

12 February 2015

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ELECTRONIC LODGEMENT

Dear Sir or Madam

**Telstra Corporation Limited – Financial results for the half-year ended 31 December 2014 –
Media Release**

In accordance with the Listing Rules, I attach a copy of a media release, for immediate release to the market.

Yours faithfully



Damien Coleman
Company Secretary

Telstra continues to deliver income, profit and customer growth

Financial highlights for the six months ended 31 December 2014 were:

- Total income¹ excluding finance income increased 1.6 per cent to \$13.0 billion
- Earnings per share increased 23.4 per cent to 16.9 cents
- Net profit after tax increased 21.7 per cent or \$378 million to \$2.1 billion
- EBITDA¹ increased 0.5 per cent to \$5.3 billion
- Interim dividend of 15 cents, returning \$1.8 billion to shareholders
- Dividend reinvestment plan to be reactivated
- Capital expenditure² decreased 4.7 per cent to \$1.7 billion

Thursday 12 February 2015 – Telstra today announced income, profit and customer growth in the first half of financial year 2015 confirming it was on track to meet its full year guidance.

The company announced an interim dividend of 15 cents per share, up 0.5 cents on HY14, and the reactivation of a dividend reinvestment plan.

Chief Executive Officer David Thodey said the results demonstrated Telstra's strategy of improving customer advocacy, driving value from its core business and building new growth businesses continued to create value for shareholders.

"Our Earnings Per Share growth of 23.4 per cent highlights a continuing increase in returns for shareholders. We are delivering strong operating performance having had three consecutive years of earnings growth and increased cash flows from recent divestments," Mr Thodey said.

"Our customers remain our highest priority. We are committed to improving the way we interact with our customers every day, providing more personalised service as well as being more responsive to their needs by keeping them informed, delivering new products and services as well as offering better value.

"We continue to provide our customers with access to Australia's leading mobile network. Our 4G coverage is now at 90 per cent of the Australian population and we aim to have 94 per cent covered by the middle of the year. We also launched our new 4GX services as a result of a \$1.25 billion dollar investment in 700 MHz spectrum, which is now offering customers in over 1,000 towns and suburbs some of the fastest mobile data speeds in the world, with top speeds on compatible devices on 4GX up to twice as fast as 4G. There are already over one million 4GX compatible devices in customers' hands today and that number will grow during the year.

"We are building Australia's largest national public Wi-Fi access network, with more than 1,000 Wi-Fi hotspots already enabled. We aim to offer Australians access to two million Wi-Fi hotspots across the nation and more than 13 million hotspots around the world," Mr Thodey said.

Telstra also continued to add new customers.

"We had our best ever iPhone launch and we have seen growth in the number of connected tablets and data sharing. Our focus on the customer has led to the addition of 366,000 new retail mobile customer services, 87,000 new retail fixed broadband customers and 127,000 new customers on a fixed bundle," Mr Thodey said.

Revenue from Telstra's mobile business increased 9.6 per cent to \$5.3 billion. Fixed data revenue grew 7.8 per cent and more customers moving onto bundled plans led to the lowest rate of decline in the fixed voice business for five years, with a revenue decrease of 6.9 per cent. Overall, revenue from Telstra's fixed business declined 1.7 per cent, to \$3.5 billion.

Revenue from Telstra's Network Applications and Services (NAS) product line increased 18.1 per cent to \$1 billion, with growth continuing in the Global Enterprise and Services segment and Telstra Retail (Business). International NAS revenues increased by 28.1 per cent to \$41 million.

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Mr Thodey said investing in new businesses and growing telecommunications services in Asia was essential for Telstra's growth ambitions and significant progress had been made during the first half of 2015.

"I am pleased to see the expansion of our international networks through the acquisition of Pacnet, which subject to regulatory and Pacnet financier approval, is expected to complete in the middle of the year. Once completed, this acquisition will increase the scale and capability of our fixed infrastructure, our network density and our reach across the Asia Pacific region, as well as our customer base and our capability.

"In August we acquired Ooyala, a leader in video streaming and analytics, increasing our ownership to 98.9 per cent. Through Ooyala we aim to establish a leading global company to deliver platforms and services on which the next generation of TV and video will be built," he said.

Mr Thodey said Telstra would continue to build new innovative offerings for Telstra's customers.

"We formally launched Telstra Health in October 2014 and increased our total investment in Health to more than \$100 million. This includes acquisitions and joint ventures to provide technology solutions in telemedicine, aged and residential care, hospital, radiology and pathology and will help us deliver a more integrated health system," he said.

Mr Thodey said Telstra continued its productivity drive, delivering improved revenues and capital expenditure efficiency.

"We have an extensive cost control program in place. While profitability has continued to improve we are still in the early stages of building out our new growth businesses and there is more work to do to achieve our long-term target margins. It is pleasing to see margins remain at a steady level across our core products," he said.

Mr Thodey said Telstra had signed the revised NBN Agreements in December 2014 preserving value for shareholders as we maintained the overall value of original agreements.

"As a result, our shareholders have been kept whole in terms of the transaction they approved in October 2011. As with the original agreements, the estimated value of the revised agreements is based on a range of dependencies and assumptions over the long term life of the agreements. We were pleased to have signed the planning and design contract with NBN Co," he said.

Mr Thodey said Telstra had continued to create shareholder value through capital and portfolio management during the first half of the financial year.

"We provided the market with external validation of the value of our subsidiary, Autohome, by optimising our equity holding in the company during the half, realising net proceeds of \$333m while maintaining a controlling interest. We completed our \$1 billion share buyback which was oversubscribed evidencing strong market support for this as an efficient way of returning capital to shareholders," he said.

In response to shareholder feedback, Telstra has announced the reactivation of the Dividend Reinvestment Plan (DRP), making it available from the Financial Year 2015 final dividend, payable in September 2015.

"We have listened to our many shareholders who told us they would like to see the DRP return. The reactivation of the DRP will provide our shareholders with an easy and cost effective way to increase their shareholding," Mr Thodey said.

Telstra expects shares allocated to participants under the DRP for the final dividend to be sourced through an on-market purchase and transfer of shares to participating shareholders.

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Outlook

Our guidance for financial year 2015 remains unchanged. In 2015 Telstra expects continued low single-digit income and EBITDA growth to offset the absence of CSL 2014 operating revenue and EBITDA.

As a result, and after excluding the \$561 million profit on sale of CSL in 2014, Telstra's income and EBITDA guidance for 2015 is broadly flat. Telstra expects 2015 free cashflow of between \$4.6 billion and \$5.1 billion and capital expenditure to be around 14 per cent of sales.

This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, the cost of acquisitions and spectrum purchases.

On 12 February 2015, the Directors of Telstra resolved to pay a fully franked interim dividend of 15 cents per share. Shares will trade excluding entitlement to the dividend on 25 February 2015 with payment on 27 March 2015.

ENDS

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1 – On a continuing operations basis

2 – Capital Expenditure excludes expenditure on spectrum, measured on an accrued basis