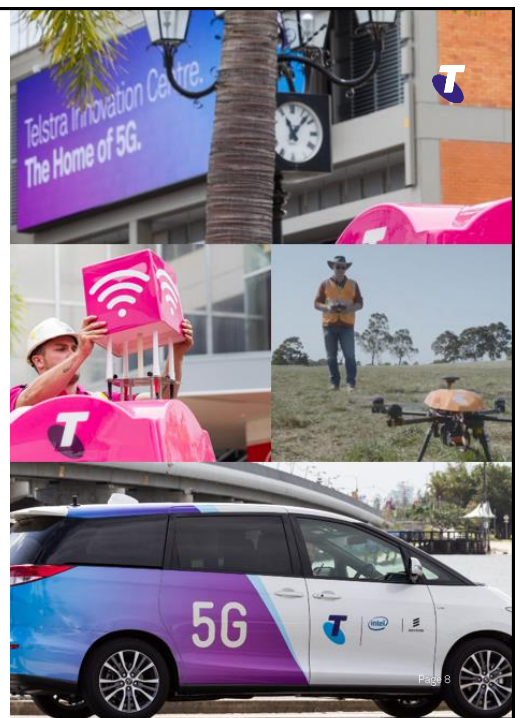
Our close relationships with key technology partners like Ericsson and Qualcomm mean we are at the global forefront of 5G and will have first-mover advantage. Our 5G preparations have included:

2017

- Our world-first 5G trial data call over mmWave using our production core network

2018

- February: our 5G Innovation Centre launched, delivering the world's first precinct of 5G-enabled Wi-Fi hotspots, Australia's first 5G connected vehicle and an end-to-end non-standalone data call on a commercial mobile network.
- August: started switching on 5G on the Gold Coast; first regional city site in Toowoomba
- September: hosted 3GPP supporting the progression of global 5G standards
- October: rollout of 5G-enabled mobile base stations in Adelaide, Canberra and Perth
- November: in partnership with Ericsson and Qualcomm, we achieved Australia's first use of a commercial 5G chipset in a form factor device over our commercial spectrum
- December: world first connection of a 5G commercial mid-band device and Australia's first 5G video call. \$386m invested to secure an additional 30-80MHz nationwide in 5G spectrum auction. **Network ready for 5G as at end of 1H19 with 207 5G mobile base stations enabled across the country at the end of the half against our target of 200**
- January: Announced partnerships to deliver Telstra customers exclusive access to 5G commercial smartphones in the first half of 2019, which will connect to Australia's first 5G-ready network



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T22 strategy | Scorecard



Outcomes	Customers	Simplification	Network	Employees	Cost reduction	Balance sheet
	Market leading customer experience	Simplified products, business and operating model	Extended network superiority and 5G leadership	Achieve Global High Performance Norm in employee engagement	Net cost productivity of \$2.5bn by FY22	Post-nbn ROIC > 10%
Metrics & Measures	● Increase NPS 3 to 6 points pa ● Double active 24/7 app users from 4m to 8m by FY22 – 6m active users by FY20 ● Increase average services per customer ● Eliminate two thirds of mass market servicing calls by FY22 – one third by FY20	● Build and launch new digital technology stack in FY19 ● Simplify from ~1800 to ~20 active Consumer & Small Business plans ● Migrate all Consumer & Small Business customers to the new product range on the new digital technology stack by FY21 ● Rationalise 50% of Enterprise products by FY21 ● Reduce 2 to 4 management layers in the organisation ● 700 apps decommissioned or contained by FY20	● Lead in all key industry network performance surveys from FY19 ✓ Network ready for 5G in H1 FY19 ● Full commercial deployment of 5G in capital cities, major regional centres and other high demand areas by FY20 ● Deliver 5x data growth at flat costs by FY21	● 80% of Agile teams at level 3 of Agile Maturity by FY20 ● 1 quartile increase in ease of doing business management practices of Organisational Health Index (OHI) by FY20 ● Increase employee engagement score 10 points ● Reduce total FTE by 8,000 net by FY22	● Net cost productivity – more than \$1.5bn cumulatively delivered by FY20 ● Total costs will be flat or decline in each year from FY18 ● Absorb nbn CVC/AVC costs ● Labour cost to sales ratio to decline –one third by FY22 ● Top quartile cost metrics for full-service telco by FY22	● Underlying ROIC to improve from FY19 to FY22 ● Monetise assets of up to \$2bn by FY20 ✓ Establish standalone infrastructure business unit with effect from 1 July 2018 ✓ High level SLA's for infrastructure business to be defined by 1 October 2018 and segment reporting by 31/12/18 ● Telstra InfraCo fully operational by June 19 ● EBITDA benefits of >\$500m p.a. from \$3bn strategic investment realised by FY21
	✓ Completed	● Early progress/development	● On track for delivery	● Progress but below target metric	● Below target metric	

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Summary



Continued growth in customer numbers

We are making good progress in executing against our T22 strategy

Our financial results reflect the impacts of the nbn rollout and increased competition

We are more than half way through estimated \$3b negative recurring EBITDA nbn impact

T22 strategy is delivering the new platforms and systems that will help us transform our business

We are leading into the 5G era

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Appendix



T22 strategy | measuring progress



Outcomes		Metrics & Measures	1H19 progress
Customers	Market leading customer experience	• Increase NPS 3 to 6 points pa • Double active 24/7 app users from 4m to 8m by FY22 – 6m active users by FY20 • Increase average services per customer • Eliminate two thirds of mass market servicing calls by FY22 – one third by FY20	• Group Episode NPS (3MMA) improvement of 6 points against 1H18 and 2 points against FY18. • Group Strategic NPS (3MMA) improvement of 9 points against 1H18 and 3 points against FY18. • 24/7 App relaunched in July making it easier and more intuitive for customers. Monthly 24/7 app users of 3.9m decreased compared to 4m in FY18. • Increase in average services per customer to 2.4 from 2.3 at end of FY18. • Total mass market servicing calls to contact centres of 14m year to date (1H18 18m).
Simplification	Simplified products, business and operating model	• Build and launch new digital technology stack in FY19 • Simplify from ~1800 to ~20 active Consumer & Small Business plans • Migrate all Consumer & Small Business customers to the new product range on the new digital technology stack by FY21 • Rationalise 50% of Enterprise products by FY21 • Reduce 2 to 4 management layers in the organisation • 700 apps decommissioned or contained by FY20	• C&SB digital sales interactions increased to 9.7% from 6.2% in FY18. • Consumer Peace of Mind and Choice plans launched. Business grade level of experience and support to small business customers. • Active in-market C&SB plans reduced to 120. • Released Enterprise Connected Workplace and Track & Monitor. • Active Enterprise products reduced by 13% to 567 (651 active products at end of FY18). On track for cease sale of legacy products however we have decided to provide another 12 months for customers to migrate to new products. • Reduced 1 to 2 management layers across most parts of the organisation. • 552 apps decommissioned or contained.
Network	Extended network superiority and 5G leadership	• Lead in all key industry network performance surveys from FY19 • Network ready for 5G in H1 FY19 • Full commercial deployment of 5G in capital cities, major regional centres and other high demand areas by FY20 • Deliver 5x data growth at flat costs by FY21	• Telstra leading in 2 of 2 key fixed network performance surveys: Won 2018 Ookla® Speedtest®, Ranked #1 for Netflix speed index for twelve months straight from February 2018 to January 2019. • Telstra leading in 3 of 3 key mobile network performance surveys: P3 and Systemics networks surveys ranking us as Australia's best mobile operator, Won 2018 Ookla® Speedtest®. • 207 5G sites built, exceeding target of 200 sites. 5G sites built across capital cities and some major regional centres. • 24% of new network investment on SDN/NFV.

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T22 strategy | measuring progress



Outcomes		Metrics & Measures	1H19 progress
Employees	Achieve Global High Performance Norm in employee engagement	80% of Agile teams at level 3 of Agile Maturity by FY20 1 quartile increase in ease of doing business management practices of Organisational Health Index (OHI) by FY20 - Increase employee engagement score 10 points - Reduce total FTE by 8,000 net by FY22	34% of Agile teams at level 3 Agile maturity exceeding 12% 1H19 target. - FY18 employee engagement score of 74, Annual survey conducted in second half of financial year. - Reduction of FTE by 3,205 representing 40% of our FY22 target reduction.
Cost reduction	Net cost productivity of \$2.5bn by FY22	- Net cost productivity – more than \$1.5bn cumulatively delivered by FY20 - Total costs will be flat or decline in each year from FY18 - Absorb nbn CVC/AVC costs - Labour cost to sales ratio to decline –one third by FY22 - Top quartile cost metrics for full-service telco by FY22	- Delivered cumulative net reduction in underlying fixed costs of ~\$900m LTD. \$162m net cost reduction achieved in 1H19. - YTD total operating expenses \$9.1bn on a guidance basis and excluding restructuring costs vs PCP \$8.9bn. We broadly expect net cost productivity to offset increased nbn CVC/AVC costs and sales costs in FY19. - Total nbn AVC/CVC costs increased \$194m on PCP to \$620m YTD. - Labour cost to sales ratio 19.1% YTD. FY18 19.2% after restatement for accounting standards.
Balance sheet	Post-nbn ROIC > 10%	- Underlying ROIC to improve from FY19 to FY22 - Monetise assets of up to \$2bn by FY20 - Establish standalone infrastructure business unit with effect from 1 July 2018 - High level SLA's for infrastructure business to be defined by 1 October 2018 and segment reporting by 31/12/18 - Telstra InfraCo fully operational by June 2019 - EBITDA benefits of >\$500m p.a. from \$3bn strategic investment realised by FY21	\$84m total proceeds from asset monetisation including Telstra Ventures transaction and disposal of Orion Health Group Ltd. - Established Telstra InfraCo as standalone infrastructure business unit. - Achieved milestone of establishment of high level SLA's and segment reporting for Telstra InfraCo. - Telstra InfraCo on track to be fully operational by 30 June 2019. \$212m YTD EBITDA benefits from up to \$3bn strategic investment.

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Half year 2019 results

Robyn Denholm
Chief Financial Officer



Agenda



Group results



Product performance



Operating expenses



Capital position



FY19 guidance



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Group results: income statement



	1H18	1H19	CHANGE reported basis	CHANGE guidance basis ¹	CHANGE underlying basis ²
Total income³	\$14.4b	\$13.8b	-4.1%	-3.9%	-1.8%
- Sales costs ⁴	\$3.9b	\$4.2b	8.8%		
- Fixed costs – underlying	\$3.8b	\$3.7b	-4.2%		
- Fixed costs – other	\$0.9b	\$1.0b	7.0%		
- One-off nbn DA and nbn C2C	\$0.2b	\$0.2b	10.1%		
- Restructuring and guidance adjustments	\$0.4b	\$0.4b	2.9%		
Operating expenses	\$9.3b	\$9.5b	3.0%		
EBITDA	\$5.1b	\$4.3b	-16.4%	-15.1%	-11.2%
Depreciation and amortisation	\$2.2b	\$2.1b	-3.5%		
EBIT	\$2.9b	\$2.1b	-26.4%		
Net finance costs	\$0.3b	\$0.3b	8.1%		
Income tax expense	\$0.9b	\$0.6b	-36.0%		
NPAT	\$1.7b	\$1.2b	-27.4%		
Basic earnings per share (cents)	14.4	10.4	-27.8%		

1. This guidance assumes wholesale product price stability and no impairments to investments or core assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY19 is broadly in accordance with the nbn Corporate Plan 2019. The guidance is provided on the basis of AASB15.

2. Underlying basis includes guidance adjustments and excludes one-off nbn DA and connection income, and one-off nbn DA and cost to connect (C2C) expenses.

3. Total income excludes finance income.

4. Excludes costs associated with one-off nbn DA and nbn C2C.

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Group results: free cashflow



	1H18	1H19 free cashflow change \$m	1H19
EBITDA – reported basis	\$5,096m	-838	\$4,258m
Working capital movement ¹	-\$461m	-189	-\$650m
Tax paid	-\$806m	301	-\$505m
Capex (excl. Spectrum & Investment)	-\$2,535m	105	-\$2,430m
Other incl. non-cash EBITDA items ²	\$469m	-403	\$66m
Free cashflow – guidance basis	\$1,763m	-1,024	\$739m
Guidance adjustments ³	-\$47m	-65	-\$112m
Free cashflow – reported basis	\$1,716m	-1,089	\$627m

Free cashflow declined due to lower EBITDA including restructuring, increased working capital, and lower net proceeds on disposal partly offset by lower tax paid and capex

Free cashflow to be weighted to 2H in FY19. FY19 Free cashflow guidance \$3.1b to \$3.6b reaffirmed⁴. We now expect to be at the lower end of the range

Cash capex includes strategic investment. 1H19 accrued capex on guidance basis of \$2,340m or 19.6% capex to sales. FY19 guidance range \$3.9b to \$4.4b reaffirmed⁴

FY19 cash capex weighted to 1H

Working capital movement of -\$650m in 1H19 due to higher inventory, less favourable receivables & creditors position, and cash cost of restructuring

Other including non-cash EBITDA items include impairments and net proceeds on disposals

1. Working capital movement from operating activities.

2. Includes net investments, interest received, proceeds from lease assets, proceeds on disposal, and non-cash EBITDA items (including impairments and gain on disposal of PP&E).

3. Refer to 1H19 Half year results and operations review - guidance versus reported results reconciliation. Guidance adjustments include M&A disposals and spectrum.

4. This guidance assumes wholesale product price stability and no impairments to investments or core assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY19 is broadly in accordance with the nbn Corporate Plan 2019. The guidance is provided on the basis of AASB15. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex.

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Group results: dividends



	1H18	1H19	CHANGE
Earnings per share			
Basic earnings per share (cents)	14.4	10.4	-27.8%
Underlying basic earnings per share (cents) ¹	8.0	6.0	-25.7%
Underlying basic earnings per share (guidance basis) (cents) ¹	11.2	8.7	-22.5%
Dividends (fully-franked)			
Ordinary dividend (interim)	7.5	5.0	-33.3%
Special dividend (interim)	3.5	3.0	-14.3%
Total dividends (interim)	11.0	8.0	-27.3%
Payout Ratios³			
Ordinary dividend of underlying earnings	94%	84%	
Ordinary dividend of underlying earnings (guidance basis) ¹	67%	58%	
Special dividend of net one-off nbn receipts	55%	68%	
Total dividends of earnings per share	76%	77%	

1H19 interim dividend of 8 cents per share (cps), fully franked, including ordinary dividend of 5cps and special dividend of 3cps

1H19 interim dividend is consistent with capital management framework and dividend policy

- Pay fully-franked ordinary dividend of 70-90% of underlying earnings^{1,2}
- Return in the order of 75% of net one-off nbn™ receipts to shareholders over time via fully-franked special dividends^{1,2}
 - 66% of cumulative net one-off nbn receipts received life to date⁴ returned

Remain committed to capital management framework including maintaining balance sheet settings consistent with an A band credit rating

1. Underlying earnings is defined as NPAT from continuing operations excluding net one-off nbn receipts. "net one-off nbn receipts" is defined as net nbn one-off Definitive Agreement receipts (consisting of PSAAs, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax. Our 1H19 underlying earnings were \$707m (1H18 \$951m, 2H18 \$1,355m) while net one-off nbn DA receipts less nbn net C2C less tax were \$526m (1H18 \$762m, 2H18 \$523m).

2. Return subject to no unexpected material events, assumes the nbn™ rollout and migration is broadly in accordance with management's current best estimates, and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.

3. 1H19 payout ratios have been restated consistent with restatement of earnings based on AASB15.

4. "Life to date" defined as since beginning FY18 and implementation of new dividend policy with restated earnings based on AASB15.

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Group results: income by product



	1H18	1H19 income change \$m	1H19	%	
Mobile	\$5,169m	122	\$5,291m	2.4%	Hardware revenue +\$135m; +36% IoT revenue growth
Fixed excl. one-off nbn C2C ¹	\$3,006m	-289	\$2,717m	-9.6%	+64k Fixed broadband net adds offset by -25% standalone voice revenue
Recurring nbn DA ²	\$304m	70	\$374m	23.0%	Growth reflects nbn™ network rollout
Data & IP	\$1,298m	-81	\$1,217m	-6.2%	+11% IPVPN SIOs offset by ARPU pressure and accelerated ISDN decline
NAS	\$1,664m	-68	\$1,596m	-4.1%	4% growth in Enterprise & Small Business excluding nbn commercial works
Global connectivity ³	\$768m	35	\$803m	4.6%	Mix shift to more profitable products but flat in local currency
Other ⁴	\$762m	-41	\$721m	-5.4%	Media -6% on broadcast shift to IPTV & strategy of supporting differentiation
New business ⁵	\$75m	11	\$86m	14.7%	Strong Health growth of \$22m partially offset by Ooyala sale
Underlying	\$13,046m	-241	\$12,805m	-1.8%	Underlying income decline -\$241m or -1.8%
One-off nbn DA and connection	\$1,307m	-315	\$992m	-24.1%	Decline on lower nbn disconnections vs PCP
Guidance basis ⁶	\$14,353m	-556	\$13,797m	-3.9%	Guidance basis income decline -\$556m or -3.9%
Guidance adjustments	\$38m	-37	\$1m	n/m	
Total Reported	\$14,391m	-593	\$13,798m	-4.1%	Reported income decline -\$593m or -4.1%

1. Fixed excludes one-off nbn connection income 1H19 \$48m (1H18 \$28m, 2H18 \$85m) and includes TUSOPA income 1H19 \$84m (1H18 \$77m, 2H18 \$90m). One-off nbn connection income included in one-off nbn DA and connection.
2. Recurring nbn DA restated to include ISA power.
3. Global connectivity includes other income 1H19 \$2m (1H18 \$4m, 2H18 \$10m).
4. Other includes media, nbn commercial works (sale of assets), M&A, and miscellaneous.
5. New business includes Telstra Health and Ooyala.
6. Refer to 1H19 Half year results and operations review - guidance versus reported results reconciliation.

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Group results: operating expenses¹



	1H18	1H19 operating expenses change \$m	1H19	%
Sales costs - nbn payments	\$426m	194	\$620m	45.5%
Sales costs - other	\$3,470m	148	\$3,618m	4.3%
Fixed costs - underlying ²	\$3,837m	-162	\$3,675m	-4.2%
Fixed costs - other ³	\$906m	63	\$969m	7.0%
One-off nbn DA and nbn C2C	\$218m	22	\$240m	10.1%
Guidance basis	\$8,857m	265	\$9,122m	3.0%
Restructuring	\$134m	194	\$328m	n/m
Other guidance adjustments ⁴	\$273m	-182	\$91m	n/m
Total reported	\$9,264m	277	\$9,541m	3.0%

Sales costs increased including:
• nbn™ network payments +\$194m
• Other +\$148m includes increased hardware

Underlying fixed costs decreased \$162m in 1H19 with ongoing productivity including 3.2k reduction in FTEs. Reduction in labour costs to flow into future periods. On track for >\$0.4b of productivity in FY19

~\$0.9b productivity achieved since FY16 and on track for \$2.5b cumulative by FY22

1H19 total operating expense rate of growth has continued to slow

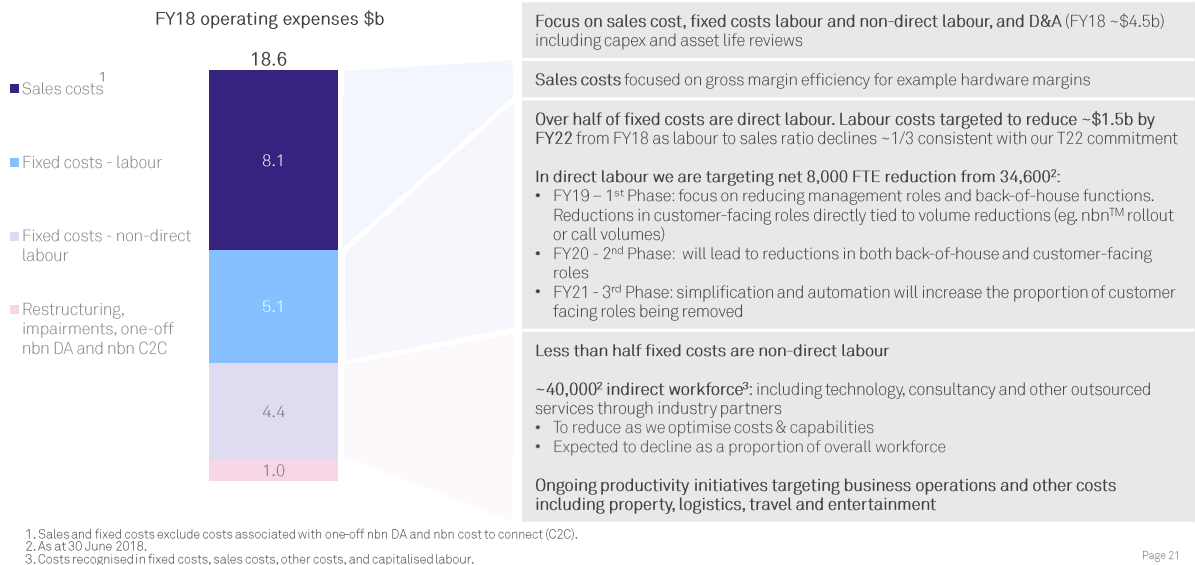
In FY19, we expect total operating expenses excluding restructuring costs to be broadly flat with reductions in underlying fixed to offset increased nbn™ network payments and other variable costs

Fixed cost reduction to accelerate in 2nd half of FY19 and into FY20

1. Restated due to accounting changes and review of fixed cost - underlying and other inclusions. Sales and fixed costs exclude costs associated with one-off nbn DA and nbn cost to connect (C2C).
2. Fixed costs - underlying was -\$8.3b in FY16 and targeted to decline by our net cost productivity target of \$2.5b by FY22.
3. Fixed costs - other includes significant costs associated with NAS commercial works and NAS variable costs, mobile lease, non-cash items, impairments, M&A and bond rate impacts.
4. Refer to 1H19 Half year results and operations review - guidance versus reported results reconciliation.

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Targeted reductions across whole of cost base



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Group results: EBITDA by product¹

	1H18	1H19 EBITDA change	1H19	
Mobile	\$2,028m	-123	\$1,905m	-6.1%
Fixed excl. net one-off nbn C2C ^{2,3}	\$1,224m	-358	\$866m	-29.2%
Recurring nbn DA	\$270m	75	\$345m	27.8%
Data & IP	\$828m	-46	\$782m	-5.6%
NAS	\$114m	-75	\$39m	-65.8%
Global connectivity	\$135m	20	\$155m	14.8%
Other ⁴	-\$87m	-54	-\$142m	-63.2%
New business ⁵	-\$92m	66	-\$26m	71.7%
Underlying	\$4,420m	-496	\$3,924m	-11.2%
Net one-off nbn DA less net C2C ³	\$1,089m	-337	\$752m	-30.9%
Guidance Basis	\$5,509m	-833	\$4,676m	-15.1%
Restructuring	-\$134m	-194	-\$328m	n/m
Other guidance adjustments ⁶	-\$279m	189	-\$90m	n/m
Total Reported	\$5,096m	-838	\$4,258m	-16.4%

Margin contraction on hardware. ARPU declines expected to accelerate in 2H19
~\$300m recurring negative nbn impact. Absorbed ~\$1.7b impact since FY15 of total estimated ~\$3b by FY22

Data & IP percentage margin improvement despite revenue decline
NAS reduction and lower margin from decline in commercial work activity, contract timing and seasonality

Global connectivity improvement from profitable product growth

Health improvement; Ooyala sale

Underlying decline ~\$500m, ~\$200m decline ex-nbn

Decline on lower nbn connections vs PCP

Guidance EBITDA decline ~\$833m or ~15.1%

Increased restructuring costs for T22 initiatives

Other guidance adjustments include impairments and M&A disposals

Reported EBITDA decline ~\$838m or ~16.4%

1. Product EBITDA restated due to accounting changes and review of fixed cost allocation methodologies to products.
2. Fixed includes TUSOPA income 1H19 \$84m (1H18 \$77m, 2H18 \$90m).
3. Fixed excludes one-off nbn C2C net of connection income 1H19 \$178m (1H18 \$163m, 2H18 \$121m) represented against net one-off nbn DA less net C2C. This includes one-off nbn connection income 1H19 \$48m (1H18 \$28m, 2H18 \$85m) and one-off nbn cost to connect (C2C) 1H19 \$226m (1H18 \$191m, 2H18 \$206m).
4. Other includes media, nbn commercial works (sale of assets), M&A and miscellaneous.
5. New business includes Telstra Health and Ooyala.
6. Refer to 1H19 Half year results and operations review - guidance versus reported results reconciliation.

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Capital position



	1H18	FY18	1H19
Gross debt ¹	\$16.4b	\$15.4b	\$16.4b
Cash and cash equivalents	\$0.6b	\$0.6b	\$0.5b
Net debt	\$15.8b	\$14.7b	\$15.8b
Average gross borrowing costs ²	4.8%	4.9%	4.9%
Average debt maturity (years)	4.4	4.3	3.7
Financial parameters³	Comfort Zones		
Debt servicing	1.3 - 1.8x	1.6x	1.5x
Gearing	50% to 70%	53.1%	50.3%
Interest cover	>7x	14.2x	14.0x
Ratios			
Capex to sales ⁴	18.6%	18.6%	19.6%
ROE ⁵	24.4%	25.0%	17.0%
ROIC ⁶	12.7%	13.5%	9.7%
Underlying ROIC ⁷	10.2%	9.2%	7.9%

Gross and net debt were flat year on year. Debt increased since 30 June due to typical seasonality and lower free cashflow

Average gross borrowing costs remain flat

Financial parameters remain within our comfort zones

T22 return targets:

- Underlying ROIC to improve from FY19 to FY22
- Post-nbn ROIC >10%

AASB16, the leasing standard, will be implemented in FY20 and see operating lease costs move onto the balance sheet. Although not an economic change, we estimate the implementation to increase our net debt in the range of \$3.0b - \$3.6b. This estimate is illustrative only and actual impacts will depend on final accounting interpretations and assumptions

1. Represents position after hedging based on accounting carrying values. Gross debt comprises borrowings and derivatives.

2. Represents gross interest cost on gross debt.

3. Debt servicing calculated as net debt over EBITDA (rolling 12mth in 1H19). Gearing calculated as net debt over total net debt and equity. Interest cover calculated as EBITDA over net interest expense (excluding capitalised interest and revaluation impacts on our borrowings and derivatives).

4. Capex is defined as additions to property, equipment and intangible assets including capital lease additions, excluding expenditure on spectrum, measured on an accrued basis. Capex excludes externally funded capex.

5. ROE is calculated as PATMI as a percentage of equity.

6. ROIC calculated as NOPAT as a percentage of total capital.

7. Underlying ROIC calculated as NOPAT excluding net one-off nbn DA less C2C less tax as a percentage of total capital.

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FY19 guidance



	FY19 guidance ¹ (Updated 6 September 2018)
Total income ²	\$26.2b to \$28.1b
EBITDA excluding restructuring costs	\$8.7b to \$9.4b
Net one-off nbn DA receipts less nbn net C2C	\$1.5b to \$1.7b
Restructuring costs	~\$0.6b
Capex	\$3.9b to \$4.4b
Free cashflow	\$3.1b to \$3.6b

Free cashflow expected to be at the lower end of the range

- This guidance assumes wholesale product price stability and no impairments to investments or core assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY19 is broadly in accordance with the nbn Corporate Plan 2019. The guidance is provided on the basis of AASB15. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex.
- Excluding finance income.

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Q&A



Supporting material



Capital management framework



Telstra InfraCo



Product detail & operating expenses



nbn DA income



Segment results



Accounting changes



Historical information



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Capital management framework



Fiscal discipline

Objectives	Maximising returns for shareholders	Maintaining financial strength	Retain financial flexibility
Principles	1. We remain committed to retain balance sheet settings consistent with an A band credit rating 2. Pay fully-franked ordinary dividend of 70-90% of underlying earnings^{1,2} 3. Target capex/sales ratio of ~14% excluding spectrum from FY20^{4,5} 4. Maintain flexibility for portfolio management and to make strategic investments		
Return in the order of 75% of net one-off nbn™ receipts to shareholders over time via fully-franked special dividends ^{2,3}			
Capex/sales ratio ^{4,5} of 16% to 18% in FY19			

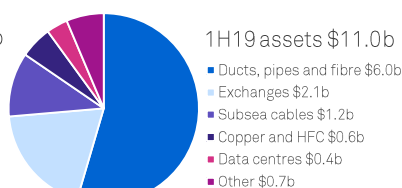
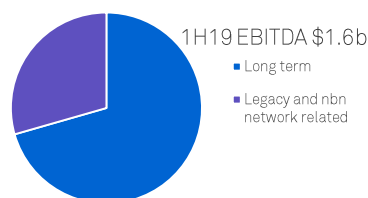
1. Underlying earnings is defined as NPAT from continuing operations excluding net one-off nbn receipts (as defined in footnote 2).
 2. "net one-off nbn™ receipts" is defined as net nbn one-off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.
 3. Return subject to no unexpected material events, assumes the nbn™ rollout and migration is broadly in accordance with management's current best estimates, and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.
 4. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex.
 5. The guidance also assumes the nbn™ rollout and migration in FY19 is broadly in accordance with management's current best estimates and may be updated for any material changes, including after taking account of the nbn Corporate Plan 2019 when it is published.

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Telstra InfraCo



	1H18 proforma ¹	1H19	CHANGE
Income	\$2,752m	\$2,502m	-9.1%
EBITDA by product:			
Recurring nbn DA	\$268m	\$341m	27.2%
Mobile	\$164m	\$169m	3.0%
Fixed excl. nbn C2C	\$630m	\$496m	-21.3%
Data & IP and NAS	\$455m	\$399m	-12.3%
Global connectivity	\$72m	\$76m	5.6%
Other ²	\$104m	\$137m	31.7%
EBITDA	\$1,693m	\$1,618m	-4.4%



Telstra InfraCo established as a standalone business unit on 1 July 2018. On track to be fully operational by 30 June 2019

1H19 Telstra InfraCo income and EBITDA includes growth from recurring nbn DAs and mobile. This was outweighed by expected declines from Telstra Wholesale fixed legacy, nbn commercial works, and internal access charges

Proportion of recurring or long term 1H19 Telstra InfraCo EBITDA increased to ~70% (vs ~65% 1H18 proforma EBITDA)

Legacy earnings to remain under pressure - 1H19 Fixed excl. nbn C2C EBITDA includes ~\$300m related to legacy copper products. Other legacy includes nbn commercial works which is included in Data & IP and NAS

1H19 Telstra InfraCo \$11.0b assets down \$0.1b from 30 June 2018 due to ongoing depreciation of copper and HFC assets

1H19 includes \$946m income and \$436m EBITDA from internal access charges

1. 1H18 proforma including income of \$1,087m (1H19 \$946m) and EBITDA \$468m (1H19 \$436m) for internal access charges.
 2. Telstra InfraCo other includes nbn commercial works (sale of assets) and asset charges to other products including media.

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Product performance: Mobile



Mobile	1H18	2H18	1H19	CHANGE vs PCP
Revenue	\$5,169m	\$5,211m	\$5,291m	2.4%
Mobile services	\$3,793m	\$3,764m	\$3,780m	-0.3%
- Postpaid handheld	\$2,609m	\$2,624m	\$2,665m	2.1%
- Prepaid handheld	\$493m	\$465m	\$448m	-9.1%
- Mobile broadband	\$416m	\$367m	\$350m	-15.9%
- Internet of things (IoT)	\$73m	\$97m	\$99m	35.6%
- Other ¹	\$202m	\$211m	\$218m	7.9%
Hardware ²	\$1,376m	\$1,447m	\$1,511m	9.8%
EBITDA Margin	\$2,028m 39.2%	\$1,968m 37.8%	\$1,905m 36.0%	-\$123m -3.2pp
Customers – retail	17.6m	17.7m	18.0m	2.0%
Postpaid handheld mobile SIOs	7,692k	7,866k	8,105k	5.4%
Internet of things (IoT) SIOs	2,346k	2,571k	2,832k	20.7%
Postpaid handheld ARPU	\$57.00	\$56.22	\$55.62	-2.4%
Postpaid handheld churn	10.9%	11.2%	12.0%	+1.1pp

1. Other includes wholesale, satellite and interconnection.

2. Mobile hardware revenue includes lease revenue 1H19 \$231m (1H18 \$124m, 2H18 \$185m).

Mobile revenue up 2.4% with growth across hardware, postpaid handheld, wholesale and IoT, partly offset by MBB and prepaid declines

Postpaid handheld net add momentum continued in 1H19 with 239k incl. 115k Belong in challenging market. Postpaid churn remains low but increased due to BYO mix in TC&SB partly offset by Enterprise decline

Postpaid handheld ARPU decline with lower Out of Bundle (OoB) revenue and increased competition. Minimum Monthly Commitment (MMC) in mass market has remained stable despite ongoing migration to BYO plans. **ARPU declines expected to accelerate** in 2H19 due to continued OoB decline and competition

Prepaid handheld revenue decline due to reduced unique users, competition and migration to postpaid, Belong and wholesale

Mobile broadband revenue decline due to both post and prepaid SIO and ARPU decline

Wholesale net adds of 125k and 1H19 services revenue increased 10% to \$99m

Sports Live Pass users 2.6 million across AFL, NRL, FFA and Netball

EBITDA declined due to hardware margin including lease benefit in PCP. Modestly lower services was offset by fixed cost reduction

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Product performance: Fixed



Fixed	1H18	2H18	1H19	CHANGE vs PCP
Revenue ¹	\$2,957m	\$2,808m	\$2,681m	-9.3%
Bundles & standalone data	\$1,660m	\$1,640m	\$1,653m	-0.4%
Standalone voice	\$633m	\$553m	\$477m	-24.6%
Other retail fixed ²	\$136m	\$132m	\$127m	-6.6%
Total retail fixed	\$2,429m	\$2,325m	\$2,257m	-7.1%
Wholesale	\$528m	\$483m	\$424m	-19.7%
Retail Fixed EBITDA (incl. net C2C) –Margin	\$777m 31.0%	\$587m 24.3%	\$497m 21.2%	-\$280m -9.8pp
Net one-off nbn cost to connect (C2C)	\$163m	\$121m	\$178m	\$15m
nbn network payments	\$426m	\$515m	\$620m	\$194m
Bundle & standalone data SIOs	3,532k	3,599k	3,663k	3.7%
Standalone voice SIOs	2,230k	1,954k	1,685k	-24.4%
Bundle & standalone data ARPU/mth	\$78.56	\$76.69	\$75.90	-3.4%

1. Fixed excludes other income from TUSOPA 1H19 \$84m (1H18 \$77m, 2H18 \$90m).

2. Other retail fixed revenue includes platinum, once off revenue (hardware and professional installation fees) payphones, directory assistance, fixed interconnect.

Strong fixed performance in context of nbn migration, competition, ongoing legacy decline

1H19 retail bundle & data net adds of 64k included 22k Belong with maintained momentum in market; Consumer bundle churn –1ppts on PCP

nbn premise connections grew by 308k to 2,254k and 51% market share (ex-satellite)

Enhanced differentiated experiences incl.

- **Connectivity with Smart modems** now across 28% of fixed data consumer base
- **Media with Telstra TV** devices increasing from 1,092k to 1,412k; 50% of consumer customers are active entertainment users

Bundle & standalone data revenue is ~97% Minimum Monthly Commitment (MMC). Flat revenue due to lower value added services and billed usage offset by MMC growth

Standalone voice revenue decline with lower usage and SIOs, driven by standalone voice line abandonment and migration to bundles

Retail Fixed EBITDA declines include high margin revenue reduction and growing network payments to nbn co, partially offset by fixed cost reduction

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Product performance: Data & IP



Data & IP	1H18	1H19	CHANGE
Revenue	\$1,298m	\$1,217m	-6.2%
IPVPN ¹	\$539m	\$511m	-5.2%
ISDN	\$245m	\$206m	-15.9%
Other data & calling products ²	\$514m	\$500m	-2.7%
EBITDA	\$828m	\$782m	-\$46m
Margin	63.8%	64.3%	+0.5pp
IPVPN SIOs	114k	126k	10.5%
ISDN SIOs	173k	148k	-14.5%

Data & IP revenue down 6.2% reflecting competitive pricing pressures in IPVPN despite continued growth in service volumes, and legacy product declines especially ISDN

IPVPN revenue down 5.2% with SIO growth in fibre and nbnTM network access offsetting declines in legacy copper services. SIO growth is outweighed by continued pressure on yield, driving a net reduction to revenue

ISDN decline reflecting service rationalisation of legacy products ahead of regulated migrations to products within the NAS portfolio

Other data and calling revenue includes Internet growth of 13% due to SIO growth from unlimited offers. Internet growth is offset by declines in legacy calling and data products

EBITDA declined \$46m reflecting declining ARPU on high margin products, despite continued growth in IPVPN and Internet services

1. IP based Virtual Private Network (IPVPN) includes IPMAN/Ethernet MAN, IPWAN, and nbn.

2. Other data & calling products includes wholesale, Inbound Calling (1300/1800), internet, media solutions, and legacy data (e.g. Frame Relay).

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Product performance: NAS



NAS	1H18	1H19	CHANGE
Revenue ¹	\$1,664m	\$1,596m	-4.1%
Managed network services	\$306m	\$291m	-4.9%
Unified communications	\$403m	\$442m	9.7%
Cloud services	\$180m	\$202m	12.2%
Industry solutions (incl. nbn commercial works)	\$681m	\$573m	-15.9%
Integrated services	\$94m	\$88m	-6.4%
EBITDA	\$114m	\$39m	-\$75m
Margin	6.9%	2.4%	-4.5pp

NAS revenue by segment¹

Telstra Enterprise Australia	\$1,110m	\$1,151m	3.7%
Telstra Small Business	\$131m	\$147m	12.2%
Other	\$423m	\$298m	-29.6%

Reported NAS revenue growth impacted by lower nbn commercial works within Telstra InfraCo. Revenue growth of 4% excluding nbn commercial works

Revenue growth in underlying NAS business including 12% Small Business growth and 4% Enterprise growth

Managed network services decline reflects 27% growth in security services, offset by declining one-off revenues within Managed data networks

Unified communications growth driven by increased calling and collaboration annuity revenue derived from underlying volume growth, in addition to nbn migrations from legacy fixed products

Cloud growth reflecting increased annuity revenue from public cloud services and growth in cloud consulting / professional services

EBITDA margin -4.5pp due to margin impacts from a change of revenue mix including a decline in nbn commercial works and contract timing impacts

1. Segment comparatives reflect organisational changes that have occurred since the prior reporting period to present a like-for-like view.

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Product performance: Global connectivity



Global connectivity (\$ amounts in AUD)	1H18	1H19	CHANGE	CHANGE in local currency
Revenue ¹	\$764m	\$801m	4.8%	0%
Fixed	\$151m	\$144m	-4.6%	-10.9%
Data & IP	\$452m	\$491m	8.6%	3.5%
NAS and other	\$161m	\$166m	3.1%	0%
EBITDA	\$135m	\$155m	\$20m	\$12m
Margin	17.6%	19.3%	1.7pp	1.6pp

Solid revenue performance in local currency with growth in more profitable products within Data & IP offsetting legacy fixed products decline

Telstra will enter into agreements to invest in a new international subsea cable system – Southern Cross, connecting Australia and the west coast of the United States. New Cross Pacific (NCP) and Faster Cable to complement existing arrangements with Hong Kong Americas (HKA) cable, Pacific Light Cable Network (PLCN).

Fixed legacy products continue to face headwinds from global decline in fixed voice

Data & IP grew 3.5% in local currency with solid margins from existing and new capacity

NAS revenue growth in cloud services and unified communications offset by price erosion in co-location

EBITDA \$12m growth in local currency from profitable revenue growth and cost productivity

1. Global connectivity excludes other income 1H19 \$2m (1H18 \$4m).

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Product framework: operating expenses



Operating expenses ¹	1H18	1H19	CHANGE \$	CHANGE %
Mobile	\$3,141m	\$3,386m	\$245m	7.8%
Fixed excl. net one-off nbn C2C ²	\$1,782m	\$1,851m	\$69m	3.9%
Recurring nbn DA ³	\$34m	\$29m	-\$5m	-14.7%
Data & IP	\$470m	\$435m	-\$35m	-7.4%
NAS	\$1,550m	\$1,557m	\$7m	0.5%
Global connectivity	\$634m	\$649m	\$15m	2.4%
Other ⁴	\$864m	\$867m	\$3m	0.3%
New business ⁵	\$164m	\$108m	-\$56m	-34.1%
Underlying	\$8,639m	\$8,882m	\$243m	2.8%
One-off nbn DA and nbn C2C ²	\$218m	\$240m	\$22m	10.1%
Guidance basis	\$8,857m	\$9,122m	\$265m	3.0%
Restructuring	\$134m	\$328m	\$194m	n/m
Other guidance adjustments ⁶	\$273m	\$91m	-\$182m	n/m
Total Reported	\$9,264m	\$9,541m	\$277m	3.0%

1. Product operating expenses restated due to accounting changes and review of fixed cost allocation methodologies to products.

2. Fixed excludes one-off nbn cost to connect (C2C) 1H19 \$226m (1H18 \$191m, 2H18 \$206m). One-off nbn C2C included in one-off nbn DA and nbn C2C.

3. Recurring nbn DA restated to include ISA power.

4. Other includes media, nbn commercial works (sale of assets), and miscellaneous.

5. New business includes Telstra Health and Ooyala.

6. Refers to 1H19 Half year results and operations review - guidance versus reported results reconciliation.

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nbn DAs and commercial works

	1H18	2H18	1H19	CHANGE
Income	\$1,785m	\$1,404m	\$1,561m	-12.5%
TUSOPA ¹	\$77m	\$90m	\$84m	9.1%
Recurring ISA: duct, rack and backhaul ²	\$304m	\$338m	\$374m	23.0%
nbn commercial works – sale of assets ³	\$125m	\$86m	\$159m	27.2%
One-off nbn DAs	\$1,279m	\$890m	\$944m	-26.2%
- ISA: Ownership receipts ⁴	\$222m	\$148m	\$242m	9.0%
- PSAA ⁵	\$1,047m	\$733m	\$699m	-33.2%
- Retraining	\$10m	\$9m	\$3m	-70.0%
nbn commercial works – products and services ⁶	\$390m	\$360m	\$272m	-30.3%

Overall decline in one-off DAs

- PSAA revenue decline is mainly due to the reduction in disconnection volumes caused by the nbn HFC Cease Sale in CY2018
- One-off ISA revenues has however increased in-line with the rollout as nbn brings forward asset transfers for HFC in order to effect remediation work

Recurring ISA revenue growth with nbn™ network rollout progress

nbn commercial works – sale of assets revenue related to HFC and cost recovery has increased inline with nbn™ network rollout progress

nbn commercial works – products and services revenue provided through contracts outside of nbn DAs. Decline is expected as part of nbn™ network rollout maturity

1. TUSOPA is run by Department of Communications and the Arts and the income is net of the levy paid.
2. Included as sales revenue. Restated to include ISA power.
3. Included as other income.
4. Included as other income. Includes receipts for assets transferred under the nbn Definitive Agreements (DA). Restated to exclude ISA power.
5. Included as other income. Includes income from nbn disconnection fees (Per Subscriber Address Amount (PSAA)).
6. nbn commercial works – products and services revenue is recognised as NAS revenue.



Segment results

Income ¹	1H18	1H19	CHANGE
Telstra Consumer & Small Business	\$7,320m	\$7,212m	-1.5%
- Consumer	\$5,947m	\$5,865m	-1.4%
- Small Business	\$1,373m	\$1,347m	-1.9%
Telstra Enterprise ²	\$3,903m	\$3,955m	1.3%
- Domestic	\$3,027m	\$3,026m	0.0%
- International	\$876m	\$929m	6.0%
Telstra InfraCo ³	\$1,665m	\$2,502m	n/m
- Internal access charges	-	\$946m	n/m

Consumer decline across fixed products including standalone fixed voice, and mobile services revenue. Decline was partly offset by increased mobile hardware revenue

Small Business declined but at a slower rate than previous periods. Fixed declines were partly offset by growth in mobile services revenue and double digit NAS growth

Telstra Enterprise domestic flat with modest NAS growth offset by industry ARPU declines in Data & IP and ongoing fixed voice decline

Telstra Enterprise international includes growth in higher margin Data & IP as well as NAS from improvements in cloud services and unified communications

Telstra InfraCo excluding internal access charges declined due to Telstra Wholesale decline across legacy fixed products and commercial works for nbn co. This was offset by increased recurring nbn DA and mobile

1. Segment comparatives reflect organisational changes that have occurred since the prior reporting period to present a like-for-like view.
2. Telstra Enterprises split between Domestic and International income is based on location of management operations. Telstra Enterprise includes \$121m (1H18: \$104m) of inter-segment revenue treated as external expenses in the TC&SB and InfraCo segments.
3. Telstra InfraCo includes internal access charges 1H19 \$946m. 1H18 excludes internal access charges (\$1,087m on proforma basis)

AASB16¹ illustrative impacts in FY20²



	Illustrative AASB16 impact in FY20	Comments
Income statements		
EBITDA	~+\$0.7b to +\$1.0b	Reduction in opex, no ongoing lease expense
EBIT	~+\$30m to +\$70m	Depreciation of the right-of-use asset lower than previous operating lease expense
Net Profit Before Tax	~-\$80m to -\$120m	
Balance sheet		
Assets	~+\$3.0b to +\$3.6b	Right-of-use assets recognised
Liabilities	~+\$3.0b to +\$3.6b	Current and non current lease liability recognised (PV of lease payments)
Net debt	~+\$3.0b to +\$3.6b	
Cashflow		
Free cashflow	nil	
Financing cashflow	nil	

1. AASB16 "Leases".

2. Impacts shown are based on a projection of current lease portfolio and provided to give a directional sense of the quantum. Actual impacts will be based on leases and terms on 1 July 19 (Transition date) and finalisation of accounting interpretation and assumptions applied and may differ from numbers shown. Expected impact in FY21 and FY22 will be influenced by size of lease commitments, especially mobile lease.

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Product EBITDA historical (AASB15)¹



EBITDA	FY18
Mobile	\$3,996m
Fixed excl. net one-off nbn C2C ²	\$2,180m
Recurring nbn DA ³	\$579m
Data & IP	\$1,642m
NAS	\$365m
Global connectivity	\$293m
Other ⁴	-\$221m
New business ⁵	-\$133m
Underlying	\$8,701m
Net one-off nbn DA less net C2C ²	\$1,836m
Guidance basis	\$10,537m
Restructuring	-\$286m
Other guidance adjustments	-\$54m
Total Reported	\$10,197m

1. Product EBITDA restated due to accounting changes and review of fixed cost allocation methodologies to products.

2. Fixed includes TUSOPA income \$167m.

3. Fixed excludes one-off nbn C2C net of connection income \$284m represented against net one-off nbn DA less net C2C. This includes one-off nbn connection income \$113m and one-off nbn cost to connect (C2C) \$397m.

4. Other includes media, nbn commercial works (sale of assets), M&A, and miscellaneous.

5. New business includes Telstra Health and Ooyala.

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Telstra InfraCo historical proforma (AASB15)¹

	FY18 proforma
Income	\$5,437m
EBITDA by product:	
Recurring nbn DA	\$574m
Mobile	\$335m
Fixed excl. nbn C2C ²	\$1,217m
Data & IP and NAS	\$915m
Global connectivity	\$144m
Other ²	\$170m
EBITDA	\$3,355m

1. Telstra InfraCo restated due to accounting changes, review of fixed cost allocation methodologies and minor differences in the composition of Telstra InfraCo once operationalised. FY18 proforma including income of \$2,117m and EBITDA \$907m for internal access charges.

2. Includes nbn commercial works (sale of assets) and asset charges to other products including media.

CEO & CFO SPEECH NOTES
TELSTRA HALF YEAR RESULTS
14 FEBRUARY 2019

ANDREW PENN – CEO

Slide – Half Year 2019 Results

Good morning and welcome to Telstra's results announcement for the half year ended 31 December 2018.

Our results reflect the dynamic and challenging market in which we are operating with significant changes underway across our sector.

We continued to achieve strong customer growth in both mobile and fixed, as well as in our fast growing Internet of Things business. We have also made great progress on our T22 strategy.

Notwithstanding this, as expected our financial results reflect the significant and progressive impact of the roll out of the NBN and the intense competition in the market which is reducing ARPU's in both fixed and mobile.

With around 55% of Australian premises connected to the NBN, we are now over half way through. This means we have absorbed to date \$1.7 billion of the at least \$3 billion of the estimated negative impact on recurring EBITDA by the end of the roll out.

However, despite these short-term financial challenges, we remain very positive about Telstra's prospects for the future.

Demand for telco products and services continues to grow and telecommunications infrastructure is only going to increase in importance over the next decade.

As we have seen with the 3G and 4G product cycles in the past, we believe we will ultimately see industry ARPU increase as we transition to 5G. We also hope there might be some improvement in nbn wholesale prices.

Finally we are making good progress on our program of investment and T22 strategy, and we are leading the market, if not the world in the early stages of 5G.

I will take you through our progress on these shortly.

Firstly let me take you through the key financial results and achievements in the half.

I will then hand over to Robyn before we open for Q&A.

Slide - Half Year 2019 Results - Headlines

Total Income for the half decreased 4.1% to \$13.8 billion on a reported basis.

Excluding one-off NBN income, total income decreased 1.8% to \$12.8 billion.

EBITDA decreased 16.4% to \$4.3 billion on a reported basis.

Excluding one-off NBN income and restructuring costs, EBITDA decreased 11.2% to \$3.9 billion.

NPAT decreased 27.4% to \$1.2 billion.

Consistent with Telstra's revised dividend policy, the Board has resolved to pay a fully franked interim dividend of 8 cents per share. This comprises an interim ordinary dividend of 5 cents per share and an interim special dividend of 3 cents per share.

Telstra's circumstances today are very different from what they were before the NBN. We are no longer the national wholesale provider - that part of our business, the revenue and value, is being transferred to the NBN and that is reflected in our income, profit, and dividends.

While we have offset some of the impact of the NBN and will continue to do so through our productivity and other initiatives, these efforts have in turn been mitigated by the downward pressure on industry margins from increased competition.

Before the NBN rollout we were a \$10 billion EBITDA company. The negative impact of the NBN is at least \$3 billion in annual EBITDA. Post the rollout of the NBN, EBITDA needs to be in the order of \$7-8 billion to pay a dividend around 16 cents under our dividend policy of paying between of 70 to 90% of earnings taking into account our balance sheet parameters and free cash flow.

Our T22 strategy is aimed at improving our underlying earnings and mitigating the impact of the NBN, although clearly this is subject to the influence of the broader economic, competitive and regulatory environment in which we operate.

I do understand and appreciate what a lower dividend means for our shareholders. However, we also have to accept the realities of the NBN and the structural change to Telstra. We also have to accept if we are to invest and be successful in the future, that our historic practice of paying 100% or more of our earnings in dividend was unsustainable.

Slide - Strong customer adds and T22 momentum

Let me turn to the key operating highlights from the half year.

One of the key features from the results today is our continued growth in customer numbers.

During the half we added 240,000 net retail mobile services across retail postpaid, Internet of Things, prepaid handheld and mobile broadband.

We added 239,000 net retail postpaid mobile services, including 115,000 from Belong Mobile. We launched Belong Mobile as part of our multi brand strategy a little over a year ago and we are very pleased with our performance to date.

We also added 261,000 net new Internet of Things services.

Telstra's total retail mobile services now stand at more than 18 million with more than 8 million post paid hand held.

We also added 125,000 wholesale mobile services, bringing total wholesale services for the company to 1.1 million.

Revenues for our mobile business were up 2.4 per cent compared to the same period last year. Within this Mobile services revenues were broadly flat with the growth coming from hardware due to increased handset pricing and volumes.

We also saw good revenue growth from our Internet of Things business, up 36 per cent.

We are now connecting on average 2,000 things every day to our IoT networks including vehicles, machines, infrastructure, smart meters and all sorts of sensors.

IoT is an exciting new growth opportunity for us, particularly as we prepare to enter the 5G era.

In fixed, we added 64,000 net new retail services, including 22,000 from Belong. This brings our total retail services to 3.7 million.

In the half, we added 308,000 new NBN connections with an estimated NBN market share excluding satellite of 51% and taking the total number of NBN connections from Telstra to 2.3 million.

Turning to costs, we continued to make progress with our cost reduction program during the half.

Underlying fixed costs were down 4.2% or \$162 million with approximately \$900 million in annualised cost reductions achieved since the program began in FY16.

We propose to further accelerate our productivity program in the second half, and into FY20 and we remain on track to achieve our cost reduction target of \$2.5 billion by FY22.

By the end of FY19, total operating expenses, excluding restructuring costs, are expected to be broadly flat. From then we expect total costs to decline with reductions in underlying fixed costs targeted to offset increased NBN network payments and hardware costs.

Turning to customer experience. I am delighted to report the investments we have been making and the activities under our T22 strategy are having a real impact for our customers.

Over the half, Episode NPS improved two points while Strategic NPS improved three points. Over the 12 months since December 2017, Episode NPS improved six points and Strategic NPS improved nine points.

This is very solid momentum although I know there is still much to do to improve the experience for our customers.

Let me now turn to our T22 strategy.

Slide - T22

There is no doubt this is a critical time, not just for Telstra, but for the telecommunications industry globally.

Last year as the impacts of the NBN and competition became more profound, we recognised we needed to do even more in response to the market dynamics. We needed to accelerate our rate of change, leverage the investments we have been making and lift our level of aspiration in delivering simpler, more flexible products and services with a great digital experience for our customers and leaving our legacy behind.

This is what our T22 strategy is about. It is about simplifying the business and reducing our cost base for the future. It is about maximising the value of our infrastructure assets.

It is about positioning us for the 2020's and beyond and to take advantage of the significant opportunities coming around the corner from growing demand, technology change and the arrival of 5G.

The strategy is built around four key pillars and two critical enablers, building the networks for the future and digitisation.

Let me detail the progress we have made on T22 this half, firstly Pillar One.

Slide - T22 Strategic Pillars - progress to date

There are essentially two elements to this across both our mass market - consumer and small business and our enterprise business segments. Firstly, radically simplifying our product offerings and secondly creating new digital experiences aimed at eliminating customer pain points and driving growth.

One of the biggest customer pain points has always been fear of excess data charges. This half we removed that pain point leading the market with our peace of mind mobile plans. We now have 489,000 Telstra customers enjoying the benefits of the Peace of Mind data.

In the half, we also launched more flexibility for customers through our new consumer Choice plans so customers only have to take and pay for the services that they want from Telstra.

Postpaid mobile and broadband customers can also now add Kayo, Foxtel's new sports streaming service which offers an unparalleled range of live sport and extra content.

In October we launched the next generation of our smart modem, a technology that includes a 4G chipset which now also enables voice. The hybrid modem enables fixed broadband customers to stay connected via the mobile network if their fixed service is not yet activated or if there is a service interruption.

We have with more than 870,000 customers using a smart modem. This has made a massive difference to their experience and we have seen a 77% drop in calls and complaints from customers using the smart modem.

Improvements to our 24x7 App, our Codi virtual assistant and other digital experiences have also helped improve customer experience. Incoming calls to our contact centres, totalling 14 million were 4 million or more than 20% less than the same period last year.

We also saw an increase in the number of digital sales interactions in our consumer and small business segment which jumped from 6.2% to 9.7% in the half as more and more customers learned of our improved online experience.

This half we also announced major enhancements for small business including new solutions and services designed to add more flexibility, reliability, value, cost certainty and expert service and advice.

These include unlimited data as standard on broadband plans, 24/7 concierge tech support and mobile broadband backup as well as Telstra Platinum for Business, a new prioritised IT and support solution.

We also continue to make good progress in reducing the complexity in the number of plans we offer.

During the period we reduced the number of active consumer and small business plans to 120, well on the path toward our target of having just 20 plans in market by the end of the financial year.

The balance of the 1,800 consumer and small business plans will be eliminated by FY21 as we migrate customers over to our new products and services on the new technology stack.

In Enterprise, we launched Connected Workplace delivering unlimited voice and video, Instant Messenger, a managed private network and internet protection on a per seat basis and one simple bill.

All of these services are being delivered through our new Enterprise IT stack.

The number of active Enterprise plans was also cut by 13% as we continued to remove and unravel complexity.

Across the other three T22 pillars we also made good progress.

Let me now turn to those.

Pillar 2 is focussed on establishing a standalone infrastructure business unit to drive performance and create optionality post the NBN rollout.

Telstra InfraCo is now up and running and segment reporting is included in the financial accounts we are releasing today.

High-level SLA's detailing the asset and services provided by Telstra InfraCo have also been developed and Telstra InfraCo is on track to be fully operational by the end of this financial year.

Pillar 3 is aimed at greatly simplifying our structure and ways of working to empower our people and serve our customers.

Here we are fundamentally re-engineering how we operate.

Progress this half included putting in place a new top line operational structure and leadership team. Also removing complexity and management layers, to empower our teams to make decisions closer to the customer.

Our ways of working are also being simplified and re-aligned to increase the focus on customer service, on product leadership, and on breaking down siloes.

During the half, we removed 3,200 roles from the Company of which 1,500 were management roles as well as 1-2 layers of management. This is in line with our expectation that ultimately our T22 strategy will lead to a net reduction of 8,000 jobs over the next three years with 9,500 existing roles being impacted partly offset by 1,500 new roles being created.

This for me, is by far the hardest aspect of the changes we have to make. I feel deeply when our people are personally impacted and I am committed to both be transparent with our teams on what this means and to provide all the support we possibly can for the people affected.

Also, we have to put this in the context of the structural changes happening to our business from the NBN and the fact that NBN, a company that did not previously exist and to which we are transferring a material part of our business, now employs itself almost 7,000 employees and 24,000 contractors.

The final pillar of our strategy is to deliver an industry leading cost reduction program and portfolio management.

Our underlying fixed costs were down \$162 million in the half, with nearly \$900 million of annualised cost reductions achieved since FY16.

We will accelerate our cost reduction program in the second half of FY19 and into FY20 and we remain on track to reach our target of reducing underlying fixed costs by \$2.5 billion by FY22.

Robyn is going to talk further about our cost reduction program in her section.

The other aspect of Pillar 4 is to continue our active program of portfolio management to monetise up to \$2 billion of assets by FY20.

In this regard we have restructured Telstra Ventures and exited Ooyala and we are well progressed on other initiatives to achieve this target.

Slide - T22 Enablers - progress to date

As you have heard me say before, T22 is built on the foundation provided by our up to \$3 billion strategic investment program announced in 2016. This investment has been in creating the networks for the future and digitising the business.

We remain on track to realise the benefits of this program with \$2.6 billion invested to date, including \$1.6 billion in networks and \$1 billion in digitisation. From this we have delivered \$212 million of EBITDA benefits to date.

More importantly T22 would just not have been possible without these investments and we expect them to contribute much more in terms of benefits as we leverage them into the program.

The investments will be largely complete by the end of the current financial year.

In the meantime, let me add some colour to what we have been doing in this half.

The digitisation program includes creating new technology stacks - one for mass market and one for enterprise but with shared capabilities across both. This is a huge undertaking and probably the largest IT transformation in our history. It is also critical for the success of our business in the future. The enabling technology includes new CRM, provisioning, billing and e-commerce systems and is directly linked to the improved customer experience, increased digital sales and reductions in call centre activity I mentioned earlier.

We have done most of the heavy lifting on this for our mass market - consumer and small business systems. We have stood up the infrastructure and platforms, implemented Salesforce CRM, and upgraded ecommerce systems and will be rolling these out progressively over the coming months with the first capabilities reaching the hands of our employees and customers next month.

For our enterprise customers we are even further progressed with products already in the market leveraging its capabilities. For example, the Telstra Connect platform enables businesses to essentially self-manage many of their services directly and digitally.

Over 1,600 out of our 18,000 enterprise customers are now using this platform and we have seen a 13% reduction in the number of calls to our call centres on a six month rolling average. On the network side, we continue to focus on network superiority to ensure we continue to lead the industry as we develop the next generation of software defined networks and prepare for 5G.

This half we extended our coverage by adding 132 new mobile sites, including those delivered through the Federal Government mobile blackspot program, and completed upgrades at a further 800. 313 new small cells were also installed.

Service reliability and resilience remains a critical factor for our mobile customers - and a key network differentiator for Telstra. Since FY17 mobile outage hours have been reduced 69 per cent as a result of our ongoing network improvements.

Telstra also continues to lead the market in key speed benchmarks.

Recognition for the speed and quality of our network this half included winning P3 and Systemics network surveys for Australia's best mobile operator, the 2018 Ookla Speedtest for both fastest mobile and fixed network, and the Netflix speed index for the last twelve months in a row.

Perhaps the most significant network achievement this half was launching 5G into the network and putting the technology into the hands of our customers for the first time.

Slide - Leading into the 5G era

An incredible amount of work and industry leadership has been required to get us to this point on this exciting new technology.

This work - and our close relationship with key technology partners such as Ericsson and Qualcomm - means we are very much at the global forefront of 5G and will have first-mover advantage.

Our 5G preparations are extensive and have included:

Completing a string of world firsts at our 5G Innovation Centre on the Gold Coast;

Securing 5G spectrum at the December spectrum auction;

Rolling out 5G into our network with more than 200 5G mobile base stations already live nationwide; and,

Making sure we will have the handsets from the get go after announcing exclusive access partnerships with a number of key global providers in January.

5G will be transformative for the industry and offer significant opportunities for revenue growth.

We believe as 5G rolls out - as with 4G, customers will be willing to pay more to access this new technology and the great benefits it brings.

5G will also enable new revenue streams that do not exist today.

On top of this, 5G will deliver an immediate capital efficiency by reducing the cost per bit of data travelling over the network.

It will also have a positive effect on our already market leading 4G network as customers move across and this frees up capacity on 4G.

Telstra's global leadership on 5G means our customers will be among the very first in the world to enjoy this new technology and it will cement mobile as the engine room of our business into the future.

Slide - T22 Strategy scorecard

Before I close I would like to quickly take you through the T22 scorecard.

I have touched on many of the measures as I have stepped you through our T22 strategy but let me just call out a couple of things that might be worthy of further comment.

For context, we will continue to use this scorecard to track execution and provide transparency in how we are delivering the key outcomes from T22. We do this in six areas covering customer experience, simplification, network superiority, employees, cost reduction and strengthening the balance sheet.

Importantly, the scorecard represents a very strict view of our progress and is reviewed by our auditors.

Each outcome has clear and tangible milestones to which we are holding ourselves to account. Our dedicated Transformation Office is also in place to plan, track and report on execution against these specific outcomes.

As you can see, three key T22 milestones are now completed, including that our network is 5G ready and we now have in place defined SLA's for Telstra InfraCo.

Of the remaining 26 measures, 17 are on track for delivery and we have made good early progress on a further five which are there in grey which are too early to measure.

In customer experience, we are on track with Strategic and Episode NPS and we continue to remove many of the older legacy applications in our technology environment as new billing, provisioning, CRM and e-commerce systems come online.

Four measures in our T22 scorecard are rated amber.

Firstly, our new technology stacks - as I mentioned we are very well progressed. For Enterprise, the stack is already live with our customers starting to experience the benefits. For mass market, we are extremely well progressed although there are some aspects which will roll forward into Q1 and Q2 FY20 as we continue to adjust our rollout profile under the agile methodology.

Whilst therefore on a literal basis we are calling this amber, we are very confident in the progress of the program and our commitment to deliver the simplified products and services for our customers. We are also confident we will hit our target of no more than 20 core connectivity plans by the end of this financial year.

Secondly, the 24/7 App. Ironically, one of the side effects of our successful peace of mind data plans is customers are going to their App less to check their data consumption because they no longer need to worry about this. This is good news for customers and we are therefore working on other initiatives to increase customer engagement with the App.

On Enterprise product closures, we are on track for cease sale of the legacy products however, we have decided to provide another 12 months for customers to migrate to the new products. This is due to the complexity of these contracts and services and to mitigate the impact to them.

As I mentioned earlier we are also very much on track in relation to cost productivity targets, with nearly \$900 million in cost reductions achieved since FY16.

We expect FY19 total operating expenses, excluding restructuring costs, to be broadly flat on FY18.

Total operating costs in the half did increase 3% on the same period last financial year excluding restructuring costs and guidance adjustments. However, this is as expected due to sales costs and the rate of increase has reduced. We are confident total costs will be broadly flat by the end of the year notwithstanding upward pressure from NBN CVC/AVC.

Slide - Summary

Let me summarise before I hand over to Robyn.

Our results in the first half of FY19 showed continued growth in customer numbers across both mobile and fixed, and good progress on our T22 strategy.

However, as expected, our financial results reflected the impacts of the NBN rollout and increased competition.

While these factors will continue to have an impact in the year ahead, we are now more than half way through the negative recurring impact from the NBN.

Our T22 strategy is already helping us achieve the acceleration we need to take advantage of the opportunities ahead and delivers the platforms and systems that will help us transform the way we do business.

Telstra also stands among global leaders as we prepare for the introduction of 5G later this year.

While we have short term challenges, we are facing into them. Importantly, we see great opportunities for the future particularly as we enter 2020 and the 5G era for which we are now extremely well equipped.

Thank you and with that I will hand over to Robyn to take you through the detailed financials before we open for Q&A.

ROBYN DENHOLM – CFO

SLIDE – TELSTRA HALF YEAR 2019 RESULTS

Thanks Andy.

I'm pleased to present Telstra's results for the first half of fiscal 2019.

SLIDE – AGENDA

This morning I will provide some insights into how our business is performing, and where we are starting to see evidence of the financial progress we are making as a result of our T22 strategy.

We have made some changes in the disclosures for this earnings presentation to ensure we are increasing the transparency of results and the underlying trends.

There are also two accounting standard changes that we have implemented as of the beginning of FY19: AASB9 & 15. A further standard, AASB16 will be implemented in fiscal year 2020 and today we are giving you advance directional visibility of the impacts.

SLIDE – GROUP RESULTS – INCOME STATEMENT

Turning to our results for 1H19:

As expected, and in line with our outlook, reported earnings are down, year over year.

Our continued focus on the T22 strategy is enabling us to compete strongly while setting us up for future success. However, these results clearly show the significant impact of the nbn and the competitive environment.

Reported Income was down 4%, with EBITDA, EBIT and NPAT down 16%, 26% and 27% respectively. On a guidance basis the declines in Income and EBITDA were largely consistent with reported results.

The largest reason for the decline in our earnings is the nbn, including both one-off and ongoing impacts.

However, in 1H19, the business excluding nbn impacts also declined. Our underlying income for the period was down 1.8%. Underlying EBITDA, which excludes the impact of one-offs and guidance adjustments declined 11%.

During the half we absorbed a further negative recurring EBITDA impact of approximately \$300 million from customers migrating to the nbn as we incur growing nbn payments and lose wholesale revenue.

In our underlying business, Fixed, Data & IP and NAS income also declined.

We have built good momentum on reducing fixed costs in order to offset these headwinds, and we enter the second half with line-of-sight to our full year cost reduction targets. We are increasing our cost out to have a bigger impact on total costs in the second half.

Below the EBITDA line, depreciation and amortisation reduced 3.5%, partly due to our ongoing review of the useful lives of our assets. We will continue to monitor changes to the useful lives of our assets that occur as a natural consequence of our T22 strategy which may result in acceleration of depreciation and amortisation or asset impairments.

Finance costs increased modestly as a result of increased borrowings in the period, while tax declined on lower net profit.

As we execute on T22, there are four things, we are especially focused on: supporting the trajectory of our mobile business (especially postpaid handheld), achieving our cost reduction ambitions, improving our NAS margins, and supporting the right level of free cashflow.

SLIDE – GROUP RESULTS – FREE CASHFLOW

Turning to free cashflow.

Our 1H19 free cashflow was \$739 million on a guidance basis. This is around one fifth of our FY19 guidance and consistent with the trends we outlined to the market in December 2018.

The decline vs the prior corresponding period was principally due to lower EBITDA including restructuring costs and increased working capital due to higher inventory levels. This was partly offset by lower tax paid and cash capex.

Capex remains within the FY19 guidance envelope. 1H19 capex was elevated as a result of the strategic initiatives, mobile capacity requirements and 5G network preparations. Capex in the second half will be lower.

We continue to expect capex to reduce in FY20 following the completion of our three-year strategic investment program.

The working capital increases we saw in the first half are largely timing related, and as implied by our guidance, we expect much of this to reverse in the second half.

SLIDE – GROUP RESULTS – DIVIDENDS

Moving to dividends, the Board has resolved to pay an interim dividend for 1H19 of 8 cents per share, fully franked.

Consistent with our Capital Management Framework, this includes an ordinary dividend of 5 cents per share and a special dividend of 3 cents per share. The ordinary dividend represents an 84% payout ratio on underlying earnings.

We continue to expect to pay dividends consistent with our capital management framework.

SLIDE – GROUP RESULTS – INCOME BY PRODUCT

Turning to income by product:

Our reported income declined 4.1%. More than half of this was due to lower one-off nbn DA and connection revenue, in line with lower nbn connections in the period.

Underlying income for the period declined \$241 million or 1.8% year over year. This was in line with our expectations. In May 2018, we forecast a net mobile and fixed market decline of 2-3% for FY19. We now expect the market's decline to be at the upper end of this range.

Looking at our major products:

In a competitive mobile market, we continued to pursue our multi-brand strategy and network differentiation to retain our price premium.

Mobile revenue grew in the period. This was primarily associated with hardware, which saw an increase of \$135 million year over year. Revenue from mobile services was broadly flat.

We were pleased to see continued positive momentum in IoT with revenue up 36%.

Post-paid handheld revenue increased 2.1% in the first half. We added 239,000 net new SIOs and saw stable customer minimum monthly commitment ARPU in mass market. This was offset by a decline of \$120 million in out-of-bundle revenue. This is out of the expected \$500 million that we announced as part of our T22 strategy.

Due to the flow of 1H pricing dynamics in market, and decline of out of bundle revenue, we expect ARPU reductions to increase in the second half.

Our Wholesale business also achieved net adds of 125,000 mobile services.

Consistent with industry dynamics, the performance of mobile broadband and prepaid handheld continued to be challenged.

Revenue from fixed-line services declined in line with expectations.

We saw a strong performance in retail broadband with net adds of 64,000 services and reduced churn. This was the result of our multi-brand strategy, enhanced differentiated experiences for our customers, and base management.

We have also refreshed our fixed business disclosure in the supporting materials to improve transparency as we migrate to nbn.

Looking at other areas of the business:

Data and IP revenue was down 6%.

In IPVPN, we saw a strong 11% SIO growth, with fibre and NBN access growth, offsetting expected declines in legacy copper services. However, SIO growth was outweighed by continued pressure on yield, through price competition, driving a net reduction in revenue.

The decline in ISDN revenue accelerated in the half to 16%, reflecting service rationalisation of legacy products ahead of regulated migrations to the nbn.

Reported NAS revenue also declined due to an expected reduction in nbn commercial works as part of the maturity of the nbn rollout. However, Enterprise & Small Business NAS revenue combined grew 4%.

We are also pleased by the performance of New Business, with Telstra Health revenue up almost 50%. This more than offset a decline from the sale of Ooyala.

SLIDE – GROUP RESULTS – OPERATING EXPENSES

Turning to expenses:

We are delivering against our \$2.5 billion net productivity target and we are on track for our full year targets.

The rate of growth in our total operational expense slowed. We expect total costs for FY19 excluding restructuring to be broadly flat versus our FY18 total costs.

Total 1H19 costs rose 3% due to \$194 million of increased nbn payments including growth in CVCs and AVCs, and mobile hardware costs.

This was partially offset by our productivity program which enabled us to reduce underlying fixed costs by \$162 million in the period. We expect the level of fixed cost reductions to accelerate in the second half, and further again in FY20.

As expected, we saw higher restructuring costs, up \$194 million on the prior corresponding period, as we began to reshape our workforce. FTEs reduced by 3,200, and we expect the reduction in labour costs to fully show in the second half of FY19.

SLIDE – TARGETED REDUCTIONS ACROSS WHOLE OF COST BASE

We remain focused on managing the whole of our cost base including: sales cost where we are focused on gross margins and efficiency; labour and non-labour fixed costs, and; D&A including capex and asset life reviews.

In FY18, our total operational expenses cost base was \$18.6 billion. Approximately \$9.5 billion of this was fixed in nature, with over half being direct labour.

We are targeting direct labour costs, excluding restructuring, to reduce by approximately \$1.5 billion by FY22, from FY18, as our labour to sales ratio declines 1/3, consistent with our T22 commitment, and we reduce net FTEs by 8,000.

We are also continuing to target non-direct labour. This includes some of our indirect workforce costs.

Our industry partners who provide technology, consultancy and other services have a workforce of approximately 40,000 supporting Telstra. As we simplify our business and optimise costs, we expect the number of people our partners employ to work on our business to decline. The indirect workforce is also expected to decline as a proportion of our overall workforce.

We are also reducing other fixed costs and have initiatives underway to rationalise our real estate footprint, improve our logistics and transport, and digitise many of our support areas.

SLIDE – GROUP RESULTS – EBITDA BY PRODUCT

Moving to EBITDA for the major products.

The Mobile EBITDA decline can be explained almost entirely by mobile hardware margins, including a circa \$80 million decline in lease margin. This includes a reversal of timing benefits previously received.

As mentioned, we expect our postpaid ARPU in the second half to decline faster than the first half. By the end of the financial year we also expect approximately \$300 million out of the total \$500 million decline in out-of-bundle revenue to have been worked through.

Our continued focus on bringing differentiated offers to market and on reducing costs will benefit our mobile business.

Fixed EBITDA declined by \$358 million.

The two major factors in this were a \$289 million revenue decline in mostly high-margin legacy products, and growing network payments to nbn which increased by \$194 million vs the previous year.

These negative factors were partially offset by significant productivity improvements.

Including one-off costs of nbn migration, our retail fixed EBITDA margin was 21%. Under current nbn wholesale pricing and industry dynamics we expect margins to trend towards zero as migration to the nbn completes. We continue to look to offset this by reducing our cost-to-serve and differentiating our products to support our price premium.

Looking at Data & IP and NAS:

We remain committed to a mid-teens NAS EBITDA margin at maturity. However, after a strong second half in FY18, our NAS EBITDA margin was challenged during the first half.

EBITDA margins overall declined 4.5 percentage points due to a change of revenue mix, including a decline in nbn commercial works, and timing of the recognition of costs on some of our large contracts. We expect NAS margins to improve in the second half.

For Data & IP, revenue remains under pressure, which caused EBITDA to decline. However, margins did improve thanks to progress in reducing costs.

Our aspiration remains for NAS EBITDA growth to offset the anticipated decline in Data & IP.

In Global Connectivity, EBITDA improved by \$20 million, as we focus on more profitable products, and improved productivity.

During the period we also entered into agreements to invest in new international subsea cable systems.

SLIDE – CAPITAL POSITION

Looking at our capital position, gross and net debt increased during the half, reflecting typical seasonality and lower free cashflow.

Our average debt maturities reduced slightly to 3.7 years. On 2 January 2019 we borrowed \$300 million on a 7-year-term at attractive rates.

Together with an expected reduction in short-term debt in the second half, we anticipate our average debt maturity to lengthen. We expect debt levels and associated debt servicing to reduce in the second half due to a higher forecast free cashflow.

Our Return on Invested Capital was 9.7%. Underlying ROIC, which removes nbn one-offs from earnings, was 7.9%.

We have a T22 commitment to deliver a post-nbn ROIC of greater than 10% and underlying ROIC growth from FY19. We will provide further colour on underlying ROIC at our full year 2019 results.

Looking forward to FY20, and the implementation of AASB16, the leasing standard.

The standard will see operational lease costs move onto the balance sheet and below EBITDA in the P&L.

We have provided early visibility of the illustrative impacts on a slide in the supporting documents.

Although not an economic change, with no impact on cashflow or our credit rating, at this stage we expect the implementation of the new accounting standard to increase our net debt by approximately \$3.3 billion, increase EBITDA by approximately \$900 million and reduce NPAT by approximately \$100 million.

SLIDE – FY19 GUIDANCE

We reaffirm our FY19 guidance. In FY19 we expect:

- Total income of \$26.2 to \$28.1 billion,
- EBITDA, excluding restructuring, of \$8.7 to \$9.4 billion,
- Net one off nbn DA receipts, less nbn cost to connect, of \$1.5 to \$1.7 billion,
- Restructuring costs of around \$600 million,
- Capex of \$3.9 to \$4.4 billion, and
- Free cashflow of \$3.1 to \$3.6 billion.

Free cashflow is expected to be at the lower end of the guidance range for two main reasons: cash capex will increase as we take advantage of opportunities in the enterprise and wholesale fibre markets, and cash redundancies will be higher as we accelerate productivity.

The basis on which we provide guidance is detailed in the slide footnote.

I would like to take this opportunity to thank our incredible, dedicated employees across the company. Despite going through a period of enormous change, our employees have improved our network performance, delivered new products and services to our customers, and led the world in the development of 5G while also improving our productivity.

Thank you. I will now hand back to Ross to moderate the Q&A.

[END]

Half year results and operations review

Summary financial results	1H19 \$m	1H18 restated \$m	Change %
Revenue (excluding finance income)	12,586	12,809	(1.7)
Total income (excluding finance income)	13,798	14,391	(4.1)
Operating expenses	9,541	9,264	3.0
Share of net profit/(loss) from joint ventures and associated entities	1	(31)	n/m
EBITDA	4,258	5,096	(16.4)
Depreciation and amortisation	2,141	2,219	(3.5)
EBIT	2,117	2,877	(26.4)
Net finance costs	320	296	8.1
Income tax expense	569	889	(36.0)
Profit for the period	1,228	1,692	(27.4)
Profit attributable to equity holders of Telstra	1,233	1,713	(28.0)
Capex ¹	2,340	2,299	1.8
Free cashflow	627	1,716	(63.5)
Earnings per share (cents)	10.4	14.4	(27.8)

1. Capex is defined as additions to property, equipment and intangible assets including capital lease additions, excluding expenditure on spectrum, measured on an accrued basis. Capex excludes externally funded capex.

Reported results

Telstra delivered 1H19 results in line with guidance, showing solid performance in customer numbers and share in the face of intense competition as well as strong delivery against the T22 strategy. The results were impacted by the further rollout of the nbn™ network, with approximately 55 per cent of premises now connected.

On a reported basis, total income was down 4.1 per cent, EBITDA was down 16.4 per cent and NPAT was down 27.4 per cent. On a guidance basis, total income was down 3.9 per cent and EBITDA was down 15.1 per cent. While the results show parts of our business continue to face short term challenges, there are positive signs particularly with the significant increase in retail postpaid mobile services.

Demand for telco products and services continues to grow and telco infrastructure will increase in importance over the next decade. With the onset of 5G, we expect to see positive ARPU influences across the industry from uptake and new services as we have with other new Gs.

Our T22 strategy is enabling the business to take advantage of

future opportunities, building on the investment in networks and digitisation announced in 2016. It is one of the most ambitious transformation projects currently being undertaken amongst telcos globally, designed to accelerate our rate of change and to lift our level of aspiration to deliver simpler, more flexible products and services with a great digital service experience for our customers.

We made significant progress reducing underlying fixed costs and remain on track to meet FY19 targets as part of the goal of achieving \$2.5 billion net productivity improvement by FY22. In 1H19 underlying fixed costs were down 4.2 per cent or \$162 million. Around \$900 million in annualised cost reductions have been achieved since FY16 and we will accelerate our productivity program in the second half of FY19 and into FY20.

First half performance against our FY19 Executive Variable Remuneration Plan (EVP) metrics is included on page 11. For additional detail on these EVP metrics and targets, refer to our “Letter to Shareholders” dated 11 October 2018 available at <https://www.telstra.com.au/aboutus/investors/announcements>.

The numbers and commentary in the product, expense and segment performance sections have been prepared on a continuing operations basis and align with the statutory financial statements. Comparatives from FY18 have been restated where applicable as a result of the adoption of AASB15. The Summary Statement of Financial Position comparative date is restated as at 1 July 2018 as the adoption of AASB9 impacts opening balances only.

Results on a guidance basis ¹	1H19	FY19 Guidance
Total income ²	\$13.8b	\$26.2b to \$28.1b
EBITDA excluding restructuring costs	\$4.7b	\$8.7b to \$9.4b
Net one-off nbn Definitive Agreement (DA) receipts less nbn net Cost to Connect (C2C)	\$0.8b	\$1.5b to \$1.7b
Restructuring costs	\$0.3b	~\$0.6b
Capex	\$2.3b	\$3.9b to \$4.4b
Free cashflow	\$0.7b	\$3.1b to \$3.6b

Guidance versus reported results ¹	1H19	1H19	1H19
	Reported results \$m	Adjustments \$m	Guidance basis \$m
Total income ²	13,798	(1)	13,797
EBITDA	4,258	418	4,676
Free cashflow	627	112	739

1. This guidance assumes wholesale product price stability and no impairments to investments or core assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY19 is broadly in accordance with the nbn Corporate Plan 2019. The guidance is provided on the basis of AASB15. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex. Please refer to the guidance versus reported results reconciliation on page 10. This reconciliation has been reviewed by our auditors.

2. Total income excludes finance income.

On 14 February 2019, the Directors of Telstra Corporation Limited resolved to pay a fully franked interim dividend of 8.0 cents per ordinary share, comprising an interim ordinary dividend of 5.0 cents and an interim special dividend of 3.0 cents. The interim ordinary dividend represents a 84 per cent payout ratio on 1H19 underlying earnings (defined as net profit after tax from continuing operations excluding net one-off nbn receipts) while the interim special dividend represents a 68 per cent payout ratio of 1H19 net one-off nbn receipts (defined as net one-off nbn DA receipts less nbn net C2C less tax), consistent with our capital management framework and dividend policy. Our underlying earnings were \$707 million while net one-off nbn receipts were \$526 million.

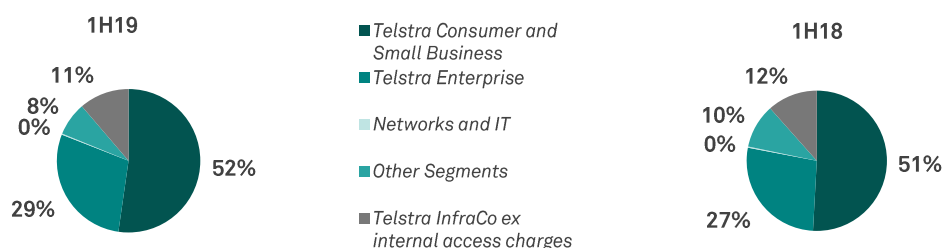
Shares will trade excluding entitlement to the dividends from 27 February 2019 with payment on 29 March 2019.

Segment performance

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

Income related to recurring nbn Infrastructure Service Agreement (ISA) amounts and nbn commercial works are included in Telstra InfraCo. One-off nbn DA and ISA amounts are included in Other Segments, and non-nbn commercial works are included in Telstra Enterprise.

Segment total income



Total income	1H19 \$m	1H18 restated \$m	Change %
Telstra Consumer and Small Business	7,212	7,320	(1.5)
Telstra Enterprise	3,955	3,903	1.3
Networks and IT	34	40	(15.0)
Other Segments	1,041	1,463	(28.2)
Telstra InfraCo including internal access charges	2,502	1,665	50.3
Internal access charges	(946)	-	n/m
Total Telstra segments	13,798	14,391	(4.1)

Telstra Consumer and Small Business

Telstra Consumer and Small Business provides telecommunication products, services and solutions across mobiles, fixed and mobile broadband, telephony and Pay TV/IPTV and digital content to consumer and small business customers in Australia. Income in this segment decreased by 1.5 per cent to \$7,212 million.

Telstra Consumer income decreased by 1.4 per cent and Telstra Small Business income decreased by 1.9 per cent, largely impacted by a 6.6 per cent decline in fixed across both segments. Mobile services revenue decreased by 1.5 per cent as Average Revenue Per User (ARPU) reductions offset customer net additions. Network Applications and Services (NAS) revenue continued to grow, increasing by 12.2 per cent, primarily driven by growth in unified communications and cloud services.

Telstra Enterprise

Telstra Enterprise is responsible for sales and contract management for medium and large business and government customers in Australia and globally. It also provides product management for advanced technology solutions and services, including Data & IP networks and NAS products such as managed networks, unified communications, cloud, industry solutions and integrated services.

Income for Telstra Enterprise increased by 1.3 per cent to \$3,955 million. Telstra Enterprise domestic income was broadly flat. Industry ARPU decline in Data & IP and ongoing fixed voice decline was offset by modest growth in NAS, which increased by 3.7 per cent.

Telstra Enterprise international income increased by 6.0 per cent mainly due to growth in higher margin Data & IP and NAS improvements in cloud services and unified communications.

Networks and IT

Networks and IT (previously Telstra Operations) is responsible for the overall planning, design, engineering architecture and construction of Telstra networks, technology and information technology solutions. It primarily supports the revenue generating activities of other segments. Income decreased by 15.0 per cent to \$34 million.

Telstra InfraCo

Telstra InfraCo comprises our fixed network infrastructure assets including data centres, non-mobiles related domestic fibre, copper, hybrid fibre coaxial (HFC), international subsea cables, exchanges, poles, ducts and pipes, and provides access to these assets to other Telstra business units, wholesale customers and nbn co. The segment includes results previously reported under Telstra Wholesale excluding one-off nbn Infrastructure Ownership Payments, and nbn network services to nbn co under the nbn DAs and commercial contracts previously reported under Telstra Operations.

Income excluding internal access charges decreased by 6.5 per cent to \$1,556 million due to expected declines from Telstra Wholesale fixed legacy and nbn commercial works, partly offset by recurring nbn DA receipts. Including internal access charges, income increased by 50.3 per cent to \$2,502 million.

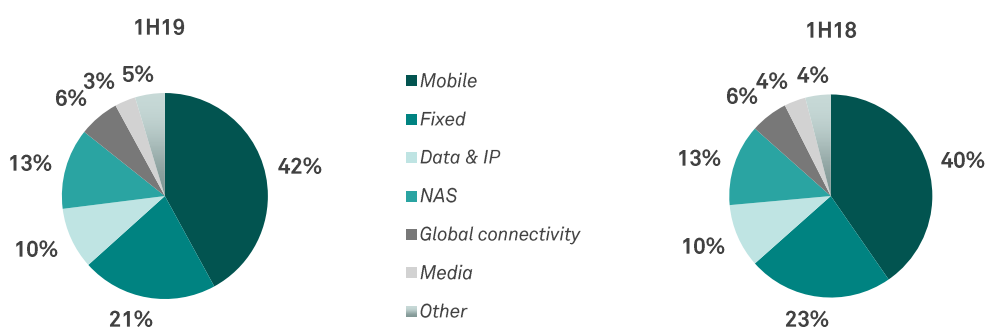
We continue to explore and implement structures to ensure we have the flexibility we need to create optionality for a demerger or entry of a strategic investor in a post-nbn rollout world. It must be noted that in order to proceed with a demerger or separation of Telstra InfraCo, we would likely need approvals and to ensure that other key stakeholders are comfortable with any proposed transaction.

Other Segments

Certain items of income and expense relating to multiple reportable segments are recorded by our corporate areas and included in the Other Segments category. This category also includes Product and Technology, Global Business Services (GBS) and New Business (including Telstra Health). Income declined by 28.2 per cent mainly due to lower Per Subscriber Address Amount (PSAA) receipts in line with the nbn™ network rollout.

Product performance

Product revenue breakdown



Key product revenue	1H19 \$m	1H18 restated \$m	Change %
Mobile	5,291	5,169	2.4
Fixed	2,681	2,957	(9.3)
Data & IP	1,217	1,298	(6.2)

NAS	1,596	1,664	(4.1)
Global connectivity	801	764	4.8

EBITDA margins ¹	1H19 (%)	2H18 restated (%)	1H18 restated (%)	FY18 restated (%)
Mobile	36	38	39	39
Fixed (including nbn C2C)	25	29	35	32
Data & IP	64	65	64	64
NAS	2	13	7	10
Global connectivity	19	19	18	19

1. The data in this table includes minor adjustments to historic numbers to reflect changes in product hierarchy.

Mobile

Mobile revenue increased by 2.4 per cent to \$5,291 million with growth across hardware, postpaid handheld, wholesale and Internet of Things (IoT), partly offset by mobile broadband and prepaid declines.

Retail customer services increased by 240,000 in the half, bringing the total to 18.0 million. We now have 8.1 million postpaid handheld retail customer services, an increase of 239,000 in the half including 115,000 from Belong®.

Postpaid handheld revenue increased by 2.1 per cent to \$2,665 million due to continued net add momentum, partly offset by 2.4 per cent ARPU decline from \$57.00 to \$55.62 resulting from lower out of bundle revenue and increased competition. Minimum Monthly Commitment (MMC) in mass market has remained stable despite ongoing migration to BYO plans.

Prepaid handheld revenue declined by 9.1 per cent to \$448 million, with a 0.7 per cent ARPU decline from \$22.70 to \$22.54 compounded by a 198,000 decline in unique users over the year (60,000 decline in the half).

Mobile broadband revenue declined by 15.9 per cent to \$350 million after a reduction of 170,000 customer services in the half and a decline in ARPU. Revenue decline slowed in 1H19 compared to 2H18.

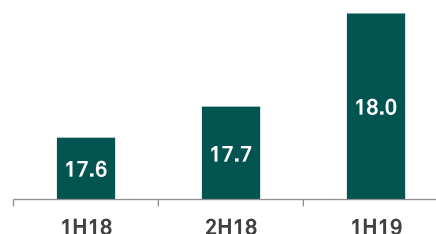
IoT (formerly Machine to Machine) revenue grew by 35.6 per cent to \$99 million, increasing customer services by 261,000 in the half due to new solutions being implemented in verticals such as logistics, mining, utilities, agriculture, health and financial services.

Wholesale services revenue increased 10.0 per cent to \$99 million while adding 125,000 wholesale mobile services in the half, bringing the total to 1.1 million.

Mobile hardware revenue grew by 9.8 per cent to \$1,511 million largely due to a \$107 million increase in lease revenue.

Mobile EBITDA margin declined by 3 percentage points to 36 per cent due to lower services and hardware margin including a lease benefit in 1H18, partly offset by fixed cost reduction.

Domestic mobile retail customer services (millions)



Fixed

Fixed revenue declined by 9.3 per cent to \$2,681 million, impacted by nbn migration, competition and ongoing legacy decline. Retail fixed revenue declined by 7.1 per cent to \$2,257 million and wholesale fixed revenue declined by 19.7 per cent to \$424 million.

Bundles and standalone data revenue declined by 0.4 per cent to \$1,653 million due to lower value added services and billed usage. This was largely offset by MMC growth with bundle and standalone data revenue now 97% MMC. ARPU decreased by 3.4 per cent from \$78.56 to \$75.90, however decline has slowed in 1H19 compared to 2H18. There were 64,000 retail bundles and standalone data net subscriber additions including 22,000 from Belong® in the half, bringing the total bundles and standalone data customers to 3.7 million.

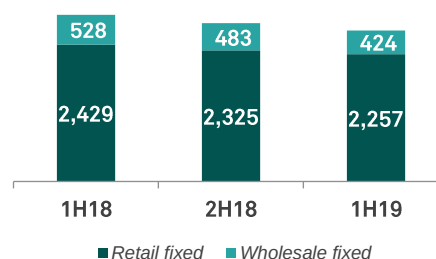
Standalone voice revenue decreased by 24.6 per cent to \$477 million with lower usage and decline in services in operation (SIO) due to standalone voice line abandonment and migration to bundles. ARPU declined by 1.6 per cent from \$44.40 to \$43.70.

Standalone voice line loss was 269,000 in the half, taking total standalone voice customers to 1.7 million.

We continue to lead the nbn market with a total of 2,254,000 nbn connections, an increase of 308,000 in the half. Our nbn market share is now 51 per cent (excluding satellite). The Telstra Smart Modem™ is now being utilised by 28 per cent of our fixed data consumer base, providing a better experience on the nbn and improved churn outcomes.

Fixed (including nbn C2C) EBITDA margin declined by 10 percentage points to 25 per cent due to high margin revenue reduction, growing network payments to nbn co and higher hardware costs, partly offset by fixed cost reduction.

Fixed revenue (millions)



Data & IP

Data & IP revenue decreased by 6.2 per cent to \$1,217 million reflecting competitive pricing pressures in IP based Virtual Private Network (IPVPN) despite continued growth in service volumes, and legacy product declines especially in ISDN.

IPVPN revenue, which includes IPMAN/Ethernet MAN, IPWAN and nbn, declined by 5.2 per cent to \$511 million as SIO growth in fibre and nbn access was offset by declines in legacy copper services. SIO growth was outweighed by continued pressure on yield driving a net reduction to revenue.

ISDN revenue decline accelerated, down 15.9 per cent to \$206 million due to service rationalisation of legacy products ahead of regulated migrations to products within the NAS portfolio.

Other data and calling products revenue, which includes wholesale, inbound calling products, internet, media solutions and legacy data, decreased by 2.7 per cent to \$500 million. Internet growth of 13.2 per cent due to SIO growth from unlimited offers was offset by declines in legacy calling and data products.

Data & IP EBITDA margin was flat at 64 per cent reflecting continued growth in IPVPN and internet services, offset by declining ARPU on high margin products.

Network Applications and Services (NAS)

NAS revenue declined by 4.1 per cent to \$1,596 million as 12.2 per cent growth in Small Business and 3.7 per cent growth in domestic Enterprise was offset by lower nbn commercial works within Telstra InfraCo in line with the progress of the nbn™ rollout.

Managed network services revenue decreased by 4.9 per cent to \$291 million, reflecting a decline in one-off revenues within Managed Data Networks, partly offset by a 27.0 per cent growth in security services.

Unified communications revenue increased by 9.7 per cent to \$442 million due to increased calling and collaboration annuity revenue from underlying volume growth, in addition to nbn migrations from legacy fixed products.

Cloud services revenue growth of 12.2 per cent to \$202 million was facilitated by increased annuity revenue from public cloud services and growth in cloud consulting and professional services.

Industry solutions revenue declined by 15.9 per cent to \$573 million due to a reduction in nbn and non-nbn commercial works.

Integrated services revenue declined by 6.4 per cent to \$88 million mainly from a decline in project management and professional services.

NAS EBITDA margin decreased by 5 percentage points to 2 per cent due to a change in revenue mix including a decline in nbn commercial works revenues and contract timing impacts.

Global connectivity

Global connectivity represents the international business of Telstra Enterprise. Revenue was flat in local currency (LC) terms with growth in more profitable products within Data & IP offsetting legacy fixed products decline.

Fixed revenue decreased by 10.9 per cent (LC) as fixed legacy products continue to face headwinds from global decline in fixed voice, while Data & IP revenue grew by 3.5 per cent (LC) with solid margins from existing and new capacity. NAS revenue was flat (LC) with growth in cloud services and unified communications offset by price erosion in co-location.

On a reported Australian dollar (AUD) basis, global connectivity revenue increased by 4.8 per cent to \$801 million.

Global connectivity EBITDA margin increased by 1 percentage point to 19 per cent due to profitable revenue growth and cost productivity.

Media

Media revenue excluding cable decreased by 6.2 per cent to \$411 million due to the performance of Foxtel from Telstra, which declined by 4.8 per cent to \$340 million and had 27,000 subscriber exits over the year reflecting a broader industry transition from Broadcast to IPTV. There are now 1,412,000 Telstra TV® devices in the market, an increase of 320,000. Sports Live Pass users increased by more than 1 million to 2,592,000 across AFL, NRL, Netball and FFA, with most users receiving the service as part of their mobile subscription.

Other

Other revenue includes recurring revenue related to nbn co access to our infrastructure (nbn DA), and revenue from other products such as late payment fees and revenue from Telstra Health and Telstra Software.

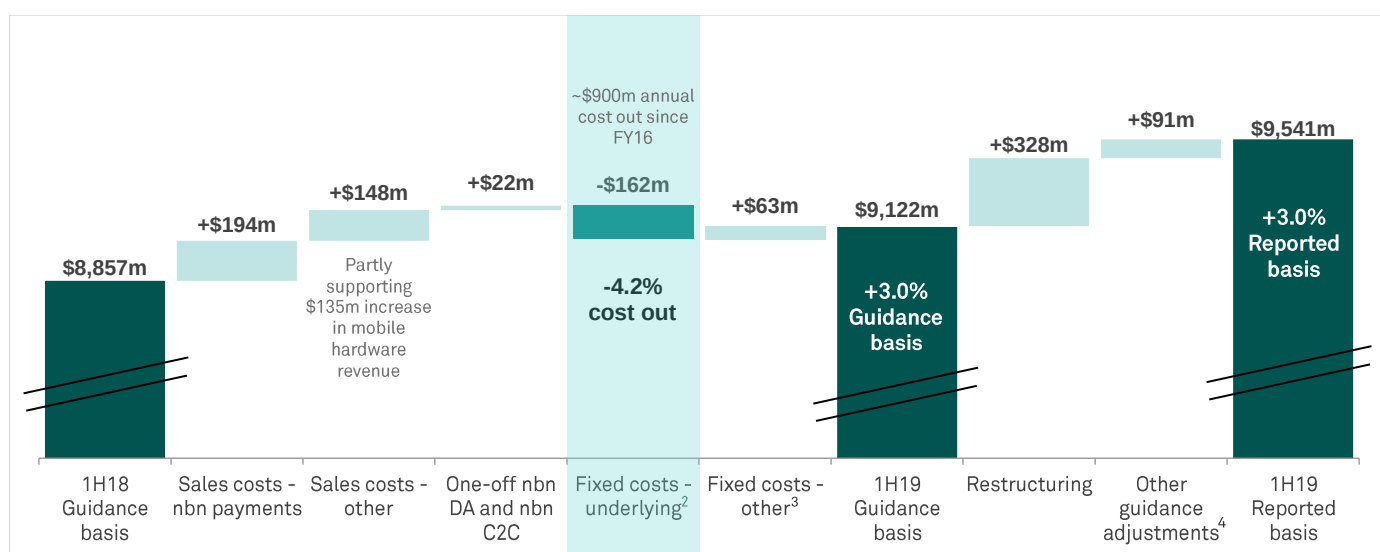
Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn DAs), income from government grants under the Telstra Universal Service Obligation Performance Agreement (TUSOPA), income from nbn™ network disconnection fees (PSAA), subsidies and other miscellaneous items. The decrease in other income of 23.4 per cent is largely due to a decline in one-off PSAA which decreased by 33.2 per cent to \$699 million, partly offset by an 8.5 per cent increase in ISA income to \$242 million in line with the progress of the nbn™ network rollout. The decline in PSAA receipts from the nbn in FY19 are effectively deferred into future periods. This will be partly offset in FY19 by the natural hedge including benefits from lower nbn C2C, lower network payments to nbn and retained wholesale EBITDA.

Expense performance

In June 2018, we announced we would target a \$2.5 billion annual reduction in underlying fixed costs by FY22 compared with underlying fixed costs of ~\$8.3 billion in base year FY16. We have delivered against our cost ambitions for the half and are in line with the run rate required for our net productivity target with underlying fixed costs declining by 4.2 per cent or \$162 million. We have now achieved around \$900 million of annual cost out since FY16.

Our total reported costs grew due to increased nbn access payments and other sales costs, offset by fixed cost reduction.

Operating expenses ¹	1H19 \$m	1H18 restated \$m	Change	
			\$m	%
Sales costs	4,238	3,896	342	8.8
- nbn payments	620	426	194	45.5
- other	3,618	3,470	148	4.3
One-off nbn DA and nbn C2C	240	218	22	10.1
Fixed costs	4,644	4,743	(99)	(2.1)
- underlying ²	3,675	3,837	(162)	(4.2)
- other ³	969	906	63	7.0
Guidance basis	9,122	8,857	265	3.0
Restructuring	328	134	194	n/m
Other guidance adjustments ⁴	91	273	(182)	n/m
Reported basis	9,541	9,264	277	3.0



1. Restated due to accounting changes and review of fixed costs - underlying and other inclusions. Sales and fixed costs exclude goods and services purchased and fixed costs associated with one-off nbn DA and nbn C2C.
2. Fixed costs - underlying was ~\$8.3b in FY16 and targeted to decline by our net cost productivity target of \$2.5b by FY22.
3. Fixed costs - other includes significant costs associated with NAS commercial works and NAS variable costs, mobile lease, non-cash items, impairments, M&A and bond rate impacts.
4. Please refer to the guidance versus reported results reconciliation on page 10.

Total operating expenses increased by 3.0 per cent to \$9,541 million. Sales costs, which are direct costs associated with revenue and customer growth, increased by \$342 million or 8.8 per cent. This was due to a \$194 million increase in nbn access payments and a \$148 million increase in variable costs which partly supported mobile hardware revenue growth of \$135 million. Other fixed costs increased by \$63 million or 7.0 per cent, while one-off nbn DA and nbn C2C grew by \$22 million or 10.1 per cent in line with the progress of the nbn™ network rollout. These increases were partially offset by a \$162 million reduction in underlying fixed costs from our productivity program.

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

Operating expenses	1H19	1H18 restated	Change
	\$m	\$m	%
Labour ¹	2,722	2,699	0.9
Goods and services purchased ²	4,382	3,989	9.9
Other expenses ¹	2,437	2,576	(5.4)
Total operating expenses	9,541	9,264	3.0

1. Labour and other expenses consists of fixed costs including amounts related to one-off nbn DA and nbn C2C.
2. Goods and services purchased consists of sales costs including amounts related to one-off nbn DA and nbn C2C.

Labour

Total labour expenses increased by 0.9 per cent or \$23 million to \$2,722 million. Redundancy costs increased by \$169 million, partially offset by a 5.6 per cent or \$146 million decrease in salary costs due to lower headcount and reduced labour substitution.

Total full time staff and equivalents (FTE) decreased by 9.3 per cent or 3,205 to 31,419 in the half, largely due to the T22 restructure and a 400 FTE reduction relating to the sale of Ooyala. We expect to realise the financial benefits of these FTE reductions in 2H19 and FY20. During the half, FTE was restated to include contractors, agency labour and employees on long service leave. Under the previous methodology, FTE decreased by 9.3 per cent or 2,996.

Goods and services purchased

Goods and services purchased increased by 9.9 per cent or \$393 million to \$4,382 million.

Cost of goods sold, which includes mobile handsets, tablets, cellular Wi-Fi, broadband modems and NAS hardware, increased by 3.9 per cent or \$67 million to \$1,778 million as mobile hardware costs increased due to more expensive handsets being sold.

Network payments increased by 20.6 per cent or \$224 million to \$1,310 million, including a \$194 million increase in nbn access payments as customers migrate across to nbn services. Offshore network payments were \$36 million higher mainly due to higher offshore network traffic.

Other goods and services purchased costs increased by 8.6 per cent or \$102 million to \$1,294 million mainly due to a \$56 million increase in service contracts and agreements in support of NAS services.

Other expenses

Total other expenses decreased by 5.4 per cent or \$139 million to \$2,437 million. Impairment expenses decreased by \$310 million largely due to a \$273 million impairment charge in 1H18, while other expenses increased by 17.1 per cent or \$227 million mainly due to the higher uptake of mobile lease plans. This was partially offset by a 6.9 per cent or \$56 million decline in service contract and other agreement costs, driven lower by the productivity and cost reduction programs.

Depreciation and amortisation

Depreciation and amortisation decreased by 3.5 per cent or \$78 million to \$2,141 million. Review of asset service lives during 1H19 resulted in a \$122 million decrease in depreciation expense and a \$53 million decrease in amortisation expense for the half.

Foreign currency impacts

For the purposes of reporting our consolidated results, the translation of foreign operations denominated in foreign currency to Australian dollars increased our expenses by \$55 million across labour, goods and services purchased, and other expenses. This foreign exchange impact has been offset by a benefit to sales revenue resulting in a favourable EBITDA contribution of \$4 million.

Net finance costs

Net finance costs increased by 8.1 per cent or \$24 million to \$320 million, comprising of net interest on borrowings of \$382 million offset by other net financing impacts of \$62 million. Net interest on borrowings increased by \$23 million from a \$15 million reduction in interest revenue and an \$8 million increase in gross borrowing costs. Our gross borrowing yield remains relatively flat at 4.9 per cent. The reduction in interest revenue primarily relates to our joint venture loan asset to Foxtel Management Pty Ltd which was converted to an equity instrument in FY18. Other net financing impacts on a net basis were relatively flat.

Summary Statement of Cash Flows	1H19	1H18 restated	Change
	\$m	\$m	%
Net cash provided by operating activities	2,817	3,773	(25.3)
Capital expenditure (before investments)	(2,457)	(2,562)	4.1
Other investing cash flows	267	505	(47.1)
Net cash used in investing activities	(2,190)	(2,057)	(6.5)
Free cashflow	627	1,716	(63.5)

Net cash used in financing activities	(709)	(2,068)	65.7
Net (decrease) in cash and cash equivalents	(82)	(352)	76.7
Cash and cash equivalents at the beginning of the period	620	936	(33.8)
Effects of exchange rate changes on cash and cash equivalents	3	-	n/m
Cash and cash equivalents at the end of the period	541	584	(7.4)

Financial Position

Capital expenditure and cash flow

Net cash provided by operating activities decreased by 25.3 per cent to \$2,817 million mainly due to a decrease in one-off nbn receipts in line with the progress of the nbn™ network rollout and an increase in payments to suppliers and employees. This was partly offset by a reduction in income taxes paid. The increase in net cash used in investing activities primarily reflects the lower proceeds from sale of property, plant and equipment for the period.

Our operating capital expenditure for the half was \$2,340 million or 19.6 per cent of sales revenue and remains within the FY19 envelope. We typically spend around 50 per cent of our full year of capital expenditure in the first half, however we expect to spend closer to 60 per cent in 1H19. We anticipate capital expenditure will reduce in FY20 following the completion of our three year strategic investment program of which we have invested approximately \$2.6 billion of the up to \$3 billion additional capital expenditure to date.

During the half we extended our 5G leadership with a series of world and Australian 5G firsts, achieved our targeted deployment of 200 5G-enabled mobile base stations by the end of 2018, and successfully acquired an additional 30-80 MHz nationwide in the 3.6GHz spectrum auction in November 2018 to secure our 5G future. We met our market commitment of winning all major network surveys, and extended the range of our Narrowband-IoT network to more than 3.5 million square kilometres. We launched our Network as a Service (NaaS) platform which is a key enabler in simplifying our Networks-IT interface and launched the first products to market leveraging the NaaS and its reusable services. Our investments continue to support industry leading mobile differentiation, coverage, speed and resiliency.

Free cashflow generated from operating and investing activities was \$627 million representing a decrease of \$1,089 million or 63.5 per cent. This was largely due to lower EBITDA, increased working capital, increased restructuring costs and lower net proceeds on disposal, partly offset by lower tax paid and capital expenditure. The \$1,359 million decrease in net cash used in financing activities principally reflects higher funding from borrowings and lower dividend paid.

On a guidance basis free cashflow was \$739 million, which is lower than historical first half cashflow trends. We are expecting stronger free cashflow performance in the second half of the financial year. Performance against guidance has been adjusted for free cashflow associated with M&A activity (\$85 million) and spectrum (\$27 million).

Debt position

Our gross debt position was \$16,355 million, comprising borrowings of \$18,283 million and net derivative assets of \$1,928 million. Gross debt increased by \$987 million from \$15,368 million at 30 June 2018. This represents a financing cash inflow of \$996 million from debt issuance of \$1,825 million less debt repayments of \$829 million, and finance lease additions of \$33 million, offset by unrealised revaluation impacts on our borrowings and derivatives of \$33 million and reduction in bank overdraft of \$9 million.

Debt issuance	\$m
1 year Australian dollar floating rate note	300
Other current loans	8
Short term commercial paper (net)	67
Drawn revolving bank facilities	1,450
Total	1,825

Debt repayments	\$m
Bonds	(752)
Loans	(28)
Australian dollar private placements	(10)
Finance leases	(39)
Total	(829)

Net debt increased by \$1,075 million to \$15,814 million, comprising of the increase in gross debt and an \$88 million reduction in cash and cash equivalents. Net of bank overdraft our cash decreased by \$79 million.

Financial settings	1H19 Actual	FY19 Comfort zone
Debt servicing ¹	1.7x	1.3 to 1.8x
Gearing ²	52.2%	50% to 70%
Interest cover ³	11.2x	>7x

We remain within our comfort ranges for all our credit metrics. Our gearing ratio is at 52.2 per cent (50.3 per cent at 30 June 2018), debt servicing is 1.7 times (1.5 times), and interest cover is 11.2 times (14.0 times).

1. Debt servicing ratio equals net debt to EBITDA.
2. Gearing ratio equals net debt to net debt plus total equity.
3. Interest cover equals EBITDA to net interest.

Summary Statement of Financial Position	31 Dec 2018	1 Jul 2018 restated ¹	Change
	\$m	\$m	%
Current assets	7,441	7,202	3.3
Non-current assets	36,282	35,432	2.4
Total assets	43,723	42,634	2.6
Current liabilities	8,059	8,785	(8.3)
Non-current liabilities	21,159	19,293	9.7
Total liabilities	29,218	28,078	4.1
Net assets	14,505	14,556	(0.4)
Total equity	14,505	14,556	(0.4)
Return on average assets (%)	9.9%	13.8%	(3.9)pp
Return on average equity (%)	17.0%	25.0%	(8.0)pp

1. Opening balance of 1 July 2018 used versus 30 June 2018 due to AASB9 restatements going through opening balances only.

Statement of Financial Position

Our balance sheet remains in a strong position with net assets of \$14,505 million.

Current assets increased by 3.3 per cent to \$7,441 million. Inventories increased by \$377 million primarily due to a seasonal increase in mobility inventories to meet higher demand, higher mobility unit costs and increased stock of the newly released Smart Modem™ Gen 2.

Non-current assets increased by 2.4 per cent to \$36,282 million. Property, plant and equipment increased by \$471 million largely driven by mobile and Network 2020 investments. Derivative financial assets increased by \$304 million due to foreign currency movements and other valuation impacts arising from measuring to fair value.

Current liabilities decreased by 8.3 per cent to \$8,059 million largely due to a \$479 million reduction in borrowings and derivative financial liabilities driven by a reduction in short-term borrowings and a reduction in term debt due to mature within 12 months.

Non-current liabilities increased by 9.7 per cent to \$21,159 million mainly due to a \$1,728 million increase in borrowings and derivative financial liabilities principally from drawn revolving bank facilities and foreign currency valuation impacts.

Guidance versus reported results

This schedule details the adjustments made to the reported results for the current and comparative period to reflect the performance of the business on the basis on which we provided guidance to the market. This guidance assumes wholesale product price stability and no impairments to investments or core assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY19 is broadly in accordance with the nbn Corporate Plan 2019. The guidance is provided on the basis of AASB 15. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex.

	Reported			Adjustments Dec-18					Dec-17					Guidance Basis		
	Half year ended 31 Dec			M&A Controlled Entities ¹	M&A JVs / Associates ¹	M&A Disposals ¹	Restructuring ²	Spectrum ³	Impairment ⁴	Foxtel ⁵	Spectrum ⁶	M&A ⁷	Restructuring ⁸	Half year ended 31 Dec		
	2018	2017 restated	Growth											2018	2017 restated	Growth
	\$m	\$m	%											\$m	\$m	%
Total revenue	12,586	12,809	(1.7%)	0	0	(1)	0	0	0	(38)	0	0	0	12,585	12,771	(1.5%)
Total income (excl. finance income)	13,798	14,391	(4.1%)	0	0	(1)	0	0	0	(38)	0	0	0	13,797	14,353	(3.9%)
Labour	2,722	2,699	0.9%	0	0	0	(216)	0	0	0	0	0	(43)	2,506	2,656	(5.7%)
Goods and services purchased	4,382	3,989	9.9%	0	0	0	0	0	0	0	0	0	0	4,382	3,989	9.9%
Other expenses	2,437	2,576	(5.4%)	0	0	(91)	(112)	0	(273)	0	0	0	(91)	2,234	2,212	1.0%
Operating expenses	9,541	9,264	3.0%	0	0	(91)	(328)	0	(273)	0	0	0	(134)	9,122	8,857	3.0%
Share of net gain/(loss) from joint ventures and associated	1	(31)	n/m	0	0	0	0	0	0	44	0	0	0	1	13	(92.3%)
EBITDA	4,258	5,096	(16.4%)	0	0	90	328	0	273	6	0	0	134	4,676	5,509	(15.1%)
Depreciation and amortisation	2,141	2,219	(3.5%)	0	0	0	0	0	0	0	0	0	0	2,141	2,219	(3.5%)
EBIT	2,117	2,877	(26.4%)	0	0	90	328	0	273	6	0	0	134	2,535	3,290	(22.9%)
Net finance costs	320	296	8.1%	0	0	0	0	0	0	0	0	0	0	320	296	8.1%
Profit before income tax expense	1,797	2,581	(30.4%)	0	0	90	328	0	273	6	0	0	134	2,215	2,994	(26.0%)
Income tax expense	569	889	(36.0%)	0	0	0	98	0	0	(11)	0	0	40	667	918	(27.3%)
Profit for the period	1,228	1,692	(27.4%)	0	0	90	230	0	273	17	0	0	94	1,548	2,076	(25.4%)
Attributable to:																
Equity holders of Telstra Entity	1,233	1,713	(28.0%)	0	0	90	230	0	264	17	0	0	94	1,553	2,088	(25.6%)
Non-controlling interests	(5)	(21)	76.2%	0	0	0	0	0	9	0	0	0	0	(5)	(12)	58.3%
Free cashflow	627	1,716	(63.5%)	3	17	65	0	27	0	0	27	20	0	739	1,763	(58.1%)

2017 has been restated for the impacts of AASB15.

This table has been reviewed by our auditors.

Reported EBITDA includes restructuring costs, FY19 guidance EBITDA excludes restructuring costs.

Note:

There are a number of factors that have impacted our results this financial year. In the table above, we have adjusted the results for:

(1) Mergers & Acquisitions (M&A) adjustments:

Adjustments relating to acquisition and disposals of controlled entities, joint ventures, associates and other investments and any associated net gains or losses and contingent consideration.

Joint Ventures/Associates mainly include additional investments in our interest in the Telstra Ventures Fund II, L.P.

During this period we disposed of our investment in Ooyala Inc, Ooyala AB and their controlled entities and Orion Health Group Ltd. We also received deferred consideration from our disposal of 1300 Australia Pty Ltd and from the sell down of our interest in the Telstra Ventures Fund II, L.P.

(2) Restructuring adjustments:

Adjustments for the strategic focus (T22 program) announced at last financial full year results to improve customer experience, simplify structure and cut costs, in addition to our normal business as usual redundancies for the period.

Adjustments for the strategic focus on the incremental capex spend to promote sustainable network differentiation, support digitisation, productivity and boost customer experience.

(3) Spectrum adjustments:

Adjustment relating to the impact on free cashflow associated with our spectrum purchases and renewals for the period including:

\$27m for renewal of spectrum licences in the 900 MHz band.

Payments for spectrum and apparatus licences in various spectrum bands.

(4) Impairment adjustments:

Adjustments relating to an impairment of \$273m for the remaining goodwill, intangibles and property, plant and equipment in Ooyala.

(5) Foxtel adjustments:

Adjustments relating to fair value gains resulting from the conversion of the shareholder loan into additional investment in the Foxtel joint venture and recognition of our cumulative unrecognised share of equity accounted losses.

(6) Spectrum adjustments:

Adjustments relating to the impact on free cashflow associated with our spectrum purchases and renewals for the period including:

\$27m for renewal of Spectrum licences in the 900MHz band (2x8.4MHz national PMTS Class B licence).

(7) M&A adjustments:

Adjustments relating to acquisition and disposals of controlled entities, joint ventures, associates and other investments and any associated net gains or losses and contingent consideration.

(8) Restructuring adjustments

Adjustments for the strategic focus on accelerating restructure activity including Fitter and Faster programs (\$43m), in addition to our normal business as usual redundancies for the period.

Adjustments for the strategic focus on the incremental capex spend announced at last financial full year results to promote sustainable network differentiation, support digitisation, productivity and boost customer experience (\$91m).

Executive Variable Remuneration Plan (EVP) Metric Additional Detail

As per Executive Remuneration Update - Letter to Shareholders dated 11 October 2018								
	Measures	Metric		FY18 Base	Gate	Target	Max	1H19 Actual
Financial	Total income	Total income \$m		29,042	Above Bottom of Market Guidance	Approx At Midpoint of Market Guidance	Above Top End of Market Guidance	On track for Market Guidance
	EBITDA	EBITDA excluding restructuring costs \$m		10,407	Above Bottom of Market Guidance	Approx At Midpoint of Market Guidance	Above Top End of Market Guidance	On track for Market Guidance
	FCF	FCF excluding spectrum \$m		4,808	Above Bottom of Market Guidance	Approx At Midpoint of Market Guidance	Above Top End of Market Guidance	On track for Market Guidance. Expected to be at the lower end of guidance.
	Net opex reduction	Underlying core fixed cost reduction \$m		-	388	438	513	162
Strategic, Customer & Transformation	Episode NPS	Improvement in Episode NPS		19	21	24	27	21
	Product Portfolio Simplification	Number of active plans	C&SB	400	40	30	20	120
			TE	651	570	549	527	567
	Digital Delivery	C&SB Digital Sales Transactions / Total Transactions ratio		6.20%	11.30%	14.00%	16.50%	9.70%
	People Capability & Engagement	Maintenance of Employee Engagement from FY18 baseline		74	n/a	74	76	n/a

Notes:

- The measures and metrics appearing in this table are for the purpose of the EVP and do not constitute market guidance.
- Total income excludes finance income.
- FY19 market guidance means guidance as set out in Telstra's ASX announcement dated 6 September 2018.
- Targets set in accordance with FY19 Business Plan, taking into account competitive operating environment and profile to achievement of T22 targets.
- FY18 Base is shown under FY18 accounting standards. The FY18 base for Financial measures as shown above represent the FY18 reported financials with EBITDA (\$10,121m reported) adjusted for \$286m restructuring costs and FCF (\$4,695m reported) adjusted for \$113m spectrum payments.

Results of operations

	Half-year ended 31 December			
	2018	2017	Change	Change
	\$M	Restated ⁽ⁱ⁾ \$M	\$M	%
Revenue (excluding finance income)	12,586	12,809	(223)	(1.7)
Other income ⁽ⁱⁱ⁾	1,212	1,582	(370)	(23.4)
Total income (excluding finance income)	13,798	14,391	(593)	(4.1)
Labour	2,722	2,699	23	0.9
Goods and services purchased	4,382	3,989	393	9.9
Net impairment losses on financial assets	88	103	(15)	(14.6)
Other expenses	2,349	2,473	(124)	(5.0)
Operating expenses	9,541	9,264	277	3.0
Share of net profit/(loss) from joint ventures and associated entities	1	(31)	32	n/m
	9,540	9,295	245	2.6
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	4,258	5,096	(838)	(16.4)
Depreciation and amortisation	2,141	2,219	(78)	(3.5)
Earnings before interest and income tax expense (EBIT)	2,117	2,877	(760)	(26.4)
Finance income	99	117	(18)	(15.4)
Finance costs	419	413	6	1.5
Net finance costs	320	296	24	8.1
Profit before income tax expense	1,797	2,581	(784)	(30.4)
Income tax expense	569	889	(320)	(36.0)
Profit for the period	1,228	1,692	(464)	(27.4)
Attributable to:				
Equity holders of Telstra Entity	1,233	1,713	(480)	(28.0)
Non-controlling interests	(5)	(21)	16	76.2
	1,228	1,692	(464)	(27.4)
Effective tax rate on operations	31.7%	34.4%		(2.7) pp
EBITDA margin on revenue	33.8%	39.8%		(6.0) pp
EBIT margin on revenue	16.8%	22.5%		(5.7) pp
	cents	cents	Change cents	Change %
Earnings per share (cents per share)				
Basic ⁽ⁱⁱⁱ⁾	10.4	14.4	(4.0)	(27.8)
Diluted ⁽ⁱⁱⁱ⁾	10.4	14.4	(4.0)	(27.8)

(i) Restated due to adoption of AASB15: Revenue from Contracts with Customers.

(ii) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, Mobile Blackspot Government program and other individually immaterial contracts, income from nbn™ network disconnection fees, subsidies and other miscellaneous items.

(iii) Basic and diluted earnings per share are impacted by the effect of shares held in trust by Telstra Growthshare Trust (Growthshare) and by the Telstra Employee Share Ownership Plan Trust II (TESOP99).

n/m = not meaningful

Total income

	Half-year ended 31 December			
	2018	2017	Change	Change
	Restated ⁽ⁱ⁾			
	\$M	\$M	\$M	%
Fixed products				
Retail bundles and standalone data	1,653	1,660	(7)	(0.4)
Retail standalone voice	477	633	(156)	(24.6)
Other retail fixed ⁽ⁱⁱ⁾	127	136	(9)	(6.6)
Total retail fixed revenue	2,257	2,429	(172)	(7.1)
Wholesale fixed	424	528	(104)	(19.7)
Total fixed revenue	2,681	2,957	(276)	(9.3)
Mobiles				
Postpaid handheld	2,665	2,609	56	2.1
Prepaid handheld	448	493	(45)	(9.1)
Mobile broadband	350	416	(66)	(15.9)
Internet of Things (IoT)	99	73	26	35.6
Satellite	7	6	1	16.7
Mobile interconnection	112	106	6	5.7
Mobile services revenue - wholesale resale	99	90	9	10.0
Total mobile services revenue	3,780	3,793	(13)	(0.3)
Mobiles hardware	1,511	1,376	135	9.8
Total mobile revenue	5,291	5,169	122	2.4
Data & IP				
IPVPN products ⁽ⁱⁱⁱ⁾	511	539	(28)	(5.2)
ISDN products	206	245	(39)	(15.9)
Other data and calling products ^(iv)	500	514	(14)	(2.7)
Total data & IP revenue	1,217	1,298	(81)	(6.2)
Network applications & services				
Managed network services	291	306	(15)	(4.9)
Unified communications	442	403	39	9.7
Cloud services	202	180	22	12.2
Industry solutions	573	681	(108)	(15.9)
Integrated services	88	94	(6)	(6.4)
Total network applications & services revenue	1,596	1,664	(68)	(4.1)
Media				
Foxtel from Telstra	340	357	(17)	(4.8)
IPTV	26	31	(5)	(16.1)
Mobility and other	45	50	(5)	(10.0)
Cable	30	30	-	n/m
Total media revenue	441	468	(27)	(5.8)
Global connectivity revenue	801	764	37	4.8
Recurring nbn DA	374	304	70	23.0
Other products ^(v)	185	185	-	n/m
Total external revenue	12,586	12,809	(223)	(1.7)
Other income ^(vi)	1,212	1,582	(370)	(23.4)
Total income (excluding finance income)	13,798	14,391	(593)	(4.1)

(i) Restated due to adoption of AASB15: Revenue from Contracts with Customers.

(ii) Other retail fixed revenue includes platinum, once off revenue (hardware and professional installation fees) payphones, directory assistance, fixed interconnect.

(iii) IP based Virtual Private Network (IPVPN) includes IPMAN/Ethernet MAN, IPWAN, and nbn.

(iv) Other data & calling products includes wholesale, inbound calling (1300/1800), internet, media solutions, and legacy data (e.g. frame relay).

(v) Other products revenue primarily includes late payment fees, revenue from Telstra Health and Telstra Software.

(vi) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, Mobile Blackspot Government program and other individually immaterial contracts, income from nbn™ network disconnection fees, subsidies and other miscellaneous items.

n/m = not meaningful

Total Expenses

	Half-year ended 31 December			
	2018	2017	Change	Change
	\$M	Restated ⁽ⁱ⁾ \$M	\$M	%
Salary and associated costs	1,890	1,946	(56)	(2.9)
Other labour expenses	144	177	(33)	(18.6)
Labour substitution	417	474	(57)	(12.0)
Redundancy	271	102	169	165.7
Total labour	2,722	2,699	23	0.9
Cost of goods sold	1,778	1,711	67	3.9
Network payments	1,310	1,086	224	20.6
Other	1,294	1,192	102	8.6
Total goods and services purchased	4,382	3,989	393	9.9
Net impairment losses on financial assets	88	103	(15)	(14.6)
Service contracts and other agreements	751	807	(56)	(6.9)
Other impairment expenses	46	341	(295)	(86.5)
Other	1,552	1,325	227	17.1
Total other expenses	2,349	2,473	(124)	(5.0)
Total operating expenses	9,541	9,264	277	3.0
Depreciation	1,387	1,496	(109)	(7.3)
Amortisation	754	723	31	4.3
Total depreciation and amortisation	2,141	2,219	(78)	(3.5)

Statement of Cash Flows

	Half-year ended 31 December			
	2018	2017	Change	Change
	\$M	\$M	\$M	%
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax (GST))	14,975	15,679	(704)	(4.5)
Payments to suppliers and employees (inclusive of GST)	(11,797)	(11,256)	(541)	(4.8)
Government grants received	144	156	(12)	(7.7)
Net cash generated by operations	3,322	4,579	(1,257)	(27.5)
Income taxes paid	(505)	(806)	301	37.3
Net cash provided by operating activities	2,817	3,773	(956)	(25.3)
Cash flows from investing activities				
Payments for property, plant and equipment	(1,835)	(1,928)	93	4.8
Payments for intangible assets	(622)	(634)	12	1.9
Capital expenditure (before investments)	(2,457)	(2,562)	105	4.1
Payments for businesses and shares in controlled entities (net of cash acquired)	(114)	(53)	(61)	(115.1)
Payments for joint ventures and associated entities	(17)	(2)	(15)	n/m
Payments for other investments	-	(31)	31	n/m
Total capital expenditure (including investments)	(2,588)	(2,648)	60	2.3
Government grants received	34	-	34	n/m
Proceeds from sale of property, plant and equipment	249	413	(164)	(39.7)
Proceeds from sale of shares in controlled entities (net of cash disposed)	42	42	-	n/m
Proceeds from sale of other investments	4	24	(20)	(83.3)
Distributions received from associated entities	1	9	(8)	(88.9)
Interest received	18	34	(16)	(47.1)
Proceeds from finance lease principal amounts	50	69	(19)	(27.5)
Net cash used in investing activities	(2,190)	(2,057)	(133)	(6.5)
Operating cash flows less investing cash flows	627	1,716	(1,089)	(63.5)
Cash flows from financing activities				
Proceeds from borrowings	2,942	4,366	(1,424)	(32.6)
Repayment of borrowings	(1,907)	(4,127)	2,220	53.8
Repayment of finance lease principal amounts	(39)	(60)	21	35.0
Purchase of shares for employee share plans	-	(18)	18	n/m
Finance costs paid	(397)	(387)	(10)	(2.6)
Dividends paid to equity holders of Telstra Entity	(1,308)	(1,842)	534	29.0
Net cash used in financing activities	(709)	(2,068)	1,359	65.7
Net (decrease) in cash and cash equivalents	(82)	(352)	270	76.7
Cash and cash equivalents at the beginning of the period	620	936	(316)	(33.8)
Effects of exchange rate changes on cash and cash equivalents	3	-	3	n/m
Cash and cash equivalents at the end of the period	541	584	(43)	(7.4)

n/m = not meaningful

Statement of Financial Position

	As at				
	31 Dec 18	1 Jul 18 ⁽ⁱ⁾	31 Dec 17	Change	
		Restated ⁽ⁱⁱ⁾	Restated ⁽ⁱⁱ⁾	31 Dec 18 v 1 Jul 18	
	\$M	\$M	\$M	\$M	%
Current assets					
Cash and cash equivalents	541	629	587	(88)	(14.0)
Trade and other receivables and contract assets	5,471	5,500	6,097	(29)	(0.5)
Inventories	869	492	670	377	76.6
Deferred contract costs	89	69	115	20	29.0
Derivative financial assets	33	75	53	(42)	(56.0)
Current tax receivables	7	6	11	1	16.7
Prepayments	431	431	409	-	n/m
Total current assets	7,441	7,202	7,942	239	3.3
Non-current assets					
Trade and other receivables and contract assets	870	729	698	141	19.3
Inventories	20	19	30	1	5.3
Investments - accounted for using the equity method	1,274	1,237	648	37	3.0
Investments - other	18	36	275	(18)	(50.0)
Property, plant and equipment	22,579	22,108	21,668	471	2.1
Intangible assets	7,823	7,922	7,907	(99)	(1.2)
Deferred contract costs	1,254	1,180	1,101	74	6.3
Derivative financial assets	2,201	1,897	1,644	304	16.0
Deferred tax assets	58	54	53	4	7.4
Defined benefit asset	185	250	112	(65)	(26.0)
Total non-current assets	36,282	35,432	34,136	850	2.4
Total assets	43,723	42,634	42,078	1,089	2.6
Current liabilities					
Trade and other payables	4,430	4,528	3,870	(98)	(2.2)
Employee benefits	822	868	860	(46)	(5.3)
Other provisions	79	89	101	(10)	(11.2)
Borrowings and derivative financial liabilities	1,157	1,636	2,841	(479)	(29.3)
Current tax payables	52	132	146	(80)	(60.6)
Contract liabilities and other revenue received in advance	1,519	1,532	1,493	(13)	(0.8)
Total current liabilities	8,059	8,785	9,311	(726)	(8.3)
Non-current liabilities					
Other payables	68	65	66	3	4.6
Employee benefits	151	157	159	(6)	(3.8)
Other provisions	160	168	163	(8)	(4.8)
Borrowings and derivative financial liabilities	17,432	15,704	15,271	1,728	11.0
Deferred tax liabilities	1,658	1,511	1,543	147	9.7
Defined benefit liabilities	7	7	6	-	n/m
Contract liabilities and other revenue received in advance	1,683	1,681	1,606	2	0.1
Total non-current liabilities	21,159	19,293	18,814	1,866	9.7
Total liabilities	29,218	28,078	28,125	1,140	4.1
Net assets	14,505	14,556	13,953	(51)	(0.4)
Equity					
Share capital	4,436	4,428	4,422	8	0.2
Reserves	(65)	(131)	(137)	66	50.4
Retained profits	10,153	10,272	9,667	(119)	(1.2)
Equity available to Telstra Entity shareholders	14,524	14,569	13,952	(45)	(0.3)
Non-controlling interests	(19)	(13)	1	(6)	(46.2)
Total equity	14,505	14,556	13,953	(51)	(0.4)
Gross debt	16,355	15,368	16,413	987	6.4
Net debt	15,814	14,739	15,828	1,075	7.3
EBITDA interest cover (times) ⁽ⁱⁱⁱ⁾	11.2	14.0	14.2	(2.8)	(20.1)
Net debt to EBITDA	1.7	1.5	1.6	0.2	13.3
ROA - Return on average assets	9.9%	13.8%	14.0%		(3.9) pp
ROE - Return on average equity	17.0%	25.0%	24.4%		(8.0) pp
ROI - Return on average investment	14.2%	19.5%	19.4%		(5.3) pp
ROIC - Return on invested capital	9.7%	13.5%	12.7%		(3.8) pp
Gearing ratio (net debt to capitalisation)	52.2%	50.3%	53.1%		1.9 pp

(i) Opening balance of 1 July 2018 used versus 30 June 2018 due to AASB 9 restatements going through opening balances only.

(ii) Restated due to adoption of AASB15: Revenue from Contracts with Customers.

(iii) EBITDA interest cover equals EBITDA to net interest.

n/m = not meaningful

Segment information from operations

	Total external income		
	Half-year ended 31 December		
	2018	2017	Change
		Restated ⁽ⁱ⁾	
	\$M	\$M	%
Telstra Consumer and Small Business	7,212	7,320	(1.5)
Telstra Enterprise	3,955	3,903	1.3
Networks and IT	34	40	(15.0)
Other Segments	1,041	1,463	(28.8)
Telstra excluding Telstra InfraCo	12,242	12,726	(3.8)
Telstra InfraCo	2,502	1,665	50.3
Internal access charges	(946)	-	n/m
Total Telstra segments	13,798	14,391	(4.1)

EBITDA contribution		
Half-year ended 31 December		
2018	2017	Change
	Restated ⁽ⁱ⁾	
\$M	\$M	%
2,948	3,457	(14.7)
1,635	1,698	(3.7)
(692)	(651)	(6.3)
(815)	(633)	(28.8)
3,076	3,871	(20.5)
1,618	1,225	32.1
(436)	-	n/m
4,258	5,096	(16.4)

Revenue by Business Segment

	Half-year ended 31 December		
	2018	2017	Change
		Restated ⁽ⁱ⁾	
	\$M	\$M	%
Telstra Consumer & Small Business			
Fixed	2,108	2,256	(6.6)
Mobile services revenue	2,971	3,016	(1.5)
Network applications & services (NAS)	147	131	12.2
Telstra Enterprise Australia			
Mobile services revenue	709	685	3.5
Data & IP	907	975	(7.0)
Network applications & services (NAS)	1,151	1,110	3.7

Product profitability - EBITDA margins %

	Half-year ended		
	Dec 2018	Jun 2018	Dec 2017
		Restated ⁽ⁱ⁾	Restated ⁽ⁱ⁾
Mobile	36%	38%	39%
Fixed	25%	29%	35%
Data & IP	64%	65%	64%
NAS	2%	13%	7%
Global Connectivity	19%	19%	18%

Note: Product margins represent management's best estimates.

Product profitability - EBITDA (\$M)

	Half-year ended		
	Dec 2018	Jun 2018	Dec 2017
		Restated ⁽ⁱ⁾	Restated ⁽ⁱ⁾
Mobile	1,905	1,968	2,028
Fixed	688	835	1,061
Data & IP	782	814	828
NAS	39	251	114
Global Connectivity	155	158	135

Note: Product margins represent management's best estimates.

(i) Restated due to adoption of AASB15: Revenue from Contracts with Customers.

ARPU (\$)

	Half-year ended			Dec 18 vs Dec 17		Dec 18 vs Jun 18	
	Dec 2018	Jun 2018	Dec 2017	Change	Change	Change	Change
	Restated ⁽ⁱ⁾	Restated ⁽ⁱ⁾	Restated ⁽ⁱ⁾				
	\$	\$	\$	\$	%	\$	%
Fixed retail bundle & standalone data	75.90	76.69	78.56	(2.66)	(3.4)	(0.79)	(1.0)
Fixed retail standalone voice	43.70	44.07	44.40	(0.70)	(1.6)	(0.37)	(0.8)
Postpaid handheld	55.62	56.22	57.00	(1.38)	(2.4)	(0.60)	(1.1)
Prepaid handheld	22.54	22.36	22.70	(0.16)	(0.7)	0.18	0.8
Mobile broadband	15.32	15.58	17.58	(2.26)	(12.9)	(0.26)	(1.7)

(i) Restated due to adoption of AASB15: Revenue from Contracts with Customers.

Services in operation (000s)

	Half-year ended			Dec 18 vs Dec 17		Dec 18 vs Jun 18	
	Dec 2018	Jun 2018	Dec 2017	Change	Change	Change	Change
	000s	000s	000s	000s	%	000s	%
Fixed services in operation (SIOs)							
Retail bundles and standalone data ⁽ⁱ⁾	3,663	3,599	3,532	131	3.7	64	1.8
Retail standalone voice	1,685	1,954	2,230	(545)	(24.4)	(269)	(13.8)
Wholesale basic access ⁽ⁱⁱ⁾	662	805	955	(293)	(30.7)	(143)	(17.8)
Wholesale data ⁽ⁱⁱⁱ⁾	400	486	579	(179)	(30.9)	(86)	(17.7)
ISDN access (basic line equivalents)	804	859	918	(114)	(12.4)	(55)	(6.4)
Unconditioned local loop (ULL)	987	1,118	1,234	(247)	(20.0)	(131)	(11.7)
Line spectrum sharing services (LSS)	229	277	326	(97)	(29.8)	(48)	(17.3)
Mobiles services in operation (SIOs)							
Postpaid handheld retail ^(iv)	8,105	7,866	7,692	413	5.4	239	3.0
Prepaid handheld retail	3,264	3,354	3,575	(311)	(8.7)	(90)	(2.7)
Mobile broadband (data card)	3,723	3,893	3,964	(241)	(6.1)	(170)	(4.4)
Internet of Things (IoT)	2,832	2,571	2,346	486	20.7	261	10.2
Satellite	32	32	32	0	0.0	0	0.0
Total retail mobile	17,956	17,716	17,609	347	2.0	240	1.4
Total wholesale mobile	1,098	973	862	236	27.4	125	12.8
Prepaid handheld retail unique users ^(v)	2,234	2,294	2,432	(198)	(8.1)	(60)	(2.6)
Foxtel from Telstra	772	790	799	(27)	(3.4)	(18)	(2.3)

(i) Includes Belong fixed data SIOs.

(ii) Excludes nbn SIOs.

(iii) Includes nbn SIOs.

(iv) Includes Belong mobile SIOs.

(v) Prepaid unique users defined as the three month rolling average of monthly active prepaid users.

Note: Statistical data represents management's best estimates.

Workforce

	Half-year ended			Dec 18 vs Dec 17		Dec 18 vs Jun 18	
	Dec 2018	Jun 2018	Dec 2017	Change	Change	Change	Change
					%		%
Employee data							
Full time staff equivalents incl. contractor/agency labour	31,419	34,624	34,115	(2,696)	(7.9)	(3,205)	(9.3)
Full time staff equivalents excl. contractor/agency labour	29,297	32,293	31,973	(2,676)	(8.4)	(2,996)	(9.3)

Note: Statistical data represents management's best estimates.

Telstra Corporation Limited
Half-year comparison
Half-year ended 31 December 2018

Summary reported half-yearly data

(\$ Millions)

Total income

Fixed products

Retail bundles and standalone data
Retail standalone voice
Other retail fixed ⁽ⁱ⁾

Total retail fixed revenue

Wholesale fixed

Total fixed revenue

Mobiles

Postpaid handheld
Prepaid handheld
Mobile broadband
Internet of Things (IoT)
Satellite
Mobiles interconnection
Mobile services revenue - wholesale resale
Total mobile services revenue
Mobiles hardware

Total mobile revenue

Data & IP

IPVPN products ⁽ⁱⁱ⁾
ISDN products
Other data and calling products ⁽ⁱⁱⁱ⁾

Total data & IP revenue

Network applications & services revenue

Managed network services
Unified communications
Cloud services
Industry solutions
Integrated services

Total network applications & services revenue

Media

Foxtel from Telstra
IPTV
Mobility and other
Cable

Total media revenue

Global connectivity

Global connectivity - fixed
Global connectivity - data & IP
Global connectivity - other

Total global connectivity revenue

Recurring nbn DA

Other products ^(iv)

Total external revenue

Other income ^(v)

Total income (excluding finance income)

Total Expenses

Labour
Goods and services purchased
Net impairment on losses on financial assets
Other expenses
Operating expenses
Share of net profit/(loss) from joint ventures and associated entities

Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)

Depreciation and amortisation

Earnings before interest and income tax expense (EBIT)

Net finance costs

Profit before income tax expense

Income tax expense

Profit for the period

Half 1 Dec-17 Restated ^(vi)	Half 2 Jun-18 Restated ^(vi)	Full year Jun-18 Restated ^(vi)	Half 1 Dec-18	PCP Growth
1,660	1,640	3,300	1,653	(0.4%)
633	553	1,186	477	(24.6%)
136	132	268	127	(6.6%)
2,429	2,325	4,754	2,257	(7.1%)
528	483	1,011	424	(19.7%)
2,957	2,808	5,765	2,681	(9.3%)
2,609	2,624	5,233	2,665	2.1%
493	465	958	448	(9.1%)
416	367	783	350	(15.9%)
73	97	170	99	35.6%
6	6	12	7	16.7%
106	106	212	112	5.7%
90	99	189	99	10.0%
3,793	3,764	7,557	3,780	(0.3%)
1,376	1,447	2,823	1,511	9.8%
5,169	5,211	10,380	5,291	2.4%
539	525	1,064	511	(5.2%)
245	226	471	206	(15.9%)
514	507	1,021	500	(2.7%)
1,298	1,258	2,556	1,217	(6.2%)
306	369	675	291	(4.9%)
403	482	885	442	9.7%
180	248	428	202	12.2%
681	693	1,374	573	(15.9%)
94	171	265	88	(6.4%)
1,664	1,963	3,627	1,596	(4.1%)
357	345	702	340	(4.8%)
31	31	62	26	(16.1%)
50	45	95	45	(10.0%)
30	30	60	30	n/m
468	451	919	441	(5.8%)
151	167	318	144	(4.6%)
452	471	923	491	8.6%
161	167	328	166	3.1%
764	805	1,569	801	4.8%
304	338	642	374	23.0%
185	205	390	185	n/m
12,809	13,039	25,848	12,586	(1.7%)
1,582	1,411	2,993	1,212	(23.4%)
14,391	14,450	28,841	13,798	(4.1%)
2,699	2,508	5,207	2,722	0.9%
3,989	4,349	8,338	4,382	9.9%
103	87	190	88	(14.6%)
2,473	2,414	4,887	2,349	(5.0%)
9,264	9,358	18,622	9,541	3.0%
(31)	9	(22)	1	n/m
5,096	5,101	10,197	4,258	(16.4%)
2,219	2,251	4,470	2,141	(3.5%)
2,877	2,850	5,727	2,117	(26.4%)
296	292	588	320	8.1%
2,581	2,558	5,139	1,797	(30.4%)
889	693	1,582	569	(36.0%)
1,692	1,865	3,557	1,228	(27.4%)

(i) Other retail fixed revenue includes platinum, once off revenue (hardware and professional installation fees) payphones, directory assistance, fixed interconnect.

(ii) IP based Virtual Private Network (IPVPN) includes IPMAN/Ethernet MAN, IPWAN, and nbn.

(iii) Other data & calling products includes wholesale, inbound calling (1300/1800), internet, media solutions, and legacy data (e.g. frame relay).

(iv) Other products revenue primarily includes late payment fees, revenue from Telstra Health and Telstra Software.

(v) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, Mobile Blackspot Government program and other individually immaterial contracts, income from nbn™

network disconnection fees, subsidies and other miscellaneous items.

(vi) Restated due to adoption of AASB15: Revenue from Contracts with Customers.

n/m = not meaningful

Telstra Corporation Limited

Half-year comparison

Half-year ended 31 December 2018

Summary reported half-yearly data	Half 1 Dec-17	PCP Growth	Half 2 Jun-18	PCP Growth	Full Year Jun-18	PCP Growth	Half 1 Dec-18	PCP Growth
<u>Selected statistical data</u>								
Fixed								
Retail bundles and standalone data SIOs (thousands) ⁽ⁱ⁾	3,532	1.8%	3,599	2.5%	3,599	2.5%	3,663	3.7%
Retail standalone voice SIOs (thousands)	2,230	(20.4%)	1,954	(22.6%)	1,954	(22.6%)	1,685	(24.4%)
Wholesale basic access lines in service (thousands) ⁽ⁱⁱ⁾	955	(23.7%)	805	(28.4%)	805	(28.4%)	662	(30.7%)
Wholesale data SIOs (thousands) ⁽ⁱⁱⁱ⁾	579	(26.3%)	486	(29.8%)	486	(29.8%)	400	(30.9%)
Unconditioned local loop (ULL) services in operation (thousands)	1,234	(17.5%)	1,118	(19.6%)	1,118	(19.6%)	987	(20.0%)
Wholesale line spectrum site sharing (LSS) SIOs (thousands)	326	(25.4%)	277	(27.9%)	277	(27.9%)	229	(29.8%)
Average bundle and standalone data revenue per user per month (\$) ^(vi)	78.56	n/m	76.69	n/m	77.37	n/m	75.90	(3.4%)
Average standalone fixed voice revenue per user per month (\$) ^(vi)	44.40	n/m	44.07	n/m	44.16	n/m	43.70	(1.6%)
Belong fixed data SIOs (thousands)	180	46.3%	203	31.0%	203	31.0%	225	25.0%
nbn™ premise connections								
Bundle Connections (thousands)	1,304	105.0%	1,573	65.2%	1,573	65.2%	1,844	41.4%
Belong (thousands)	92	76.9%	110	48.6%	110	48.6%	132	43.5%
Voice Only Connections (thousands)	234	120.8%	263	73.5%	263	73.5%	278	18.8%
Total nbn™ premise connections	1,630	105.3%	1,946	65.5%	1,946	65.5%	2,254	38.3%
Data & IP								
ISDN Access SIOs (thousands)	173	(10.4%)	164	(11.4%)	164	(11.4%)	148	(14.5%)
IPVPN Access SIOs (thousands)	114	8.5%	119	5.1%	119	5.1%	126	10.5%
Mobiles								
Total retail mobile SIOs (thousands)	17,609	1.1%	17,716	2.0%	17,716	2.0%	17,956	2.0%
Postpaid handheld mobile SIOs (thousands)	7,692	2.8%	7,866	4.0%	7,866	4.0%	8,105	5.4%
Belong postpaid handheld mobile SIOs (thousands) ^(iv)	21	n/m	67	n/m	67	n/m	182	n/m
Mobile broadband (data cards) SIOs (thousands)	3,964	(0.3%)	3,893	(0.9%)	3,893	(0.9%)	3,723	(6.1%)
Prepaid mobile handheld unique users (thousands) ^(v)	2,432	(7.0%)	2,294	(8.2%)	2,294	(8.2%)	2,234	(8.1%)
Internet of Things (IoT) SIOs (thousands)	2,346	14.3%	2,571	17.5%	2,571	17.5%	2,832	20.7%
Satellite SIOs (thousands)	32	3.2%	32	n/m	32	n/m	32	n/m
Total wholesale SIOs (thousands)	862	35.3%	973	30.8%	973	30.8%	1,098	27.4%
Average postpaid handheld revenue per user per month (\$) ^(vi)	57.00	n/m	56.22	n/m	56.53	n/m	55.62	(2.4%)
Average prepaid handheld revenue per user per month (\$) ^(vi)	22.70	n/m	22.36	n/m	22.75	n/m	22.54	(0.7%)
Average mobile broadband revenue per user per month (\$) ^(vi)	17.58	n/m	15.58	n/m	16.69	n/m	15.32	(12.9%)
Premium pay TV								
Foxtel from Telstra (thousands)	799	6.8%	790	(2.2%)	790	(2.2%)	772	(3.4%)
Labour								
Full time staff equivalents incl. contractor/agency labour	34,115	(6.4%)	34,624	(1.7%)	34,624	(1.7%)	31,419	(7.9%)
Full time staff equivalents excl. contractor/agency labour	31,973	(1.8%)	32,293	(0.0%)	32,293	(0.0%)	29,297	(8.4%)

(i) Includes Belong fixed data SIOs.

(ii) Excludes nbn SIOs.

(iii) Includes nbn SIOs.

(iv) Belong mobile SIOs are included in postpaid handheld mobile SIOs.

(v) Prepaid unique users defined as the three month rolling average of monthly active prepaid users.

(vi) Restated due to adoption of AASB15: Revenue from Contracts with Customers.

n/m = not meaningful