



16 March 2023

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ELECTRONIC LODGEMENT

– Telstra Corporation Limited (ACN 051 775 556)

Dear Sir or Madam

Telstra Corporation Limited – Financial Results half year ended 31 December 2022

On 1 January 2023 Telstra completed its corporate restructure. The corporate restructure, which was approved by shareholders and the Court in October 2022, saw the establishment of a new parent company, Telstra Group Limited, with four key subsidiaries.

In the new legal structure, the previous listed parent entity of the Telstra Group, Telstra Corporation Limited, operates the InfraCo Fixed business and has notes quoted on the ASX wholesale debt securities market as well as on SGX and LSE.

In accordance with the Corporations Act, Telstra Corporation Limited is required to lodge a directors' report and financial report for the half year ended 31 December 2022.

The attached financial report is substantially similar to the Telstra Group Limited financial report released on 16 February 2023, with adjustments made as a result of the corporate restructure. An explanation of this is included in the attached directors' report and note 3.3 of the attached financial report.

Authorised for lodgement by the Company Secretary.

Yours faithfully,

Sue Laver
Company Secretary

DIRECTORS' REPORT

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

Significant changes in the state of affairs – Telstra Group restructure

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

However, it was an important step in our drive to increase the transparency of our infrastructure assets and to improve management focus on our infrastructure and customer businesses, and consequently provide flexibility to create additional value for our shareholders.

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

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

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

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

On 30 November 2022, Telstra Corporation Limited transferred to Telstra Group Limited its investments in a number of controlled entities, including Telstra ESOP Trustee Pty Ltd, Telstra Finance Limited, Telstra Foundation Ltd, Telstra Growthshare Pty Ltd, Telstra Limited, and Telstra International Holdings Pty Ltd and their controlled entities.

On 30 November 2022, Telstra Group Limited became the sponsoring employer in our Telstra Superannuation Scheme, and Telstra Corporation Limited became an associated employer in Telstra Super.

Subsequent to the reporting date, on 1 January 2023, the final steps of the Restructure (including the business restructure component of the Scheme) were completed. Those steps involved Telstra Corporation Limited transferring the retail and active wholesale business assets and liabilities and related investments to Telstra Limited, and the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities. Telstra Corporation Limited also transferred its interest in Telstra Towerco No.2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited. As a result, Telstra Corporation Limited continues to operate the Telstra Group's passive fixed infrastructure business and services the nbn Definitive Agreements. From 1 January 2023, Telstra Corporation Limited as a provider of access to passive fixed infrastructure also recognises revenue and expenses from transactions with related parties, i.e. other entities within the Telstra Group.

As at 31 December 2022, assets and liabilities of the businesses and investments transferred on 1 January 2023 (and as part of the Restructure) have been presented as held for sale, and their financial results for the half-year ended 31 December 2022 (and the prior comparative period) have been presented as discontinued operations. Discontinued operations also include the financial results of Digicel Pacific Limited and its controlled entities (Digicel Pacific). On 30 November 2022, Digicel Pacific ceased to be controlled by Telstra Corporation Limited when Telstra Group Limited acquired the direct interest in Telstra International Holdings Pty Ltd from Telstra Corporation Limited. Substantially all external borrowings of Telstra Corporation Limited remained with Telstra Corporation Limited. Effective from 1 January 2023 debt guarantees in favour of holders of specified debt issued by Telstra Corporation Limited and any new debt issued by Telstra Group Limited have been put in place as detailed in note 6.3.3 of the 2023 half-year financial report.

Subsequent to the reporting date, Telstra Corporation Group accounted for the transfers as disposals and their impact has been reflected in the Telstra Corporation Group financial results as detailed in note 6.3.2 of the 2023 half-year financial report.

Refer to notes 3.3, 5.1 and 6.1 of the 2023 half-year financial report for further details about assets and liabilities held for sale and discontinued operations, changes in our group structure and for parent entity disclosures.

Review and results of operations

Following the implementation of the Scheme during the period and in accordance with Australian Accounting Standards, the results of operations for the Telstra Corporation Group have been presented in the income statement as continuing and discontinued operations.

Our continuing operations relate to the operation of the fixed passive network infrastructure including data centres, exchanges, ducts, pits and pipes and fibre network. We provide nbn co with long-term access to certain components of our infrastructure under the Infrastructure Services Agreement.

Total revenue (excluding finance income) from continuing operations increased by 3.4 per cent to \$691 million. This included growth in recurring nbn Definitive Agreement (DA) reflecting inflation linked price increases, offset by a decline in commercial and recoverable works revenue due to the initial nbn rollout nearing completion. Recurring nbn DA income includes infrastructure services across ducts, racks and fibre provided to nbn Co and income increased by 4.8 per cent to \$481 million.

Other income from continuing operations declined by 54.2 per cent to \$110 million including nbn connection income receipts from nbn Co for disconnecting customers from our legacy network. nbn connection income decreased by 76.1 percent to \$42m as the nbn migration nears completion.

Expenses from continuing operations decreased by 13.3 per cent to \$248m due to lower labour expenses.

Based on the movements described above, earnings before interest, income tax expense, depreciation and amortisation from continuing operations (EBITDA from continuing operations) decreased by 11.0 per cent to \$558 million.

Our discontinued operations related to our retail and active wholesale business, internal business and Amplitel towers business. Profit after tax from discontinued operations increased from \$681 million in the prior period to \$1,471 million in the current period. Refer to note 3.3 of the 2023 half year financial report for further details about the results from discontinued operations.

Dividend

Subsequent to the reporting date, the Directors of Telstra Corporation Limited resolved to pay a \$6 billion dividend to its parent entity, Telstra Group Limited, and on 31 January 2023, that payment was made.

Following the Restructure, the Board resolved to discontinue Telstra Corporation Limited's Dividend Reinvestment Plan (DRP) and transfer any residual balances to the new Telstra Group Limited DRP.

Directors

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

Director	Period of directorships
Brendon Riley	CEO, Telstra InfraCo since 1 October 2018, Chairman and Director since 1 January 2023
Douglas Rogerson	Director since 1 January 2023
Rachel Johnson-Kelly	Director since 1 January 2023
Kathryn Jones	Director since 1 January 2023
John P Mullen	Director since 2008, and Chairman since 2016, until 31 December 2022
Vicki Brady	Chief Executive Officer and Managing Director since 1 September 2022 until 31 December 2022
Andrew R Penn	Chief Executive Officer and Managing Director until 31 August 2022
Eelco Blok	Director since 2019 until 31 December 2022
Roy H Chestnutt	Director since 2018 until 31 December 2022
Craig W Dunn	Director since 2016 until 31 December 2022
Bridget Loudon	Director since 2020 until 31 December 2022
Elana Rubin	Director since 2020 until 31 December 2022
Nora L Scheinkestel	Director until 11 October 2022
Niek Jan van Damme	Director since 2018 until 31 December 2022

Auditor's Independence Declaration

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

Rounding of amounts

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

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

Brendon Riley
Chairman and CEO,
Telstra InfraCo
16 March 2023

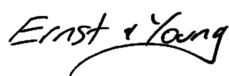
Douglas Rogerson
Director
16 March 2023

Auditor's Independence Declaration to the Directors of Telstra Corporation Limited

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

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

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



Ernst & Young



Sarah Lowe
Partner
16 March 2023

Financial report

for the half-year ended 31 December 2022



About this report

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

Telstra Corporation Limited is a 'for profit' company limited by shares and incorporated in Australia, whose shares ceased to be publicly traded on the Australia Securities Exchange (ASX) from 31 October 2022 as it became a wholly-owned controlled entity of Telstra Group Limited. The changes in ownership of Telstra Corporation Limited resulted from the Telstra Group restructure steps described in note 1.2.

As an issuer of debt instruments listed on the ASX, Singapore Stock Exchange and London Stock Exchange, Telstra Corporation Limited is a disclosing entity required to prepare bi-annual financial reports.

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

Reading the financials

Section introduction

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

Note and topic summary

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

Narrative table

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

Information panel

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

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Income Statement

For the half-year ended 31 December 2022

Telstra Corporation Group	Note	Half-year ended 31 Dec	
		2022	2021
		\$m	\$m
Continuing operations			
Income			
Revenue (excluding finance income)	2.2	691	668
Other income	2.2	110	240
		801	908
Expenses			
Labour		71	101
Net impairment losses on financial assets		-	1
Other expenses		177	184
		248	286
Share of net profit from joint ventures and associated entities		5	5
		243	281
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)		558	627
Depreciation and amortisation		253	321
Earnings before interest and income tax expense (EBIT)		305	306
Finance income	2.2	7	4
Finance costs		220	221
Net finance costs	4.3	213	217
Profit before income tax expense		92	89
Income tax expense		27	27
Profit for the period from continuing operations		65	62
Discontinued operations			
Profit for the period from discontinued operations	3.3	1,471	681
Profit for the period from continuing and discontinued operations		1,536	743
Profit for the period attributable to equity holders of Telstra Entity:			
- continuing operations		48	17
- discontinued operations		1,420	681
		1,468	698
Profit for the period attributable to non-controlling interests		68	45
		1,536	743

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

Statement of Comprehensive Income

Telstra Half-Year Financial Report

For the half-year ended 31 December 2022

Telstra Corporation Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Profit for the period from continuing and discontinued operations:		
Attributable to equity holders of Telstra Entity	1,468	698
Attributable to non-controlling interests	68	45
	1,536	743
Items that will not be reclassified to the income statement		
Retained profits		
Actuarial gain on defined benefit plans attributable to equity holders of Telstra Entity	42	74
Income tax on actuarial gain on defined benefit plans	(13)	(22)
Fair value of equity instruments reserve		
Share of other comprehensive income of equity accounted investments	(16)	(74)
Income tax on share of other comprehensive income of equity accounted investments	71	15
Foreign currency translation reserve		
Translation differences of foreign operations attributable to non-controlling interests	10	1
Translation differences of foreign operations attributable to non-controlling interests derecognised on disposal of controlled entities	(10)	-
	84	(6)
Items that may be subsequently reclassified to the income statement		
Foreign currency translation reserve		
Translation differences of foreign operations attributable to equity holders of Telstra Entity	22	29
Cash flow hedging reserve		
Changes in cash flow hedging reserve	(188)	100
Income tax on movements in the cash flow hedging reserve	56	(30)
Foreign currency basis spread reserve		
Changes in the value of the foreign currency basis spread	(15)	45
Income tax on movements in the foreign currency basis spread reserve	4	(14)
	(121)	130
Total other comprehensive income	(37)	124
Total comprehensive income for the period	1,499	867
Total comprehensive income for the period attributable to equity holders of Telstra Entity:		
- continuing operations	(66)	123
- discontinued operations	1,497	698
	1,431	821
Total comprehensive income for the period attributable to non-controlling interests	68	46

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

Statement of Financial Position

As at 31 December 2022

Telstra Corporation Group	Note	As at	
		31 Dec 2022	30 Jun 2022
		\$m	\$m
Current assets			
Cash and cash equivalents		8	1,040
Trade and other receivables and contract assets	3.2	944	4,074
Deferred contract costs		-	116
Inventories		34	476
Derivative financial assets	4.3	334	302
Current tax receivables		-	17
Prepayments		28	235
Assets classified as held for sale	3.3	30,495	-
Total current assets		31,843	6,260
Non-current assets			
Trade and other receivables and contract assets	3.2	287	861
Deferred contract costs		-	1,238
Inventories		3	28
Investments – accounted for using the equity method		408	814
Investments – other		-	15
Property, plant and equipment		9,225	20,485
Intangible assets		3	8,155
Right-of-use assets		140	2,926
Derivative financial assets	4.3	200	512
Deferred tax assets		-	60
Defined benefit asset		-	274
Total non-current assets		10,266	35,368
Total assets		42,109	41,628
Current liabilities			
Trade and other payables		229	4,189
Employee benefits		49	667
Other provisions		36	160
Lease liabilities		22	490
Borrowings	4.3	3,906	2,690
Derivative financial liabilities	4.3	15	-
Current tax payables		-	42
Contract liabilities and other revenue received in advance		67	1,622
Liabilities classified as held for sale	3.3	11,567	-
Total current liabilities		15,891	9,860
Non-current liabilities			
Other payables		-	233
Employee benefits		4	132
Other provisions		105	119
Lease liabilities		197	2,797
Borrowings	4.3	7,680	8,292
Derivative financial liabilities	4.3	317	305
Deferred tax liabilities		807	1,655
Defined benefit liabilities		-	10
Contract liabilities and other revenue received in advance		18	1,388
Total non-current liabilities		9,128	14,931
Total liabilities		25,019	24,791
Net assets		17,090	16,837

Statement of Financial Position (continued)

Telstra Half-Year Financial Report

As at 31 December 2022

Telstra Corporation Group	Note	As at	
		31 Dec 2022	30 Jun 2022
		\$m	\$m
Equity			
Share capital	4.2	2,900	3,098
Reserves		2,191	2,333
Retained profits		10,509	9,918
Equity available to Telstra Entity shareholders		15,600	15,349
Non-controlling interests		1,490	1,488
Total equity		17,090	16,837

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

Statement of Cash Flows

For the half-year ended 31 December 2022

Telstra Corporation Group	Note	Half-year ended 31 Dec	
		2022	2021
		\$m	\$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		12,532	12,441
Payments to suppliers and employees (inclusive of GST)		(9,500)	(8,937)
Government grants received for operating activities		161	173
Net cash generated by operations		3,193	3,677
Income taxes paid		(341)	(431)
Net cash provided by operating activities		2,852	3,246
Cash flows from investing activities			
Payments for property, plant and equipment		(1,132)	(1,210)
Payments for intangible assets		(738)	(416)
Capital expenditure (before investments)		(1,870)	(1,626)
Payments for shares in controlled entities (net of cash acquired)		(2,486)	(614)
Payments for equity accounted and other investments		(50)	(4)
Total capital expenditure (including investments)		(4,406)	(2,244)
Proceeds from sale of property, plant and equipment		78	61
Cash disposed from sale of shares in controlled entities		(100)	-
Proceeds from sale of equity accounted and other investments		52	158
Distributions received from equity accounted investments		28	38
Receipts of the principal portion of finance lease receivables		54	44
Government grants received for investing activities		21	8
Interest received		13	8
Settlement of hedges in net investments		(17)	-
Other		3	5
Net cash used in investing activities		(4,274)	(1,922)
Operating cash flows less investing cash flows		(1,422)	1,324
Cash flows from financing activities			
Proceeds from borrowings		5,010	309
Repayment of borrowings		(2,967)	(1,884)
Payment of principal portion of lease liabilities		(322)	(295)
Share buy-back		-	(571)
Purchase of shares for employee share plans		(21)	(5)
Finance costs paid		(275)	(285)
Dividends/distributions paid to non-controlling interests		(68)	(16)
Dividends paid to equity holders of Telstra Entity	4.1	(982)	(951)
Proceeds from issuance of equity-like instrument	5.1	923	-
Proceeds from the sale of units in a controlled trust		-	2,883
Net cash provided by/(used in) financing activities		1,298	(815)
Net (decrease)/increase in cash and cash equivalents		(124)	509
Cash and cash equivalents at the beginning of the period		1,040	1,125
Effects of exchange rate changes on cash and cash equivalents		4	14
Cash and cash equivalents at the end of the period	2.3	920	1,648

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

Statement of Changes in Equity

Telstra Half-Year Financial Report

For the half-year ended 31 December 2022

Telstra Corporation Group	Note	Share capital	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$m	\$m	\$m	\$m	\$m	\$m
Balance at 30 June 2022		3,098	2,333	9,918	15,349	1,488	16,837
Profit for the period		-	-	1,468	1,468	68	1,536
Other comprehensive income		-	(66)	29	(37)	-	(37)
Total comprehensive income for the period		-	(66)	1,497	1,431	68	1,499
Dividend	4.1	-	-	(982)	(982)	-	(982)
Transactions with Telstra Group Limited	4.2	(187)	-	-	(187)	-	(187)
Non controlling interest on acquisition		-	-	-	-	925	925
Non controlling interest on disposal		-	-	-	-	(940)	(940)
Transactions with non-controlling interests		-	-	-	-	(51)	(51)
Transfer of fair value of equity instruments reserve to retained earnings		-	(76)	76	-	-	-
Additional shares purchased		(21)	-	-	(21)	-	(21)
Share-based payments		10	-	-	10	-	10
Balance at 31 December 2022		2,900	2,191	10,509	15,600	1,490	17,090
Balance as at 30 June 2021		4,436	138	10,014	14,588	687	15,275
Profit for the period		-	-	698	698	45	743
Other comprehensive income		-	71	52	123	1	124
Total comprehensive income for the period		-	71	750	821	46	867
Dividend	4.1	-	-	(951)	(951)	-	(951)
Share buy-back (net of income tax)		(571)	-	-	(571)	-	(571)
Non-controlling interests from sale of units in a controlled trust and shares in a controlled entity		-	2,119	-	2,119	763	2,882
Transactions with non-controlling interests		-	-	-	-	(50)	(50)
Non controlling interest on disposal		-	-	-	-	3	3
Additional shares purchased		(5)	-	-	(5)	-	(5)
Share-based payments		9	-	-	9	-	9
Balance at 31 December 2021		3,869	2,328	9,813	16,010	1,449	17,459

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

Section 1. Basis of preparation

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

1.1 Basis of preparation of the half-year financial report

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

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

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

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

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

1.2 Telstra Group restructure

In our 2022 Annual Report, Telstra Group was defined as Telstra Corporation Limited and its controlled entities. During the half-year ended 31 December 2022 the composition and structure of the Telstra Group has changed and references to the Telstra Group should be considered in the context of those changes. This financial report has been prepared for Telstra Corporation Limited and its controlled entities as wholly-owned controlled entities of Telstra Group Limited.

As at 31 December 2022, the Telstra Group was defined as Telstra Group Limited and its controlled entities, with a separate financial report prepared for the Telstra Group.

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

However, it was an important step in our drive to increase the transparency of our infrastructure assets and to improve management focus on our infrastructure and customer businesses, and consequently provide flexibility to create additional value for our shareholders.

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

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

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

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

On 30 November 2022, Telstra Corporation Limited transferred to Telstra Group Limited its investments in a number of controlled entities, including Telstra ESOP Trustee Pty Ltd, Telstra Finance Limited, Telstra Foundation Ltd, Telstra Growthshare Pty Ltd, Telstra Limited, and Telstra International Holdings Pty Ltd and their controlled entities.

On 30 November 2022, Telstra Group Limited became the sponsoring employer in our Telstra Superannuation Scheme, and Telstra Corporation Limited became an associated employer in Telstra Super.

Subsequent to the reporting date, on 1 January 2023, the final steps of the Restructure (including the business restructure component of the Scheme) were completed. Those steps involved Telstra Corporation Limited transferring the retail and active wholesale business assets and liabilities and related investments to Telstra Limited, and the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities. Telstra Corporation Limited also transferred its interest in Telstra Towerco No. 2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited. As a result, Telstra Corporation Limited continues to operate the Telstra Group's passive fixed infrastructure business and services the nbn Definitive Agreements. From 1 January 2023, Telstra Corporation Limited as a provider of access to passive fixed infrastructure, also recognises revenue and expenses from transactions with related parties, i.e. other entities within the Telstra Group.

Section 1. Basis of preparation (continued)

1.2 Telstra Group restructure (continued)

As at 31 December 2022, assets and liabilities of the businesses and investments transferred on 1 January 2023 (and as part of the Restructure) have been presented as held for sale, and their financial results for the half-year ended 31 December 2022 (and the prior comparative period) have been presented as discontinued operations. Discontinued operations also include the financial results of Digicel Pacific Limited and its controlled entities (Digicel Pacific). On 30 November 2022, Digicel Pacific ceased to be controlled by Telstra Corporation Limited when Telstra Group Limited acquired the direct interest in Telstra International Holdings Pty Ltd from Telstra Corporation Limited. Substantially all external borrowings of Telstra Corporation Limited remained with Telstra Corporation Limited. Effective from 1 January 2023 debt guarantees in favour of holders of specified debt issued by Telstra Corporation Limited and any new debt issued by Telstra Group Limited have been put in place as detailed in note 6.3.3.

Subsequent to the reporting date, the Telstra Corporation Group accounted for the transfers as disposals and their impact has been reflected in the Telstra Corporation Group financial results as detailed in note 6.3.2.

Refer to notes 3.3, 5.1 and 6.1 for further details about assets and liabilities held for sale and discontinued operations, changes in our group structure and for parent entity disclosures.

1.3 Terminology used in our income statement

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

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

1.4 Key accounting estimates and judgements

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

1.4.1 COVID-19 pandemic

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

1.4.2 Summary of key management judgements

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

Key accounting estimates and judgements	Note	Page
Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income	2.2	16
Useful lives and residual values of tangible and intangible assets	3.1	18
Equity-like securities issued to the Australian Government	5.1	27

1.5 Other accounting policies

1.5.1 Changes in accounting policies

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

1.5.2 New accounting standards to be applied in future reporting periods

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

Section 2. Our performance

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



2.1 Segment information

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

We have a single operating and reportable segment.

2.1.1 Operating segments

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

As detailed in note 1.2, during the half-year ended 31 December 2022 a number of steps of the Restructure have been completed, and as detailed in note 3.3, we have classified relevant assets and liabilities as held for sale and presented the financial results of the Telstra Corporation Group as continuing and discontinued operations.

Taking into account all of these changes, we have concluded that Telstra Corporation Group operates as a single reportable segment, Telstra InfraCo, which includes the financial results of continuing operations and parts of the discontinued operations (i.e. business activities related to Amplitel and Active Wholesale products) as follows:

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

In our segment results, the 'Other' category includes financial results reported corporately which are not included in the segment result, for example nbn disconnection fees.

Telstra InfraCo single segment operates in one geographical area, Australia.

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.1 Operating segments (continued)

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

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

Nature of transaction	Description	Measurement basis	Impact on segment results
Transactions with external parties	Any transactions between any of the Telstra Corporation Group entities with: - an external counterparty, e.g. supplier or customer - any related party which is not controlled by the Telstra Corporation Group, i.e. it is not eliminated on consolidation.	Accounted for in accordance with the Australian Accounting Standards.	The effects of all transactions with external parties are included in the segment results.
Inter-company and internal transactions included in the segment results	Any transactions included in the segment results arising from: - inter-company legal agreements between entities controlled by the Telstra Corporation Group - internal arrangements for notional charges not governed by legal agreements. The notional internal charges are determined based on a variety of internally and externally observable inputs to reflect an arm's length basis.	Different measurement bases apply depending on the nature of transactions: - transactions related to the performance of our infrastructure assets are measured based on a 'management view', i.e. all charges earned/incurred are recognised as either income or expenses. Such recognition may differ from the requirements of the Australian Accounting Standards in a number of areas, for example lease accounting. - any transactions other than those described above are accounted for in accordance with the Australian Accounting Standards. Any transactions with discontinued operations, i.e. those included and excluded from the segment results, are eliminated on consolidation of the Telstra Corporation Group and presented as part of the discontinued operations in the statutory financial statements.	The effects of the transactions are included in the segment results and - depending on the nature of the transaction - either measured based on the management view or as accounted under the Australian Accounting Standards.

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results

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

Table A Telstra Corporation Group	Telstra InfraCo	Other	Subtotal	Elimina- tions	Total
	\$m	\$m	\$m	\$m	\$m
	Half-year ended 31 Dec 2022				
Active Wholesale - Mobility	183	-	183	-	183
Active Wholesale - Fixed	209	-	209	-	209
InfraCo Fixed	1,226	-	1,226	(500)	726
Amplitel	197	-	197	(166)	31
One-off nbn DA and connection	-	46	46	-	46
Other	3	29	32	-	32
Total management reported income	1,818	75	1,893	(666)	1,227
Inter-company and internal transactions included in the segment results	(666)	-	(666)	666	-
Total external income	1,152	75	1,227	-	1,227
External income from discontinued operations included in the segment results	(426)	-	(426)	n/a	(426)
Total external income from continuing operations	726	75	801	-	801
Share of net profit from equity accounted entities	-	5	5	-	5
EBITDA contribution	1,285	71	1,356	(321)	1,035
EBITDA contribution from discontinued operations included in the segment results	(477)	-	(477)	n/a	(477)
EBITDA contribution from continuing operations	808	71	879	(321)	558
Depreciation and amortisation from continuing operations					(253)
Telstra Corporation Group EBIT from continuing operations					305
Net finance costs from continuing operations					(213)
Telstra Corporation Group profit before income tax expense from continuing operations					92

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results (continued)

Table A (continued) Telstra Corporation Group	Telstra InfraCo	Other	Subtotal	Elimina- tions	Total
	\$m	\$m	\$m	\$m	\$m
	Half-year ended 31 Dec 2021				
Active Wholesale - Mobility	160	-	160	-	160
Active Wholesale - Fixed	252	-	252	-	252
InfraCo Fixed	1,183	-	1,183	(477)	706
Amplitel	179	-	179	(150)	29
One-off nbn DA and connection	-	182	182	-	182
Other	2	20	22	-	22
Total management reported income	1,776	202	1,978	(627)	1,351
Inter-company and internal transactions included in the segment results	(627)	-	(627)	627	-
Total external income	1,149	202	1,351	-	1,351
External income from discontinued operations included in the segment results	(443)	-	(443)	n/a	(443)
Total external income from continuing operations	706	202	908	-	908
Share of net profit from equity accounted entities	-	5	5	-	5
EBITDA contribution	1,150	198	1,348	(322)	1,026
EBITDA contribution from discontinued operations included in the segment results	(399)	-	(399)	n/a	(399)
EBITDA contribution from continuing operations	751	198	949	(322)	627
Depreciation and amortisation from continuing operations					(321)
Telstra Corporation Group EBIT from continuing operations					306
Net finance costs from continuing operations					(217)
Telstra Corporation Group profit before income tax expense from continuing operations					89

Section 2. Our performance (continued)

2.2 Income

Table A Telstra Corporation Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Continuing operations		
Revenue from contracts with customers	589	575
Revenue from other sources	102	93
Total revenue (excluding finance income)	691	668
Other income		
Net gain on disposal of property, plant and equipment and intangibles assets	68	55
nbn disconnection fees	42	176
Other miscellaneous income	-	9
	110	240
Total income (excluding finance income)	801	908
Finance income		
Finance income (excluding income from finance leases)	7	4
Total income	808	912

Revenue from other sources includes income from:

- customer contributions to extend, relocate or amend our network assets, where the customer does not purchase any ongoing services under the same (or linked) contract(s)
- our operating lease arrangements.

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

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue

Table B presents the disaggregated revenue from contracts with customers based on the nature and the timing of transfer of services and major products. No revenue from sale of goods was recognised from continuing operations.

We recognise revenue from contracts with customers when the control of services has been transferred to the customer. Revenue from sale of services is recognised over time.

Table B Telstra Corporation Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Continuing operations		
Revenue from contracts with customers disaggregated by:		
Nature and timing of transfer of goods and services		
Sale of services	589	575
Sale of goods	-	-
Other revenue from contracts with customers	-	-
	589	575
Major products		
InfraCo Fixed	560	555
Other	29	20
	589	575
Reconciliation to segment results		
Revenue from contracts with customers	589	575
Revenue from other sources	102	93
Other income	110	240
Total external income from continuing operations	801	908

In our single reportable segment of Telstra InfraCo, and as part of InfraCo Fixed product we recognised \$496 million (2021: \$492 million) revenue from transactions with a single external customer.

Revenue from other products includes income from sale of capacity on our remaining interest in hybrid coaxial cable.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers

We continued to generate revenue from continuing operations from customer contracts and agreements with nbn co described in note 2.2 to the financial statements in our 2022 Annual Report.

(a) Agreements with nbn co

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

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

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

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

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

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

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

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

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

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

Section 2. Our performance (continued)

2.3 Notes to the statement of cash flows

2.3.1 Cash and cash equivalents

Telstra Corporation Group	As at 31 Dec	
	2022	2021
	\$m	\$m
Cash at bank and on hand	8	448
Cash and cash equivalents classified as assets held for sale	912	-
Bank deposits and negotiable certificates of deposit	-	1,203
	920	1,651
Bank overdraft	-	(3)
Cash and cash equivalents in the statement of cash flows	920	1,648

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

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



3.1 Property, plant and equipment and intangible assets

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

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

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

3.1.1 Impairment assessment

(a) Goodwill

As at 31 December 2022, any goodwill has been classified as assets held for sale as it related to the disposal group disclosed in note 3.3.

(b) Telstra Entity ubiquitous telecommunication network

During the half-year ended 31 December 2022, an impairment assessment was performed at the level of our Telstra Entity ubiquitous telecommunications network CGU, which included both active and passive infrastructure assets. This was because assets which form part of the Telstra Entity ubiquitous telecommunications network, comprising the customer access network and the core network, were working together to generate independent cash inflows, and no one item of telecommunications equipment was of any value without the other assets to which it was connected to deliver our products and services. However, following the classification of active infrastructure assets as held for sale, as detailed in note 3.3 those assets have been measured at the lower of the carrying value of the disposal group and fair value less costs to sell. Our CGUs will be reassessed following the post-balance-sheet-date transfer of the disposal group described in note 3.3.

3.1.2 Depreciation and amortisation

Useful lives and residual values of tangible and intangible assets

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

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

The net effect of the assessment of useful lives of the assets supporting our continuing operations was a \$17 million decrease (2021: nil) in depreciation expense. There were no changes to amortisation expense (2021: nil).

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

3.2 Trade and other receivables and contract assets

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

Table A Telstra Corporation Group	As at	
	31 Dec 2022	30 Jun 2022
	\$m	\$m
Current		
Trade receivables from contracts with customers	274	2,755
Finance lease receivables	-	63
Accrued revenue	15	260
Other receivables	563	166
	852	3,244
Contract assets	92	830
	944	4,074
Non-current		
Trade receivables from contracts with customers	-	412
Finance lease receivables	-	112
Amounts owed by joint ventures and associated entities	160	132
Other receivables	4	47
	164	703
Contract assets	123	158
	287	861

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

Other current receivables include \$545 million (June 2022: nil) receivable from Telstra Group Limited for the sale of controlled entities under the Restructure steps completed prior to 31 December 2022, and arising under the tax funding agreement with Telstra Group Limited as a head of the Australian tax consolidated group. Other current receivables also include \$22 million (June 2022: nil) interest-bearing loans receivable from related parties.

3.2.1 Impairment of trade and other receivables and contract assets

As at 31 December 2022, trade and other receivables and contract assets were subject to impairment assessment using the individual approach.

We had concentration of credit risk from transactions with a single external customer, whose balance constituted 93 per cent of the total trade receivables from contracts with customers. This risk was assessed as low given the customer's external credit rating of AA.

3.3 Assets and liabilities held for sale and discontinued operations

3.3.1 Disposal group and discontinued operations

As detailed in note 1.2, a number of the Restructure steps have been completed by 31 December 2022, however, the final steps took place after the reporting date i.e. on 1 January 2023. On that day, Telstra Corporation Group transferred:

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

As a result, the assets and liabilities of the three businesses (referred to as Disposal Group) have been classified as assets and liabilities held for sale and measured at their carrying values, which were lower than their fair value less costs to sell. This also requires cessation of depreciation and amortisation from the date assets and liabilities are classified as held for sale. The financial results of the Disposal Group have been presented as discontinued operations. Discontinued operations also include the financial results of Digicel Pacific. Refer to note 5.1.2 for further details on Digicel Pacific.

Table A presents financial information related to the discontinued operations of the Disposal Group. Profit after tax on disposal of discontinued operations represents the disposal of Digicel Pacific and Telstra Limited, both of which were transferred before 31 December 2022.

Table A Disposal Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Revenue	10,557	9,835
Other income	166	145
Expenses	8,646	9,030
Profit before income tax expense	2,077	950
Income tax expense	646	269
Profit after income tax expense from discontinued operations	1,431	681
Gain on disposal of discontinued operations	40	-
Profit after tax on disposal of discontinued operations	40	-
Profit for the period from discontinued operations	1,471	681
Net cash provided by operating activities	1,977	2,770
Net cash used in investing activities	(4,213)	(1,842)
Net cash provided by financing activities	1,619	2,507
Net (decrease)/increase in cash and cash equivalents	(617)	3,435

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

3.3 Assets and liabilities held for sale and discontinued operations (continued)

3.3.1 Disposal group and discontinued operations (continued)

Table B presents the assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2022.

Table B Disposal Group	As at
	31 Dec 2022
	Total
	\$m
Current assets	
Cash and cash equivalents	912
Trade and other receivables and contract assets	3,384
Deferred contract costs	151
Inventories	682
Current tax receivables	17
Prepayments	240
Total current assets	5,386
Non-current assets	
Trade and other receivables and contract assets	662
Deferred contract costs	1,229
Inventories	23
Investments – accounted for using the equity method	376
Investments – other	18
Property, plant and equipment	11,553
Intangible assets	8,344
Right-of-use assets	2,855
Derivative financial assets	3
Deferred tax assets	46
Total non-current assets	25,109
Total assets	30,495
Current liabilities	
Trade and other payables	3,842
Employee benefits	48
Other provisions	97
Lease liabilities	493
Borrowings	112
Current tax payables	15
Contract liabilities and other revenue received in advance	1,590
Total current liabilities	6,197
Non-current liabilities	
Other payables	158
Employee benefits	12
Other provisions	8
Lease liabilities	2,536
Borrowings	89
Deferred tax liabilities	1,190
Defined benefit liabilities	11
Contract liabilities and other revenue received in advance	1,366

Table B Disposal Group	As at
	31 Dec 2022
	Total
	\$m
Total non-current liabilities	5,370
Total liabilities	11,567
Net assets	18,928

Table C presents reserves which - if the disposal was completed on 31 December 2022 - would have been reclassified to our income statement increasing a net gain on sale of the Disposal Group.

Table C Disposal Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Cumulative income recognised in other comprehensive income relating to non-current assets classified as held for sale		
Cash flow hedging reserve attributable to equity holders of Telstra Entity	2	7
Foreign currency translation reserve attributable to equity holders of Telstra Entity	102	65
Foreign currency translation reserve attributable to non-controlling interests	5	4
	109	76

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

3.3 Assets and liabilities held for sale and discontinued operations (continued)

3.3.1 Disposal group and discontinued operations (continued)

As disclosed above, the assets and liabilities of the Disposal Group have been classified as held for sale and its operations presented as discontinued operations. However, those assets and liabilities and results of operations did not include any transactions with controlled entities. This is because in accordance with the principles of consolidation, all transactions with controlled entities, i.e. those related to both continuing and discontinued operations, have been eliminated on consolidation of the Telstra Corporation Group. (i.e. they have not been grossed up between continuing and discontinued operations).

There were no significant transactions with controlled entities related to the continuing operations of the Telstra Corporation Group which have been eliminated on consolidation. However, from 1 January 2023, Telstra Corporation Limited as a provider of access to passive fixed infrastructure, recognises revenue and expenses from transactions with related parties, i.e. other entities within the Telstra Group.

Section 4. Our capital and risk management

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

4.1 Dividend

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

As the resolution for a \$6 billion dividend to Telstra Group Limited was passed on 29 January 2023, no provision had been raised as at 31 December 2022.

The table below provides details about the previous year final dividend paid during the half-year.

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

As detailed in note 1.2, on 31 October 2022, the shares of Telstra Corporation Limited were exchanged for shares in Telstra Group Limited.

On 31 January 2023, Telstra Corporation Limited paid to Telstra Group Limited, its parent entity, a dividend of \$6 billion.

In connection with the Restructure, the Board resolved to discontinue the Telstra Corporation Limited's Dividend Reinvestment Plan (DRP) and a new DRP was established by Telstra Group Limited. Any residual balances in the Telstra Corporation Limited DRP were transferred to the Telstra Group Limited DRP.

As at 31 December 2022, the \$6 billion dividend paid on 31 January 2023 had not been determined by the Board. Therefore, no provision for the dividend has been raised in the statement of financial position. A \$6 billion provision for the dividend payable has been raised as at 31 January 2023. There are no income tax consequences for the Telstra Corporation Group resulting from the resolution and payment of the dividend.

4.2 Equity

4.2.1 Share capital

Table A details components of our share capital balance.

Table A Telstra Corporation Group	As at	
	31 Dec 2022	30 Jun 2022
	\$m	\$m
Contributed equity	2,897	3,180
Shares held by employee share plans	-	(36)
Net services received under employee share plans	3	(46)
	2,900	3,098

(a) Contributed equity

As detailed in note 1.2, on implementation of the top hat component of the Restructure, eligible shareholders of Telstra Corporation Limited exchanged their shares in that company for shares in Telstra Group Limited. As a result, Telstra Group Limited became the parent entity of the Telstra Group, including Telstra Corporation Limited and its controlled entities.

As at 31 December 2022, there were 11,554,427,353 (June 2022: 11,554,427,353) fully paid ordinary shares of Telstra Corporation Limited on issue, which were wholly-owned by Telstra Group Limited.

(b) Shares held by employee share plans

On 30 November 2022, Telstra Corporation Limited transferred its investments in Telstra Growthshare Pty Ltd to Telstra Group Limited. As at 31 October 2022 (when shares were exchanged), the number of shares held by employee share plans totalled 12,585,314 shares of Telstra Corporation Limited.

Between 1 July 2022 and 31 October 2022, Telstra Growthshare Pty Ltd (the trustee of the Telstra Growthshare Trust that administers the Telstra Group's employee share schemes) purchased on-market 5,454,684 shares of Telstra Corporation Limited for the purposes of the employee incentive schemes for a total consideration of \$21 million and at the average price per share of \$3.90.

(c) Transactions with Telstra Group Limited

As a result of the Restructure steps completed between 31 October 2022 and 31 December 2022, Telstra Corporation Limited recognised a net \$187 million decrease in its share capital reflecting transactions with Telstra Group Limited, i.e. its immediate parent entity, which as the new parent entity of the Telstra Group assumed certain assets and liabilities related to share based payment arrangements, the tax consolidated group and the defined benefit plan.

Section 4. Our capital and risk management (continued)

4.3 Net debt

Net debt equals total interest-bearing financial liabilities and derivative financial instruments, less cash and cash equivalents.

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

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

Table A Telstra Corporation Group	As at	
	31 Dec 2022	30 Jun 2022
	\$m	\$m
Lease liabilities	(219)	(3,287)
Borrowings	(11,586)	(10,982)
Net derivative financial instruments	202	509
Gross debt	(11,603)	(13,760)
Cash and cash equivalents	8	1,040
Cash classified as assets held for sale	912	-
Net debt	(10,683)	(12,720)

No components of net debt are subject to any externally imposed capital requirements. We did not have any defaults or breaches under any of our agreements with our lenders during the half-year ended 31 December 2022.

Table B summarises the key movements in net debt during the period.

Table B Telstra Corporation Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Opening net debt at 1 July	(12,720)	(15,263)
Non-recourse borrowing facilities	(1,127)	-
Commercial paper (net)	(739)	258
Revolving bank facilities (net)	(1,950)	-
Debt repayments	1,782	1,626
Bilateral bank and other loans	(9)	(309)
Lease liability payments	322	295
Net cash (inflow)/outflow	(1,721)	1,870
Fair value (loss)/gain impacting:		
Equity	(184)	144
Other income/(expenses)	51	(2)
Finance costs	7	-
Other non-cash movements		
Lease liability (Telstra as a lessee)	(347)	(485)
Other loans	(52)	9
Loans disposed through sale of controlled entities	1,176	-
Reclassification to assets/liabilities held for sale	3,227	-
Total non-cash movements	3,878	(334)
Total decrease in gross debt excluding bank overdraft	2,157	1,536
Net (decrease)/increase in cash and cash equivalents net of bank overdraft (includes effects of foreign exchange differences)	(120)	523
Total decrease in net debt	2,037	2,059
Closing net debt at 31 December	(10,683)	(13,204)
Total equity	(17,090)	(17,459)
Total capital	(27,773)	(30,663)

Section 4. Our capital and risk management (continued)

4.3 Net debt (continued)

4.3.1 Bank facilities

Table C presents our total and undrawn committed bank facilities at balance dates. As at 31 December 2022, we had total available facilities of \$4,205 million, the majority of which were held by the Telstra Entity. After the reporting date, on 1 January 2023, \$305 million bank loan facilities were transferred from Telstra Corporation Group to other controlled entities of the Telstra Group as part of the Restructure.

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

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

4.3.2 Borrowings

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

Table D Telstra Corporation Group	As at 31 Dec 2022		As at 30 Jun 2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
Current borrowings				
Unsecured notes	1,744	1,742	2,035	2,033
Bank and other loans - unsecured	1,000	1,003	206	208
Commercial paper - unsecured	1,161	1,171	448	448
Other financial liabilities	1	1	1	1
	3,906	3,917	2,690	2,690
Non-current borrowings				
Unsecured notes	5,565	5,386	7,137	7,177
Bank and other loans - unsecured	1,699	1,710	739	751
Other financial liabilities	416	326	416	346
	7,680	7,422	8,292	8,274
Total borrowings	11,586	11,339	10,982	10,964

Unsecured notes comprise bonds and private placements.

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

Section 4. Our capital and risk management (continued)

4.3 Net debt (continued)

4.3.3 Finance costs

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

Table E Telstra Corporation Group	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Continuing operations		
Interest income	7	4
Total finance income	7	4
Interest expense on borrowings	(242)	(232)
Interest expense on lease liabilities	(2)	(1)
Gross interest on debt	(244)	(233)
Net gains on financial instruments included in remeasurements	21	10
	21	10
Interest capitalised	3	2
Total finance costs	(220)	(221)
Net finance costs	(213)	(217)

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

4.3.4 Fair value measurement

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

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

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

As at 31 December 2022, there were no financial instruments measured using level 1 or level 3 inputs which were not classified as held for sale.

The table below summarises the methods used to estimate the fair value of our financial instruments.

Level	Financial instrument	Fair value
Level 2: the lowest level input that is significant to the fair value measurement is directly (as prices) or indirectly (derived from prices) observable	Borrowings, cross currency and interest rate swaps	Valuation techniques maximising the use of observable market data. Present value of the estimated future cash flows using appropriate market-based yield curves, which are independently derived. Yield curves are sourced from readily available market data quoted for all major currencies.
	Forward contracts	Quoted forward rates at reporting date for contracts with similar maturity profiles.

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

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

Table F Telstra Corporation Group	As at 31 Dec 2022	As at 30 Jun 2022
	Level 2	Level 2
	\$m	\$m
Derivative financial assets	534	814
Derivative financial liabilities	(332)	(305)
Total	202	509

Section 4. Our capital and risk management (continued)

4.3 Net debt (continued)

4.3.5 Financial risk factors

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

The half-year financial report does not include all financial risk management information and disclosures required for the annual financial statements. For the management of interest risk rate risk, foreign currency risk and credit risk on our borrowing portfolio refer to note 4.5 to the financial statements in our 2022 Annual Report. There have been no material changes to these risk management policies since 30 June 2022.

Section 5. Our investments

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



5.1 Changes in the group structure

5.1.1 Changes due to the Telstra Group restructure

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

- Telstra Group Limited became the new parent entity of the Telstra Group on 31 October 2022
- Telstra Corporation Limited became a wholly-owned subsidiary of Telstra Group Limited on 31 October 2022
- The following controlled entities became wholly-owned subsidiaries of Telstra Group Limited and ceased to be controlled entities of Telstra Corporation Limited on 30 November 2022:
 - Telstra ESOP Trustee Pty Ltd
 - Telstra Finance Limited
 - Telstra Foundation Ltd
 - Telstra Growthshare Pty Ltd
 - Telstra International Holdings Pty Ltd
 - Telstra Limited.

Telstra Corporation Group recognised a \$40 million net gain on disposal of the legal entities transferred to Telstra Group Limited.

5.1.2 Current period acquisitions and disposals

During the half-year ended 31 December 2022 we have acquired a number of controlled entities, including Digicel Pacific Limited and its subsidiaries (Digicel Pacific) and Media Innovations Holdings Pty Ltd and its subsidiaries; and other individually immaterial businesses. On 30 November 2022, Digicel Pacific ceased to be controlled by Telstra Corporation Limited when Telstra Group Limited acquired the direct interest in Telstra International Holdings Pty Ltd from Telstra Corporation Limited. Details of the significant acquisitions have been disclosed below.

(a) Acquisition and disposal of Digicel Pacific

On 13 July 2022, we completed the acquisition of 100 per cent of the shares in Digicel Pacific.

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

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

Equity-like securities issued to the Australian Government

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

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

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

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

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

Section 5. Our investments (continued)

5.1 Changes in the group structure (continued)

5.1.2 Current period acquisitions and disposals (continued)

(a) Acquisition and disposal of Digicel Pacific (continued)

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

Table A Digicel Pacific	Half-year ended
	31 Dec 2022
	\$m
Consideration for acquisition	
Cash consideration	2,378
Contingent consideration	243
Total purchase consideration	2,621
Cash balances acquired	(30)
Contingent consideration	(169)
Outflow of cash on acquisition	2,422
Acquisition costs incurred included in other expenses in the income statement	15
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	30
Trade and other receivables	246
Inventories	11
Prepayments	15
Investments - accounted for using the equity method - NC	8
Property, plant and equipment	522
Right-of-use assets	52
Intangible assets	827
Trade and other payables	(108)
Employee benefits	(12)
Other provisions	(248)
Lease liabilities	(52)
Contract liabilities and other revenue received in advance	(55)
Deferred tax liabilities	(337)
Net assets	899
Adjustments to reflect non-controlling interests	(17)
Goodwill on acquisition	1,739
Total purchase consideration	2,621
Contributions to the Group's performance from acquisition date to 30 November 2022	
Income	292
Profit before income tax expense	50

On 30 November 2022, as one of the steps of the Restructure we disposed of Digicel Pacific as part of the transfer of Telstra International Holdings Pty Ltd and its controlled entities to Telstra Group Limited. We recognised a \$49 million net gain on that transfer.

The financial results of Digicel Pacific for the period from its acquisition to its disposal were included in the discontinued operations results disclosed in note 3.3.

(b) Acquisition of Fetch TV

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

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

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

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

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

Section 5. Our investments (continued)

5.1 Changes in the group structure (continued)

5.1.2 Current period acquisitions and disposals (continued)

(b) Acquisition of Fetch TV (continued)

The financial results of Fetch TV for the half-year ended 31 December 2022 were included in the discontinued operations results disclosed in note 3.3.

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

If all the acquisitions made during the half-year ended 31 December 2022 had occurred on 1 July 2022, our adjusted consolidated income from discontinued operations and consolidated profit before income tax expense from discontinued operations for the half-year would have been \$10,758 million and \$2,149 million respectively.

5.2 Investments in controlled entities

As at 31 December 2022, Telstra Corporation Group had a direct or indirect interest in over 210 subsidiaries with our international presence spanning over 30 countries. We had controlled entities with a presence in Australia, Asia, the South Pacific, New Zealand, Europe, Middle East and the United States of America. However, as disclosed in note 3.3, assets and liabilities of all of the international controlled entities and some domestic controlled entities have been classified as held for sale as at 31 December 2022. We conducted most of our business through the Telstra Entity and none of our controlled entities was individually material to the Group's EBITDA.

A complete list of the controlled entities of the Telstra Group as at 31 December 2022, including Telstra Corporation Group, is available in Appendix 4D - Half-year Report of Telstra Group Limited published online on 16 February 2023 at www.telstra.com/financial-results.

5.2.1 Deed of cross guarantee

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

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

- on 23 November 2022, a revocation deed was lodged with ASIC to revoke the Previous Deed. The revocation deed will take effect on 24 May 2023 (being the day following the expiration of six months from the date of lodgement with ASIC).
- on 23 November 2022, a new deed of cross guarantee (New Deed) was lodged with ASIC between Telstra Group Limited (as holding entity), Telstra Corporation Limited and certain of its wholly-owned subsidiaries, Telstra Limited and certain of its wholly-owned subsidiaries and Telstra International Holdings Pty Ltd and certain of its wholly-owned subsidiaries (together, Closed Group) and Telstra Finance Limited (as trustee). As at 31 December 2022, Telstra Corporation Limited and its wholly-owned controlled entities were members of the New Deed.

Section 6. Other information

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



6.1 Parent entity disclosures

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

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

Table A Telstra Entity	As at	
	31 Dec 2022	30 Jun 2022
	\$m	\$m
Statement of financial position		
Total current assets	33,606	5,821
Total non-current assets	11,202	41,512
Total assets	44,808	47,333
Total current liabilities	17,116	14,271
Total non-current liabilities	10,783	16,361
Total liabilities	27,899	30,632
Share capital	2,900	3,098
Cash flow hedging reserve	(110)	6
Foreign currency basis spread reserve	(18)	(8)
General reserve	201	202
Retained profits	13,936	13,403
Total equity	16,909	16,701

Table B Telstra Entity	Half-year ended 31 Dec	
	2022	2021
	\$m	\$m
Statement of comprehensive income		
Profit for the year	1,486	4,847
Total comprehensive income	1,388	5,000

As at 31 December 2022, the statement of financial position includes \$32,257 million assets and \$12,681 million liabilities classified as held for sale and measured at their carrying values, which are lower than their fair value less cost to sell.

6.1.1 Employee share plans

As detailed in note 1.2, on 30 November 2022, Telstra Corporation Limited transferred all of its shares in Telstra Growthshare Pty Ltd, the corporate trustee (the Trustee) for the Telstra Growthshare Trust, to Telstra Group Limited, so that Telstra Group Limited wholly owns Telstra Growthshare Pty Ltd. Active share plans are conducted through the Telstra Growthshare Trust.

As a result, Telstra Corporation Limited ceased to administer share plans of the Telstra Group, and changed the accounting for any such plans granted to its employees. When Telstra Group Limited grants its equity instruments to employees of Telstra Corporation Group, Telstra Corporation Limited (the subsidiary) records an expense, and a corresponding credit to equity. The credit to equity represents a capital contribution from Telstra Group Limited. Telstra Group Limited then records an increase in its investment in the subsidiary equivalent to the expense in the subsidiary, with a corresponding credit to equity.

6.1.2 Tax consolidated group

As detailed in note 1.2, on 31 October 2022, Telstra Group Limited replaced Telstra Corporation Limited as the new head entity in the Australian tax consolidated group. As a result, Telstra Corporation Limited has changed its accounting for income tax related balances to that of a member of a tax consolidated group.

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

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

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

Amounts receivable by Telstra Corporation Limited of \$79 million under the tax funding agreement are due in the next financial year upon final settlement of the current tax payable for the tax consolidated group.

Section 6. Other information (continued)

6.1 Parent entity disclosures (continued)

6.1.3 Telstra Superannuation Scheme (Telstra Super)

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

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

6.1.4 Contingent liabilities and contingent assets

(a) Investigations by regulators

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

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

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

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

(b) Indemnities, performance guarantees and financial guarantees

We have provided the following indemnities and performance guarantees through the Telstra Entity:

- indemnities to financial institutions to support bank guarantees to the value of \$263 million (June 2022: \$303 million) in respect of the performance of contracts
- indemnities and corporate guarantees to financial institutions and other third parties in respect of performance and other obligations of our controlled entities, with the maximum amount of our contingent liabilities of \$119 million (June 2022: \$118 million)
- letters of comfort to indicate support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions (including that the entity remains our controlled entity)
- during the financial year 1998, we resolved to provide IBM Global Services Australia Limited (IBMGSA) with guarantees issued on a several basis up to \$210 million as a shareholder of IBMGSA. During the financial year 2000, we issued a guarantee of \$68 million on behalf of IBMGSA. During the financial year 2004, we sold our shareholding in this entity. The \$68 million guarantee, provided to support service contracts entered into by IBMGSA and third parties, was made with IBMGSA bankers or directly to IBMGSA customers. As at 31 December 2022, this guarantee remains unchanged and \$142 million (June 2022: \$142 million) of the \$210 million guarantee facility remains unused. Upon sale of our shareholding in IBMGSA and under the deed of indemnity between shareholders, our liability under these performance guarantees has been indemnified for all guarantees that were in place at the time of sale. Therefore, the overall net exposure to any loss associated with a claim has effectively been offset.
- guarantees in favour of counterparties in respect of specified obligations under contracts executed under the International Swap and Derivatives Association (ISDA). As at 31 December 2022 there was no exposure as the outstanding amounts under these contracts were in an asset position of \$45 million. One of the guarantees has a \$20 million cap.
- Telstra Corporation Limited, Telstra Limited and Telstra Group Limited have entered into (i) a multi entity bank account set off facility; and (ii) banking services agreement, for their transactional banking requirements. A cross guarantee and indemnity has been provided by each of Telstra Corporation Limited, Telstra Group Limited and Telstra Limited in respect of amounts due and payable to the applicable bank counterparty under each of these arrangements.

Section 6. Other information (continued)

6.1 Parent entity disclosures (continued)

6.1.4 Contingent liabilities and contingent assets (continued)

(b) Indemnities, performance guarantees and financial guarantees (continued)

In addition, Telstra Group Limited has provided guarantees to nbn co in respect of payment obligations of Telstra Limited or Telstra Corporation Limited to nbn co up to a maximum of \$2.5 billion in respect of the Subscriber Agreement, and \$2.5 billion in respect of the Infrastructure Services Agreement. At the reporting date, the likelihood of any claims under these guarantees is considered remote.

(c) Other

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

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

6.1.5 Recognition and measurement

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

- investments in controlled entities, included within non-current assets, are recorded at cost less impairment of the investment value

6.2 Commitments and contingencies

6.2.1 Capital expenditure commitments

During the half-year ended 31 December 2022, our capital expenditure commitments decreased by \$938 million due to their reclassification to discontinued operations. As at 31 December 2021, the capital expenditure commitments related to our continuing operations totalled \$5 million.

6.2.2 Contingent liabilities and guarantees

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

Total bank guarantees to financial institutions issued by our controlled entities, with the maximum amount of our contingent liabilities of \$60 million (June 2022: \$114 million).

6.3 Events after reporting date

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

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

other than the following:

6.3.1 Dividend

The details of our dividend paid on 31 January 2023 are disclosed in note 4.1.

6.3.2 The final steps of the Telstra Group restructure

As described in note 3.3.1, on 1 January 2023 Telstra Corporation Limited disposed of the Disposal Group and transferred:

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

As a result, Telstra Corporation Limited will continue to operate the passive fixed infrastructure business and service the nbn Definitive Agreements. From 1 January 2023 Telstra Corporation Limited as a provider of access to passive fixed infrastructure also recognises revenue from related parties, i.e. other entities within the Telstra Group.

Telstra Corporation Group has recognised a \$9,281 million net gain on the transfer of the Disposal Group. The gain was determined on a provisional accounting basis and is subject to final valuations and other adjustments.

Table A provides details how the net gain on disposal has been determined.

Table A	As at
Telstra Corporation Group	1 Jan 2023
	\$m
Consideration on disposal	
Non-cash consideration on disposal	27,467
Cash and cash equivalents disposed	(912)
Total inflow on disposal	26,555
Assets/(liabilities) at disposal date	
Assets classified as held for sale (including cash disposed)	30,495
Liabilities classified as held for sale	(11,567)
Net assets classified as held for sale	18,928
Cash flow hedging reserve (net of income tax) reclassified to the income statement	(2)
Foreign currency translation reserve (net of income tax) reclassified to the income statement	(102)
Adjustment for non-controlling interests	(790)
Other adjustments	152
Net book value of assets disposed	18,186
Gain on disposal	9,281

In addition, on the transfer of the Disposal Group Telstra Corporation Group has transferred to retained earnings a \$2,076 million general reserve and a \$129 million fair value equity investments reserve related to the disposed investments.

Other adjustments related to inter-company balances which were part of the disposed assets and liabilities but were eliminated on consolidation of the Telstra Corporation Group.

Refer to notes 1.2, 3.3, 5.1 and 6.1 for further details about the Restructure, assets and liabilities of the Disposal Group held for sale, changes in our group structure and for parent entity disclosures.

Section 6. Other information (continued)

6.3 Events after reporting date (continued)

6.3.3 Contingent liabilities and contingent assets arising after reporting date

After the reporting date, the following guarantees have been put in place:

- a debt guarantee effective from 1 January 2023 in favour of holders of specified debt issued by Telstra Group Limited under which each of Telstra Limited and Telstra Corporation Limited guarantee all amounts due and payable but unpaid by Telstra Group Limited in respect of the guaranteed debt. Since 31 December 2022 guaranteed debt entered into by Telstra Group Limited comprised unsecured notes (A\$650 million bond issued 8 March 2023), commercial paper and derivatives covering cross currency swaps, interest rate swaps and forward foreign exchange contracts. The guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted (or similar) earlier, and, subject to certain applicable limitations and conditions, may also be released early in respect of the guarantee given by Telstra Corporation Limited.
- a guarantee in favour of a bank counterparty in respect of specified obligations under a contract executed under an ISDA was terminated by Telstra Corporation Limited and replaced with a guarantee from Telstra Group Limited.
- debt guarantees effective from 1 January 2023 in favour of holders of specified debt issued by Telstra Corporation Limited (including unsecured notes, bank loans, commercial paper and derivatives covering cross currency swaps, interest rate swaps and forward foreign exchange contracts) under which each of Telstra Group Limited and Telstra Limited guarantee all amounts due and payable but unpaid by Telstra Corporation Limited in respect of the guaranteed debt. The guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted (or similar) earlier, and, subject to certain applicable limitations and conditions, may also be released early in respect of the guarantee given by Telstra Group Limited.
- an internal indemnity arrangement in connection to bank guarantees procured from, and indemnities granted to, financial institutions to the value of \$263 million in respect of the performance of contracts.

Directors' Declaration

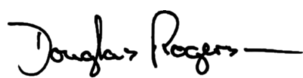
This Directors' Declaration is required by the *Corporations Act 2001*. The Directors of Telstra Corporation Limited have made a resolution that declared:

- (a) in the Directors' opinion, there are reasonable grounds to believe that Telstra Corporation Limited will be able to pay its debts as and when they become due and payable
- (b) in the Directors' opinion, the financial statements and notes of the Telstra Corporation Group for the half-year ended 31 December 2022 as set out on pages 1 to 33 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134: 'Interim Financial Reporting' and the Corporations Regulations 2001
 - (ii) giving a true and fair view of the financial position of the Telstra Corporation Group as at 31 December 2022 and of the performance of the Telstra Corporation Group, for the half-year ended 31 December 2022

For and on behalf of the board



Brendon Riley
Chairman and CEO,
Telstra InfraCo



Douglas Rogerson
Director

16 March 2023
Melbourne, Australia

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

Conclusion

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

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

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

Basis for conclusion

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

Directors' responsibilities for the half-year financial report

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

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

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

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



Ernst & Young



Sarah Lowe
Partner
Melbourne
16 March 2023