FINANCIAL HIGHLIGHTS
HALF YEAR ENDED 31 DECEMBER 2011

IT'S HOW
WE CONNECT

TELSTRA DELIVERS REVENUE, PROFIT AND CUSTOMER GROWTH; GUIDANCE CONFIRMED

SUMMARY FINANCIAL RESULTS

	H1 2012 ($m)	H1 2011 ($m)	YoY change
Sales revenue	**12,405**	12,263	1.2%
Total revenue	**12,419**	12,283	1.1%
Operating expenses	**7,751**	7,829	-1.0 %
EBITDA	**4,750**	4,580	3.7 %
Depreciation & Amortisation	**2,186**	2,204	-0.8 %
EBIT	**2,564**	2,376	7.9%
Net finance costs	**396**	571	-30.6%
Tax	**689**	598	15.2%
Attributable NPAT	**1,468**	1,194	22.9%
Accrued capital expenditure	**1,715**	1,451	18.2%
Free cash flow	**1,795**	2,020	-11.1 %

REPORTED RESULTS

- Total revenue increased by 1.1% or $136 million to $12,419 million
- EBITDA increased by 3.7% or $170 million to $4,750
- Net Profit After Tax increased by 22.5% to $1,479 million
- Capex to sales ratio of 13.8%, with accrued capital expenditure of $1,715 million
- Free cashflow of $1,795 million

RESULTS ON GUIDANCE BASIS*

- Total revenue increased by 1.2%
- EBITDA increased by 4.5%
- Dividend of 14 cents per share, fully franked

* Adjusted for LMobile impairment and ACCC Final Access Determination. The guidance basis has been subject to review by our auditors.

CEO MESSAGE

Telstra today announced that its strategy continues to deliver financial benefits. Results for the six months to 31 December 2011 show growth in revenue, EBITDA and net profit and strong growth in the number of customers. The company also confirmed guidance for fiscal 2012 and announced a 14 cent interim dividend.

"Last year we recorded one of our best years for customer growth. This momentum has continued into the first half of fiscal 2012," Chief Executive Officer David Thodey said.

"Our superior networks and competitive offers are being recognised and valued by new and existing customers. We are also seeing improvement in Telstra's customer service with TIO complaints down 24% over the year, though we still have more work to do," he said.

1 MILLION — NEW MOBILE CUSTOMERS IN AUSTRALIA AND HONG KONG

Telstra continued to attract new customers in the half year, adding:

- 958,000 domestic mobile customers, including 338,000 postpaid handheld and 436,000 mobile broadband customers
- 106,000 fixed broadband customers
- 166,000 T-Box® and T-Hub® services
- 206,000 customers on bundled multi-product plans, with the total bundled base now more than 1.2 million.
- 167,000 customers at CSL New World

Telstra's domestic mobile business delivered mobile revenue growth of 10.9% in the half to $4,393 million. Targeted offers and simplified processes have also helped to control costs.

In other key product categories, fixed line (PSTN) voice revenues declined by 9.0% to $2,489 million. Retail fixed broadband revenues increased by 5.8% to $835 million. IP Access revenues grew by 8.9% to $514 million.

In our strategic growth businesses:

- Network Applications and Services (NAS) revenue grew by 19.4% to $579 million as the company benefited from improved capabilities and major contract wins in the half.
- Telstra International includes our international managed services division (incorporating Reach), CSL New World and our Chinese digital media assets. Overall the portfolio achieved double-digit growth in the half and will be a key driver of growth for Telstra in the future.
- We established our new Digital Media business unit. Within this portfolio, Sensis sales revenue declined by 24.0% in the half to $528 million. First half results were impacted by the upfront costs of implementing the three year digital strategy and an acceleration in the decline of Yellow print revenues as the market evolved more rapidly than expected. Sensis' first half results were also impacted by the movement of the recognition of the Perth Yellow Pages book into the second half.

FINANCIAL HIGHLIGHTS – HALF YEAR ENDED 31 DEC 2011

REPORTED RESULTS

	H1 2012 YoY change	H2 2011 YoY change	H1 2011 YoY change	H2 2010 YoY change	H1 2010 YoY change
Sales revenue	**1.2%**	1.8%	-0.5%	-1.9%	-2.5%
Total revenue	**0.7%**	2.0%	0.2%	-1.6%	-2.9%
Operating expenses	**-1.0%**	3.0%	10.7%	-1.8%	-4.8%
EBITDA	**3.7%**	0.7%	-13.9%	-1.5%	-0.3%
Profit for the period	**22.5%**	-0.5%	-36.0%	-4.7%	-1.8%

Telstra's simplification programme remains on track to deliver incremental benefits in fiscal 2012 in excess of the $622 million delivered in fiscal 2011 and in the first half of the year achieved benefits of $456 million, driven by improved labour productivity and simplified processes.

NATIONAL BROADBAND NETWORK (NBN)

We believe we are close to finalising the NBN transaction. Shareholder approval of the National Broadband Network transaction at the company's Annual General Meeting in late 2011 was a key milestone. Telstra has now lodged a revised Structural Separation Undertaking for approval by the ACCC. The company is working towards satisfying this last key requirement and implementing its agreements with NBN Co and the Government.

OUTLOOK

"Our strategy is unchanged. We will continue to focus on improving customer satisfaction, growing customer numbers, simplifying the business and taking advantage of new growth opportunities." Mr Thodey said.

Telstra has confirmed fiscal 2012 guidance of low single digit revenue and EBITDA growth, with free cashflow of between $4.5 and $5.0 billion. In addition, the company expects capital expenditure to continue to be around 14% of sales. The NBN transaction is not expected to have a material impact on Telstra's underlying financial results in fiscal 2012.

As announced in October 2011, it is the company's intention to maintain a 28 cent fully-franked dividend for fiscal 2012 and 2013. This is subject to the Board's normal approval process for dividend declaration and there being no unexpected material events.

Telstra's Board has re-affirmed its intention to consider a broader capital management strategy upon implementation of the NBN agreements, following ACCC acceptance of Telstra's Structural Separation Undertaking.

GUIDANCE SUMMARY*

Measure	Fiscal 2012 Guidance
Sales revenue	Low single digit growth
EBITDA	Low single digit growth
Capex/sales	14%
Free cashflow	$4.5 - $5.0 billion
Dividend	28c fully franked

* Guidance assumes wholesale product price stability, no further impairments to investments and excludes any proceeds on the sale of businesses.

REPORTED RESULTS

Results for the first half of the year were in line with our expectations despite the difficult macro economic backdrop. Sales revenue rose by 1.2% to $12,405 million in the first half of fiscal 2012. Total revenue rose by 1.1% to $12,419 million.

Operating Expenses (before depreciation and amortisation) in the half decreased by 1.0% or $78 million to $7,751 million. This compares favourably to the first half of fiscal 2011 when the company undertook a number of strategic investments to improve customer satisfaction, acquire customers and simplify the business.

Labour expenses in the half increased by 5.6% to $2,099 million. This was driven by higher salary and associated costs and includes a $126 million impact from increases in the valuation of employee provisions as a result of the lower bond rate, offset by lower redundancy charges which fell by 48.4% to $83 million. Excluding the bond rate impacts, total labour costs declined in the half.

Directly variable costs (DVCs) or goods and services purchased increased by 0.4% to $3,161 million. This supports the growth in sales revenue in the half.

Other expenses decreased by 7.5% or $202 million to $2,491 million with a reduction in service contracts as we continue to simplify the business and a lower impairment charge compared to the prior period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 3.7% to $4,750 million, with EBITDA margins increasing by 1.0 percentage point to 38.3%.

Depreciation and Amortisation declined by 0.8% to $2,186 million, while Earnings before interest and tax (EBIT) increased by 7.9% to $2,564 million.

Finance costs decreased by 30.6% to $396 million largely as a result of fair value adjustments.

Reported profit after tax to controlling interests increased by 22.9% to $1,468 million. Basic earnings per share (EPS) increased by 22.9% from 9.6 cents to 11.8 cents.

Free cashflow of $1,795 million was generated in the half. Accrued capital expenditure was $1,715 million in the half, or 13.8% of sales.

On 9 February 2012, the Directors of Telstra resolved to pay a fully franked interim dividend of 14 cents per share. Shares will trade excluding entitlement to the dividend on 20 February 2012 with payment on 23 March 2012.

FINANCIAL HIGHLIGHTS – HALF YEAR ENDED 31 DEC 2011

SEGMENT PERFORMANCE

KEY SEGMENT INCOME

	H1 2012 ($m)	H1 2011 ($m)	YoY change
Telstra Consumer & CountryWide	5,187	4,929	5.2%
Telstra Business	2,365	2,378	-0.5 %
Telstra Enterprise & Government	2,099	2,015	4.2%
Total Customer Sales & Service	9,651	9,322	3.5%
Telstra Wholesale	1,069	1,126	-5.1%
Sensis	528	680	-22.4%

From 1 August 2011, Telstra's retail sales and customer service workforce was unified into a single business unit - Telstra Customer Sales & Service. This initiative was introduced to sharpen the company's focus on the customer. The business unit is responsible for sales and service to all segments including consumer, business, enterprise and government customers.

Telstra Consumer and Country Wide reported strong growth across all product categories which led to an increase in total income of 5.2% to $5,187 million. Momentum was also strong in Telstra Enterprise and Government where income grew by 4.2% to $2,099 million following strong growth in mobiles, IP Access and NAS revenue. Total income in Telstra Business declined by 0.5% to $2,365 million as the segment experienced challenging macro economic conditions. Telstra Wholesale reported a decline in total income of 5.1% as growth in Unconditioned Local Loop (ULL) continued to put pressure on resale revenue.

PRODUCT PERFORMANCE

KEY PRODUCT REVENUE

	H1 2012 ($m)	H1 2011 ($m)	YoY change
Mobile	4,393	3,963	10.9%
Fixed	4,534	4,827	-6.1%
IP Access and Data Services	901	891	1.1%
NAS	579	485	19.4%

MOBILE

The benefits from the investments we have made in mobile customer growth is reflected in strong mobile revenue growth of 10.9% in the half. 958,000 customers were also added in the six months to 31 December 2011.

10.9% MOBILE REVENUE GROWTH

Mobile services revenue grew by 10.0%, the strongest growth in six halves, while mobile hardware revenue was up 15.7% to $655 million. While we continue to refresh mobile plans to remain competitive, our superior network coverage and reliability continues to be recognised by our customers.

FIXED (PSTN AND BROADBAND)

The continued popularity of our bundled offers (many of which include the Telstra T-Hub and T-Box) and competitive broadband plans led to growth in fixed retail broadband revenue (including hardware) of 5.8% this half to $835 million. The growth in fixed retail broadband customers was also strong with 106,000 added in the half.

106,000 NEW FIXED BROADBAND CUSTOMERS

Total PSTN revenue declined by 9.0% during the half to $2,489 million. This decline is consistent with previous periods and is a result of lower usage across all calling categories. There was a 136,000 net decline in PSTN lines during the half compared to 163,000 lines in the second half of fiscal year 2011. However, local call revenue fell by 21.1% and national long distance revenue declined by 13.9%, an acceleration on the prior half.

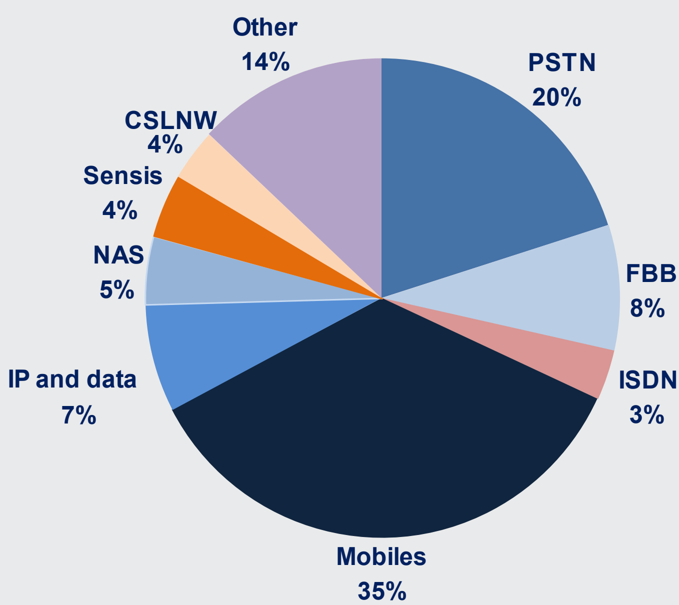
IP ACCESS & DATA SERVICES

IP Access and Data Services revenue increased by 1.1% to $901 million. Within this category, growth in IP Access revenue offset the decline from legacy technologies. IP Access revenue grew by 8.9% or $42 million to $514 million.

NETWORK APPLICATIONS & SERVICES (NAS)

Growth in our NAS business has accelerated, increasing by 19.4% to $579 million. It remains a strategic growth driver for Telstra. We have a dedicated business unit for network applications and services to ensure we continue to grow this business profitably.

H1 2012 PRODUCT REVENUE BREAKDOWN



Growth in the half was driven by unified communications and managed data networks. Telstra acquired iVision Pty Ltd in March 2011. Revenue from this business contributed $34 million to total NAS revenue in the half.

We have signed a number of major customers to our NAS offerings, including Origin Energy and SA Health.

INTERNATIONAL

Telstra International is focussed on Asia and is predominantly made up of the Asian Reach network assets, the CSL New World mobile business in Hong Kong and a number of online businesses in China.

Since the completion of the Reach acquisition last year we have undertaken a significant expansion of our presence across the region, with new carrier licences in India, Singapore and Japan to support our corporate customers. Overall, our Telstra International revenues grew by 19.8% to $823 million on a reported basis, and 11.4% to $765 million after adjusting for intercompany revenue as a result of the Reach transaction.

CSL New World grew revenue by 2.8% to $436 million and added 167,000 new customers in the half.

DIGITAL MEDIA AND SENSIS

In the half we announced the establishment of a Digital Media business unit to drive growth from our media assets and manage the transition to digital at our Sensis directories business.

Within the Digital Media portfolio, Sensis is in the first year of implementing its three year digital strategy. Since launching the strategy in March 2011, it has made progress in restructuring its operations to adapt to the challenges of the directories market. First half results were impacted by the upfront costs of the restructuring and an acceleration in the decline of Yellow print revenues as the market evolves more rapidly than expected. As previously indicated, Sensis first half results were also impacted by the movement of the recognition of the Perth Yellow Pages book to the second half. This has put pressure on Sensis' first half results, with income declining by 24.1% and EBITDA declining by 54.9%. Adjusting for the timing of the Perth Yellow Pages, Sensis total income declined by 16.5% and EBITDA declined by 38.6%.

FINANCIAL POSITION

CAPITAL EXPENDITURE AND CASH FLOW

Capital expenditure increased by 18.2% to $1,715 million in the half. The capital programme has also been smoothed across the year to improve the efficient use of resources.The increase was driven by capacity upgrades due to the growing demand for wireless data and spend on new initiatives to support emerging opportunities.

Free cashflow of $1,795 million was generated in the half. This is a fall of $225 million on the prior corresponding period as the proceeds of the SouFun sale were received in the first half of last fiscal year.

DEBT POSITION

The net debt position at 31 December 2011 was $14,098 million. This represents an increase of $503 million over the past six months. Our effective interest rate (or average borrowing cost) on average net debt for the first half of fiscal 2012 was 6.95% and for the first half of fiscal 2011, 6.94%. A number of successful borrowings in the period lengthened our debt maturity profile. These included a €750 million /$A1,002 million 10.5 year bond issue in November and a SFr 225m/A$252m seven year borrowing in December.