16 February 2017

Office of the Company Secretary

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The Manager

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Australian Securities Exchange
4th Floor, 20 Bridge Street
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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Corporation Limited - Financial results for the half-year ended 31 December 2016 – CEO/CFO Analyst Briefing Presentation and Materials

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

a) a presentation;

b) CEO and CFO speeches;

c) Telstra's Half-Year Results and Operations Review; and

d) financial and statistical tables.

Telstra will conduct an analyst briefing on the half-year results from 9.15am AEDT and a media briefing from 11.00am AEDT. The briefings will be broadcast live by webcast at https://www.telstra.com.au/aboutus/investors/financial-information/financial-results.

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

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

Yours faithfully

Damien Coleman
Company Secretary

Half year 2017 results

16 February 2017

Disclaimer

These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in Telstra's Annual Report dated 11 August 2016 lodged with the ASX and available on Telstra's Investor Centre website www.telstra.com/investor.

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

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

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

All amounts are in Australian Dollars unless otherwise stated.

Agenda

1	Half year 2017 results	Andrew Penn
2	Financial results	Warwick Bray
3	Strategic update	Andrew Penn
4	Q&A	Andrew Penn, Warwick Bray

Half year 2017 results

Reported Total income $13.7 billion, -0.7%	Guidance basis[1] Total income $13.7 billion, -0.7%	Guidance and ex-MTAS & FAD[2] Total income $13.7 billion, +2.2%
Reported EBITDA $5.2 billion, -1.6%	Guidance basis[1] EBITDA $5.4 billion, +1.7%	Guidance and ex-MTAS & FAD[2] EBITDA $5.4 billion, +2.4%
Continuing operations NPAT $1.8 billion, -11.8%	EPS 14.8 cents, -14.0%	Interim dividend 15.5 cents per share

1. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout is in accordance with the nbn Corporate Plan 2016. Guidance excludes the Ooyala impairment in FY16 and restructuring costs in FY17 of $300m to $500m.
2. Guidance and ex-MTAS & FAD is on a guidance basis and adjusting 1H16 for MTAS and FAD impacts of $400m sales revenue, $362m operating expenses and $38m EBITDA. Fixed Line Services FAD became effective on 1 November 2015, MTAS FAD became effective from 1 January 2016 and DTCS FAD became effective on 21 April 2016.

Half year 2017 results

Retail mobile customer growth of 200,000

Retail fixed bundle growth of 124,000

$2.1 billion capex - equivalent to 16.0% of sales

Increase in data usage since December 2015:

Mobile network: **~39%**

Fixed network: **~51%**

Telstra Air: **~10x**

$1.5 billion returned to shareholders via share buy backs

nbn market share[1] of 51% with 292,000 new nbn connections

NAS income growth of 18.0% with 6pp improvement in EBITDA margin

Underlying core fixed costs declined 2.6%

Recognised as Australia's most valuable brand

Strategic NPS 8 points lower compared to December 2015

1. Excluding satellite.

Capital allocation strategy review

In November 2016 we announced our intention to review our capital allocation strategy over a 6-12 month period

We will take into account:
- nbn payments
- balance sheet structure and settings
- longer term capex requirements post rollout of the nbn
- investment decisions including M&A criteria
- returns to shareholders including dividends, buy-backs and other forms of returns

Since November we have been consulting with shareholders and we will continue to do so

Overriding and consistent feedback to date from our shareholders highlights the importance of retaining a strong balance sheet through the nbn transition period and against the backdrop of a competitive operating environment

We remain committed to retain balance sheet settings consistent with an A band credit rating

The capital allocation review is ongoing and we will communicate further with the market in due course

Half year 2017 results

Warwick Bray, Chief Financial Officer

Agenda

1	Group results
2	Product performance
3	Expenses and productivity
4	Capital management
5	Guidance

Group results – Income Statement

	1H16[1]	1H17	GROWTH (reported basis)	GROWTH (guidance basis[2])	GROWTH (guidance and ex-MTAS & FAD[3])
Sales revenue[4]	$13.2b	$12.8b	-3.4%	-3.4%	-0.4%
Total income[4]	**$13.8b**	**$13.7b**	**-0.7%**	**-0.7%**	**2.2%**
Operating expenses	$8.5b	$8.5b	-0.1%	-2.2%	2.2%
EBITDA	**$5.3b**	**$5.2b**	**-1.6%**	**1.7%**	**2.4%**
Depreciation and amortisation	$2.0b	$2.2b	10.7%		
EBIT	**$3.2b**	**$2.9b**	**-9.3%**		
Net finance costs	$0.3b	$0.3b	-18.4%		
Income tax expense	$0.9b	$0.9b	0.1%		
NPAT from continuing operations	**$2.0b**	**$1.8b**	**-11.8%**		
Profit from discontinued operations	$0.1b	-	n/m		
NPAT from continuing and discontinued operations	**$2.1b**	**$1.8b**	**-16.4%**		
Basic earnings per share (cents)	**17.2**	**14.8**	**-14.0%**		

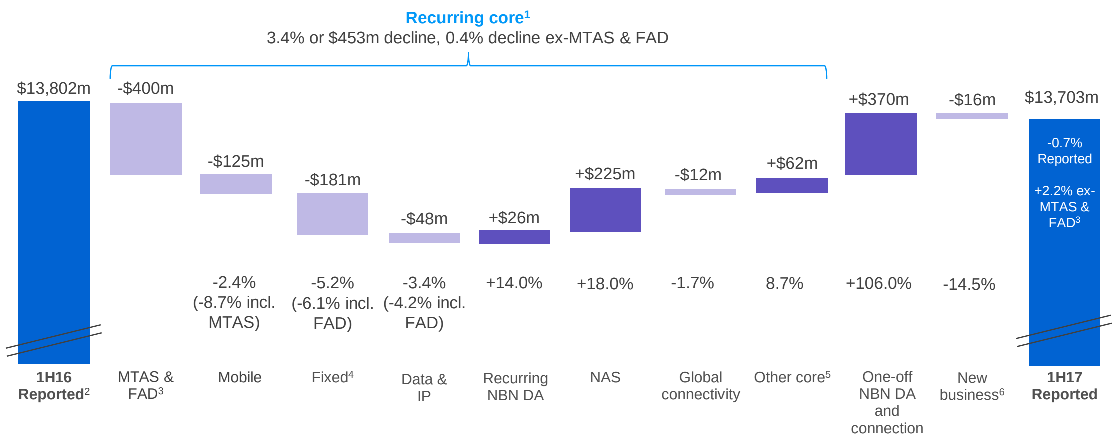
1. 1H16 reclassified to reflect Autohome being a discontinued operation.
2. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout is in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excludes externally funded capex. Guidance excludes the Ooyala impairment in FY16 and restructuring costs in FY17 of $300m to $500m.
3. Guidance and ex-MTAS & FAD is on a guidance basis and adjusting 1H16 for MTAS and FAD impacts of $400m sales revenue, $362m operating expenses and $38m EBITDA. Fixed Line Services FAD became effective on 1 November 2015, MTAS FAD became effective from 1 January 2016 and DTCS FAD became effective on 21 April 2016.
4. Sales revenue excludes other revenue. Total income excludes finance income.

Group results – financial measures

	1H16	1H17	GROWTH (reported basis)	1H17 (guidance basis[1])
Capex[2]	$2.1b	**$2.1b**	-1.1%	
Free cashflow	$1.9b	**$1.4b**	-28.2%	**$1.6b**
DPS (cents)	15.5	**15.5**	-	
Ratios				
Capex to sales[2]	15.2%	**16.0%**	+0.8pp	
Payout ratio	90%	**105%**	+15pp	
ROE[3]	28.5%	**23.6%**	-4.9pp	
ROIC[4]	14.2%	**12.4%**	-1.8pp	

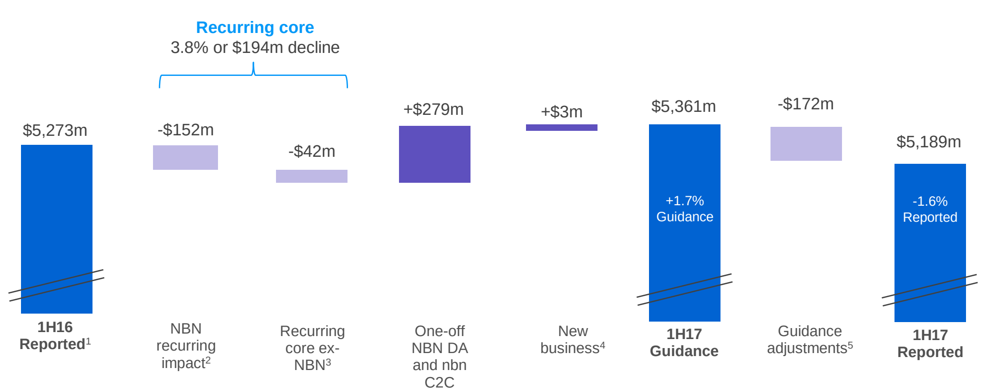
1. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout is in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excludes externally funded capex. Guidance excludes the Ooyala impairment in FY16 and restructuring costs in FY17 of $300m to $500m.
2. Capex is defined as additions to property, equipment and intangible assets including capital lease additions, excluding expenditure on spectrum, measured on an accrued basis. Capex excludes externally funded capex.
3. ROE is calculated at PATMI from continuing operations as a percentage of equity. ROE from continuing and discontinued operations 1H17 23.6% (1H16 29.4%).
4. ROIC is calculated as NPAT from continuing operations as a percentage of total capital. ROIC from continuing and discontinued operations 1H17 12.4% (1H16 15.0%).

Product framework - income performance



1. Refer to supporting product income slide for 1H16 and 1H17 detailed income performance.
2. 1H16 reclassified to reflect Autohome being a discontinued operation.
3. MTAS and FAD income impacts across mobile $356m, fixed $32m and data & IP $12m.
4. Fixed excludes one-off NBN connection revenue 1H17 $33m (1H16 $11m) and includes TUSOPA income 1H17 $80m (1H16 $112m). NBN connection revenue included in one-off NBN DA and connection.
5. Other core includes distribution from Foxtel, media, nbn commercial works (sale of assets) and other miscellaneous income.
6. New business includes Telstra Health, Telstra Software Group and Telstra Ventures.

Product framework - EBITDA performance



1. 1H16 reclassified to reflect Autohome being a discontinued operation.
2. NBN recurring impact identified across fixed products and recurring NBN DA income. Other recurring NBN impacts not identified across remaining core (including data & IP).
3. Remaining core includes mobile, data & IP, NAS, global connectivity and other core (including distribution from Foxtel, media, nbn commercial works (sale of assets) and other miscellaneous income).
4. New business includes Telstra Health, Telstra Software Group and Telstra Ventures.
5. Guidance adjustments mostly reflect a portion of restructuring costs in FY17 of $300-$500m.

Product EBITDA performance

EBITDA	1H16[1]	1H17	GROWTH	GROWTH
Mobile	$2,128m	$2,065m	-$63m	-3.0%
Fixed excl. nbn C2C[2,3]	$1,725m	$1,561m	-$164m	-9.5%
Recurring NBN DA	$165m	$177m	$12m	7.3%
Data & IP	$893m	$817m	-$76m	-8.5%
NAS	$27m	$117m	$90m	333.3%
Global connectivity	$127m	$140m	$13m	10.2%
Other core[4]	$69m	$63m	-$6m	-8.7%
Recurring core	**$5,134m**	**$4,940m**	**-$194m**	**-3.8%**
One-off NBN DA and nbn C2C[3]	$228m	$507m	$279m	122.4%
New business[5]	-$89m	-$86m	$3m	3.4%
Total Guidance	**$5,273m**	**$5,361m**	**$88m**	**1.7%**
Less guidance adjustments	-	$172m	$172m	n/m
Total Reported	**$5,273m**	**$5,189m**	**-$84m**	**-1.6%**

NBN recurring impact -$152m

Recurring core ex-NBN -$42m

1. 1H16 reclassified to reflect Autohome being a discontinued operation.
2. Fixed excludes one-off NBN connection revenue 1H17 $33m (1H16 $11m) and includes TUSOPA income 1H17 $80m (1H16 $112m).
3. Fixed excludes nbn cost to connect (C2C) 1H17 $180m (1H16 $102m). nbn C2C represented against "One-off NBN DA and nbn C2C".
4. Other core includes distribution from Foxtel, media, nbn commercial works (sale of assets) and other miscellaneous income.
5. New business includes Telstra Health, Telstra Software Group and Telstra Ventures.

Product performance: Mobile

Mobile	1H16	2H16	1H17	GROWTH (on PCP and 2H16)	
Revenue[1]	$5,524m	$4,914m	**$5,043m**	-8.7%	2.6%
Mobile services	$4,403m	$3,959m	**$3,971m**	-9.8%	0.3%
- Postpaid handheld	$2,706m	$2,679m	**$2,681m**	-0.9%	0.1%
- Prepaid handheld	$495m	$464m	**$502m**	1.4%	8.2%
- Mobile broadband	$639m	$591m	**$545m**	-14.7%	-7.8%
- Machine to Machine	$60m	$72m	**$68m**	13.3%	-5.6%
- Other[2]	$503m	$153m	**$175m**	-65.2%	14.4%
Hardware	$1,121m	$955m	**$1,072m**	-4.4%	12.3%
EBITDA Margin	$2,128m 39%	$2,256m 46%	**$2,065m** **41%**	-$63m +2pp	-$191m -5pp
Customers – retail	16.9m	17.2m	**17.4m**	3.1%	1.2%
Postpaid handheld ARPU ex. MRO	$69.03	$67.82	**$67.26**	-2.6%	-0.8%
Postpaid handheld ARPU inc. MRO	$61.38	$60.08	**$59.46**	-3.1%	-1.0%
Postpaid handheld churn	10.7%	11.6%	**12.0%**	+1.3pp	+0.4pp

1. 1H16 revenue restated to exclude $2m in other mobile revenue now included in global connectivity.
2. Other includes wholesale resale, satellite and interconnection.

Mobile revenue decline of 2.4% on PCP ex-MTAS. **Mobile services revenue** growth of 0.3% against 2H16

Retail mobile net adds 1H17 of 200,000, including 79,000 postpaid handheld

Postpaid handheld ARPU decline with growth in MMC offset by lower out of bundle revenue. 1H17 ARPU stabilising against 2H16

Postpaid handheld churn decreased on 2H16 excluding 2G network closure impact

Prepaid handheld revenue growth due to increased ARPU and unique users

Mobile broadband revenue decline due to increased sharing of data through handsets

Hardware revenue decline on PCP due to lower volumes partially offset by higher customer contributions

EBITDA margin flat against PCP excluding margin benefit from MTAS. Compared to 1H17, 2H16 margin benefited from a one-off

Product performance: Fixed

Fixed	1H16	1H17	GROWTH
Revenue[1,2]	$3,416m	**$3,257m**	-4.7%
Fixed voice	$1,772m	**$1,606m**	-9.4%
Fixed data	$1,254m	**$1,276m**	1.8%
Other fixed[2,3]	$390m	**$375m**	-3.8%
EBITDA – fixed voice Margin	$955m 54%	**$809m 50%**	-$146m -4pp
EBITDA – fixed data Margin	$518m 41%	**$439m 34%**	-$79m -7pp
Fixed voice customers – retail	5.9m	**5.5m**	-5.2%
Fixed data customers – retail	3.3m	**3.5m**	6.2%
Fixed bundle customers – retail	2.6m	**2.8m**	10.9%

Fixed data revenue growth with 90,000 retail net adds 1H17 partly offset by lower ARPU and wholesale revenue. Fixed data 2.4% growth ex-FAD

Single-digit retail **fixed voice** revenue decline with continued focus on retention and momentum from bundling

Retail **bundles** continue to perform well, with 1H17 124,000 growth including from popularity of 'Best Bundle Ever' and recently launched 'Hottest Entertainment Bundle'

85% of fixed data customers are now on a **bundled plan**

nbn connections grew by 292,000 to 792,000 at 51% market share (ex-satellite)

The number of activated customers on **Telstra Air** increased by over 400,000 to 1,579,000

Fixed margins include upfront costs in connecting our nbn customers and growing network payments to nbn co

1. Fixed revenue includes one-off NBN connection revenue 1H17 $33m (1H16 $11m) and excludes non sales revenue income from TUSOPA 1H17 $80m (1H16 $112m).
2. 1H16 revenue restated to exclude $148m other fixed revenue now included in global connectivity.
3. Other fixed revenue includes intercarrier services, platinum services, payphones and customer premises equipment.

Product performance: Data & IP

Data & IP	1H16	1H17	GROWTH
Revenue[1]	$1,434m	**$1,374m**	-4.2%
IP access	$583m	**$577m**	-1.0%
ISDN	$312m	**$279m**	-10.6%
Other data & calling products	$539m	**$518m**	-3.9%
EBITDA Margin	$893m 62%	**$817m 59%**	-$76m -3pp
IP MAN SIOs	37k	**44k**	18.9%
IP WAN SIOs	113k	**111k**	-1.8%

Data & IP revenue down 3.4% ex-FAD in a declining market amid competitive pricing pressures

IP access decline reflects decreasing yield from increased competitive pressure, offsetting growth in IP MAN customer connections

IP MAN revenue up 1.0% with growth in services partly offset by decreasing yield. Services in operation up 18.9% reflecting customer wins and continuing demand for IP value added services.

ISDN reflects decline from migration to IP access, NAS and nbn

EBITDA margin impacted by yield trends in the IP market and revenue decline

1. 1H16 revenue restated to exclude $480m data & IP revenue now included in global connectivity.

Product performance: NAS

NAS	1H16	1H17	GROWTH
Revenue[1]	$1,250m	**$1,475m**	18.0%
Managed network services	$293m	**$285m**	-2.7%
Unified communications	$398m	**$392m**	-1.5%
Cloud services	$111m	**$157m**	41.4%
Industry solutions	$360m	**$562m**	56.1%
Integrated services	$88m	**$79m**	-10.2%
EBITDA Margin	$27m 2%	**$117m** **8%**	+$90m +6pp
NAS revenue by segment[2]			
Business	$313m	**$349m**	11.5%
GES	$937m	**$1,126m**	20.2%

NAS continued double digit revenue growth across Business and GES including commercial works and cloud services

Revenue growth across managed network services, unified communications and integrated services impacted by achievement of significant delivery milestones in 1H16

Managed network services annuity growth in security services

Unified communications annuity growth in TIPT and Cisco UC products

Cloud growth facilitated by consulting professional services and key acquisitions

Industry solutions growth including nbn commercial works

EBITDA margin improvement due to ongoing operational leverage, scalable standardised offerings and a lower cost delivery model

1. 1H16 revenue restated to exclude $86m NAS revenue now included in global connectivity
2. Business including Telstra Business and Telstra Consumer. GES including nbn commercial works (products and services) in Telstra Operations segment.

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Product performance: Global connectivity

Global connectivity ($ amounts in AUD)	1H16	1H17	GROWTH	GROWTH (in local currency)
Revenue[1,2]	$714m	**$699m**	-2.1%	2.6%
Fixed	$148m	**$141m**	-4.7%	-0.5%
Data & IP	$480m	**$466m**	-2.9%	1.1%
NAS and other	$86m	**$92m**	7.0%	16.0%
EBITDA Margin	$127m 18%	**$140m** **20%**	+$13m +2pp	16.4%

Revenue growth impacted by currency appreciation. Growth in local currency due to customers continuing to positively respond to the combination of the Pacnet network and the Telstra brand

Fixed revenue marginal decline as yield pressure has been offset by targeted volume growth

Data & IP revenue growth achieved in Internet and Ethernet services for OTT customers

NAS revenue growth in managed services and unified communications due to the launch of additional offerings

EBITDA improvement due to the continued delivery of synergies and productivity

1. 1H16 revenue restated to include global connectivity from across fixed, data & IP, NAS and other.
2. Global connectivity revenue excludes non sales revenue income 1H17 $5m (1H16 $2m) including from the sale of assets.

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Product performance: Media - Foxtel

Foxtel ($ amounts in AUD under Australian IFRS)	1H16	1H17	GROWTH
Revenue	$1,660m	**$1,623m**	-2.2%
EBITDA[1]	$434m	**$372m**	-14.3%
EBIT[1,2]	$277m	**$234m**	-15.5%
Total subscribers[3]	2,884k	**2,822k**	-2.1%
Broadcast churn	10.2%	**15.6%**	+5.4pp
Receipts in Telstra's books[5]			
Distribution received	$37m	**-**	n/m
Cable access revenue	$58m	**$51m**	-12.1%

Decline in **total subscribers** due to wind down of T-Box and announced closure of Presto

Foxtel Play launched on Telstra TV late 2016

Broadcast subscribers[4] were flat year-on-year, despite higher broadcast churn

Lower **EBITDA** due to lower revenue and increased investment in programming

Higher broadcast **churn** mostly due to increased use of no fixed-term contract offers in FY16

Lower **distributions** due to focus on debt management

Lower **cable access revenue** due to lower access rate

1. Excludes unusual cost items (1H16 $5m; 1H17 $6m) and impairment associated with the closure of Presto.
2. Excludes share of profits/(loss) from associates (1H16 ($3m); 1H17 $0.7m).
3. Total subscribers includes Presto paying subscribers as at 31 December 2016. The Presto service closed on 31 January 2017.
4. Broadcast subscribers represent active residential subscribers receiving the Foxtel service via cable/satellite and a connected set-top-box (excluding Foxtel on T-Box).
5. Excludes interest received and Telstra Wholesale revenue received from Foxtel.

Product performance: Media

Media entertainment services and content	1H16	1H17	GROWTH
Revenue[1]	$418m	**$471m**	12.7%
Foxtel from Telstra	$350m	**$390m**	11.4%
Other	$68m	**$81m**	19.1%
Foxtel from Telstra subscribers	660k	**748k**	13.3%
Telstra TV devices in market[2]	43k	**622k**	n/m

Strong revenue growth due to performance of both Foxtel from Telstra and Telstra TV

Foxtel from Telstra revenue growth due to 88,000 subscriber additions in the past twelve months

622,000 Telstra TV devices in market. Telstra TV is the fastest growing streaming device in Australia, contributing to majority of growth in other media revenue

Mobile content subscribers and bundled customers increased across AFL, NRL and Apple Music

1. Total media revenue excludes cable access revenue and distribution received from Foxtel.
2. Telstra TV devices in market is defined as cumulative sales.

NBN DA and commercial works

Income	1H16	1H17	GROWTH
Income	$636m	**$1,057m**	66.2%
Commonwealth agreements and other Govt. policy commitments[1]	$118m	**$90m**	-23.7%
Recurring ISA: duct, rack and backhaul[2]	$186m	**$212m**	14.0%
nbn commercial works – sale of assets[3]	-	**$79m**	n/m
One-off NBN DA	$332m	**$676m**	103.6%
- ISA: Ownership receipts[2]	$101m	**$141m**	39.6%
- PSAA[4]	$231m	**$535m**	131.6%
nbn commercial works – products and services[3]	$104m	**$311m**	199.0%

Strong growth in **one-off PSAA and Infrastructure Services Agreement** (ISA) receipts in line with the progress of the nbn rollout

Decrease in receipts from the **Commonwealth agreements** due to timing

Increase in **recurring ISA** due to the nbn rollout

nbn commercial works – products and services revenue provided through contracts outside of NBN DA including:

- HFC Delivery Agreement
- Copper Sub-Loop (CSL) Maintenance Services Agreement and Operations and Maintenance Master Agreement
- Network planning and design

1. This includes retraining and income from government grants under the Retraining Deed and Telstra Universal Service Obligation Performance Agreement (TUSOPA). TUSOPA included as other income in "All other" segment 1H17 $80m (1H16 $112m). TUSOPA is run by Department of Communications and the Arts and the income is net of the levy paid.
2. Infrastructure Services Agreement (ISA) included in Telstra Wholesale segment. Recurring ISA included as other sales revenue. One-off ISA included as other income, including ownership receipts for assets transferred under the NBN Definitive Agreement (DA).
3. nbn commercial works revenue included in the Telstra Operations segment. nbn commercial works – products and services revenue is recognised as NAS sales revenue.
4. This includes income from nbn disconnection fees (Per Subscriber Address Amount (PSAA)) included as other income and recognised in "All other" segment.

Operating expenses

Operating expenses	1H16[1]	1H17	GROWTH	
Core sales costs[2]	$3,838m	$3,598m	-$240m	-6.3%
Core fixed costs	$4,369m	$4,353m	-$16m	-0.4%
- Underlying	$3,531m	$3,439m	-$92m	-2.6%
- NAS labour and corporate[3]	$838m	$914m	$76m	9.1%
New business costs[4]	$196m	$177m	-$19m	-9.7%
One-off NBN DA and nbn C2C	$121m	$212m	$91m	75.2%
Total Guidance	**$8,524m**	**$8,340m**	**-$184m**	**-2.2%**
Guidance adjustments[5]	-	$172m	$172m	n/m
Total Reported	**$8,524m**	**$8,512m**	**-$12m**	**-0.1%**

Core sales costs growth 3.5% net of MTAS. Net sales cost growth including increased nbn access payments

On track against productivity cost targets with **underlying core fixed** decline of $92m or 2.6%

New business costs declined due to cost management and AUD currency appreciation

Increased **nbn cost to connect** (C2C) due to nbn rollout. Cost per connection reduced by around 35%

1. 1H16 reclassified to reflect Autohome being a discontinued operation.
2. Core sales costs excludes goods and services purchased associated with new business and nbn Cost to Connect.
3. NAS labour and corporate costs include significant transactions and events associated with NAS commercial works and labour, global connectivity costs, and corporate items.
4. New business includes Telstra Health, Telstra Software Group and Telstra Ventures.
5. Guidance adjustments mostly reflect a portion of restructuring costs in FY17 of $300-$500m.

Capital management

		1H16	FY16	1H17
Gross debt[1]		$16.2b	$16.0b	**$16.0b**
Liquidity		$2.2b	$3.6b	**$1.2b**
Net debt		$14.1b	$12.5b	**$14.8b**
Average gross borrowing costs[2]		5.6%	5.6%	**5.4%**
Average debt maturity (years)		4.6	4.8	**4.3**
Financial parameters	**Comfort Zones**			
Debt servicing[3]	1.3 - 1.8x	1.3x	1.2x	**1.4x**
Gearing[3]	50% to 70%	48.7%	43.9%	**50.4%**
Interest cover[3]	>7x	13.8x	13.0x	**14.7x**

Gross debt remains largely flat with no new long-term debt issuance in 1H17

The FY16 increase in **liquidity** includes proceeds from the sale of Autohome. 1H17 decrease in liquidity mostly reflects buy-backs and payment of dividend

Reduction in **average gross borrowing costs** includes the ongoing benefit of lower cost term debt issuance and the favourable impact from lower market rates on the floating component of our portfolio

Financial parameters remain at the conservative end of our comfort zones. Our comfort zones will remain unchanged during the period of our capital allocation review

1. Represents position after hedging based on accounting carrying values. Gross debt comprises borrowings and derivatives.
2. Represents gross interest cost on gross debt.
3. Debt servicing calculated as net debt over EBITDA. Gearing calculated as net debt over total net debt and equity. Interest cover calculated as EBITDA over net interest expense (excluding capitalised interest).

FY17 guidance[1]

Measure	FY16 BASELINE	FY17 GUIDANCE
Total income	$27.1b	mid to high-single digit[2]
EBITDA	$10.7b	low to mid-single digit
Capex to sales	15.2%	~18%
Free cashflow	$4.8b	$3.5b - $4.0b

1. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout is in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excludes externally funded capex. Guidance excludes the Ooyala impairment in FY16 and restructuring costs in FY17 of $300m to $500m.
2. We expect that full year FY17 income growth will be at the bottom end of our mid to high-single digit range.

Half year 2017 results

Andrew Penn, Chief Executive Officer

Our purpose, vision and strategy

Purpose:	To create a brilliant connected future for everyone		
Vision:	To be a world class technology company that empowers people to connect		
Brand:	To create better ways to empower everyone to thrive in a connected world		
Strategic pillars:	Deliver brilliant customer experiences	Drive value and growth from the core	Build new growth businesses close to the core
Strategic enablers:	Networks for the future	Deliver a seamless end to end usage experience across our networks and build the network 2020 architecture	Strategic investment of up to $3 billion from FY17 – FY19
	Digitisation	Digitise our systems and processes to enable brilliant customer experiences and simplify our ways of working	
	Culture and capabilities	Build and enhance priority capabilities and drive critical cultural shifts	

Delivering brilliant customer experiences

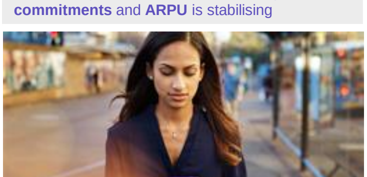
Strategic NPS 8 points lower compared to December 2015 including network outage impact on our Corporate customers in June

Positive trends in Strategic NPS and Episode NPS for our Consumer customers in last 6 months

Great network experience	Easier to deal with	Creating value for customers	Price certainty & peace of mind
Telstra Gateway Frontier Hybrid technology for the home bringing a more reliable broadband connection by switching to 4G mobile – also up to four times faster than previous entry level gateways	**Flexible delivery options** ~165,000 customers have already taken advantage of our delivery options, choosing the day, time and alternative address for their hardware deliveries	**Go Mobile Swap** Our new lease plan gives customers greater flexibility to upgrade their phones after 12 months	**International Roaming** Travel pass pricing simplified to two zones: New Zealand, all other eligible countries
	**Easier Self-Installations** Simplified instructions and new modem firmware are delivering a seamless plug-and-play connection for ~90% of ADSL self-install customers and 78% of nbn customers	**Telstra TV devices: ~622,000 and growing** Customers can access streaming video on demand services and digital channels	**Unlimited Std International Calls** Top 10 destinations in Prepaid $40+ and Postpaid $95+
		Exclusive content Customers now enjoy subscriptions to AFL, NRL and Netball content in their plans and data-free	**Premium Service Protection** A double opt-in system now protects our customers from surprising additional charges incurred through third parties

Driving value and growth from the core

We continue to grow our customer numbers amid a very competitive market

Mobile	Fixed	Data & IP and NAS
Mobile ▲ 79,000 retail postpaid services ▲ 39,000 retail prepaid unique users	**Fixed** ▲ 292,000 nbn connections ▲ 124,000 retail bundle growth ▲ 90,000 retail fixed broadband customers	**Data & IP and NAS**
Launched **Pixel** smartphone through an exclusive partnership with Google in Australia	Faster streaming speeds and a stronger Wi-Fi signal for new home internet bundles through the **Telstra Gateway Max 2** modem	**Launched Data Centre Interconnect** allowing customers to connect to 30 data centres globally
Continued growth in **minimum monthly commitments** and **ARPU** is stabilising	**nbn** market share of 51% (excluding satellite) with strong demand from our customers as the rollout scales up	Acquisitions of Kloud and Readify, have reinforced our credentials as a leading provider of **enterprise Microsoft products in Australia** bringing more than 250 specialist enterprise software developers to Telstra
	Over 1.5 million customers are activated to use the 750,000 national hotspots of **Telstra Air**	**NAS EBITDA margin improvements** reflecting operational efficiencies through increased scale and automating more of our service delivery
	Challenger internet brand **Belong** now has over 120,000 customers with more than 50,000 on nbn	

We have a clear strategy to differentiate through the quality of our networks, innovative product design and new customer experiences

Driving value and growth from the core (continued)

Our productivity program is reducing our core fixed costs offsetting inflation and reinvestment

Underlying **core fixed cost decline** of $92 million or 2.6% compared to 1H16

Productivity **improvements** include:
- Automating the scheduling and dispatch process for customer appointments
- Removing manual steps for business and enterprise sales improving the turn around time by 60% for some customers
- Removing older plans from our IT systems improving the average system response time for customers

The core of our business is built around the quality of our networks

4G coverage to over 98% of the population through 6,400 4G sites

Telstra has built out **additional network infrastructure 4GX** which has doubled peak network speeds for up to 75% of customers with speeds up to 300 Mbps

Additional 36 mobile base stations through Round 1 of the **Mobile Blackspots Program,** as of today bringing us to around 100 sites in service, en route to our contracted total of 429 sites

2G network switched off freeing up spectrum and infrastructure capacity with immediate cost benefits being realised across power and lifecycle maintenance

Building new growth businesses close to the core

We need to invest in the capabilities that will enable us to be successful as technology and telecommunications continue to converge

New Businesses

Launch of **Smart Home** with starter kits including "watch and monitor" and "automation and energy"

Telstra Health is integrating technological capabilities and using them to deliver new services including the National Cancer Screening Register

Our tech advice and support service **Telstra Platinum** now has ~265,000 customers growing by 32% in the past six months

The **Neto eCommerce** platform is well positioned to support the 300,000 small to medium sized business customers who are forecast to establish an online presence by 2020

Telstra Ventures investments:
- AttackIQ
- Headspin
- NS1

Remediation plan in progress for **Ooyala** which is aimed to reposition the company in the sector

Global

We will outperform our planned cost synergies for **Pacnet** and will achieve the previously announced run rate target of A$65m by end of FY17, one year ahead of schedule

Our joint venture in Indonesia, **telkomtelstra,** now has more than 7,000 Managed Network Services sites under contract

Customer wins including:
- $243 million contract with DFAT covering 160 sites
- IPVPN services to 281 sites across the Asia-Pacific for a food and agriculture multinational
- Broadcast services for 47 international Women's Tennis Association tournaments

Strategic investment update

The strategic investment of up to $3 billion in digitisation and networks for the future will further enhance our leadership position and deliver better experiences for our customers		
Strategic investment of up to $3 billion: (FY17-FY19)	• Investing in the networks for the future (more than $1.5 billion) • Digitisation (approximately $1 billion) • Other improvements to customer experience (up to $500 million)	
Financial benefits:	• Return on up to $3 billion extra capex will target run-rate benefits >$500 million per annum (2/3 revenue, 1/3 cost) fully realised by FY21 • Targeting aggregate returns in excess of our FY16 ROIC (~14%), consistent with guidelines for organic investments	
Customer experience benefits:	• Deliver a seamless, simple and integrated customer experiences • Achieve a step change in our sales and service experience	
Investment objectives:	Networks for the future	Digitisation
	• Build platform for the networks for the future • Reinforce network differentiation	• Enable digital experiences – all forms of interactions between Telstra and our customers • Transform the IT environment
1H17 Progress:	• Launched world's **first commercial Gigabit capable LTE network** and device (Nighthawk M1) in partnership with Ericsson, Qualcomm and Netgear to deliver world leading speeds and provide early insights into 5G like experiences • Improved **ADSL** speeds for more than 500,000 customers	• Rolled out the first tranche of **Digital capabilities** in a new stack retiring 21 applications • Launched a cross company approach on **Agile/DevOps** capability • Deployed new solutions for agents **consolidating nine nbn interfaces** into one, to reduce average handling time and improve first time resolution

Summary

We achieved strong growth in new customers across our portfolio and made good progress on our productivity program

Competitive dynamics and the acceleration of the nbn rollout have had an economic impact

We continue to execute in a changing environment and are moving forward with our strategic investment plan

We remain in a very strong capital position and will continue to review our capital allocation strategy

Q&A

Supporting material

1	Product income
2	Product operating expenses
3	Business unit results

Product framework - income

Income	1H16[1]	1H17	GROWTH (reported basis)	GROWTH (reported basis)	GROWTH (ex-MTAS & FAD[2])
Mobile	$5,524m	$5,043m	-$481m	-8.7%	-2.4%
Fixed excl. nbn C2C[3]	$3,517m	$3,304m	-$213m	-6.1%	-5.2%
Recurring NBN DA	$186m	$212m	$26m	14.0%	
Data & IP	$1,434m	$1,374m	-$60m	-4.2%	-3.4%
NAS	$1,250m	$1,475m	$225m	18.0%	
Global connectivity	$716m	$704m	-$12m	-1.7%	
Other core[4]	$716m	$778m	$62m	8.7%	
Recurring core	**$13,343m**	**$12,890m**	**-$453m**	**-3.4%**	**-0.4%**
One-off NBN DA and nbn connection	$349m	$719m	$370m	106.0%	
New business[5]	$110m	$94m	-$16m	-14.5%	
Total Guidance and Reported	**$13,802m**	**$13,703m**	**-$99m**	**-0.7%**	**2.2%**

1. 1H16 reclassified to reflect Autohome being a discontinued operation.
2. Growth ex-MTAS & FAD is adjusting 1H16 for MTAS and FAD impacts across mobile $356m, fixed $32m and data & IP $12m.
3. Fixed excludes one-off NBN connection revenue 1H17 $33m (1H16 $11m) and includes TUSOPA income 1H17 $80m (1H16 $112m).
4. Other core includes distribution from Foxtel, media, nbn commercial works (sale of assets) and other miscellaneous income.
5. New business includes Telstra Health, Telstra Software Group and Telstra Ventures.

Product framework - operating expenses

Operating expenses	1H16[1]	1H17	GROWTH (reported basis)	GROWTH (reported basis)	GROWTH (ex-MTAS & FAD[2])
Mobile	$3,396m	$2,978m	-$418m	-12.3%	-1.8%
Fixed excl. nbn C2C[3]	$1,792m	$1,743m	-$49m	-2.7%	
Recurring NBN DA	$21m	$35m	$14m	66.7%	
Data & IP	$541m	$557m	$16m	3.0%	
NAS	$1,223m	$1,358m	$135m	11.0%	
Global connectivity	$589m	$564m	-$25m	-4.2%	
Other core[4]	$645m	$717m	$72m	11.2%	
Recurring core	**$8,207m**	**$7,952m**	**-$255m**	**-3.1%**	**1.4%**
One-off NBN DA and nbn C2C	$121m	$212m	$91m	75.2%	
New business[5]	$196m	$177m	-$19m	-9.7%	
Total Guidance	**$8,524m**	**$8,340m**	**-$184m**	**-2.2%**	**2.2%**
Guidance adjustments	-	$172m	$172m	n/m	
Total Reported	**$8,524m**	**$8,512m**	**-$12m**	**-0.1%**	

1. 1H16 reclassified to reflect Autohome being a discontinued operation.
2. Growth ex-MTAS & FAD is adjusting 1H16 for MTAS impacts in mobile $362m.
3. Fixed excludes nbn cost to connect (C2C) 1H17 $180m (1H16 $102m). nbn C2C represented against "One-off NBN DA and nbn C2C".
4. Other core includes media and nbn commercial works (sale of assets).
5. New business includes Telstra Health, Telstra Software Group and Telstra Ventures.

Business unit results

Income	1H16	1H17	GROWTH (reported basis)	GROWTH (ex-MTAS & FAD[2])
Telstra Retail	**$8.7b**	**$8.2b**	**-5.6%**	**-1.8%**
Consumer	$6.2b	$5.9b	-5.3%	-1.1%
Business	$2.5b	$2.3b	-6.2%	-3.7%
Global Enterprise and Services[1]	**$3.1b**	**$3.0b**	**-4.8%**	**-4.2%**
GES domestic	$2.3b	$2.2b	-6.1%	-5.3%
GES international	$0.8b	$0.8b	-1.1%	-1.1%
Telstra Wholesale	**$1.3b**	**$1.3b**	**1.8%**	**6.0%**

Consumer decline 1.1% ex-MTAS including industry shift from MBB to shared plans and lower mobile hardware. Ongoing fixed voice decline partly offset by growth in bundles revenue including media

Business decline 3.7% ex-MTAS including lower mobile out of bundle and international roaming revenue, and ongoing fixed voice decline. NAS growth of 11.5% including increased cloud professional services

GES domestic decline due to industry ARPU declines across mobility and data & IP. Growth also impacted by achievement of significant NAS delivery milestones in 1H16 that were not repeated in 1H17

GES international single digit growth on a constant currency basis with momentum from Pacnet acquisition benefits

Wholesale growth due to increased Infrastructure Services Agreement ownership receipts in line with nbn rollout, offset by price reduction from ACCC Fixed Line Services FAD

1. Global Enterprise and Services (GES) includes $103m (1H16 $105m) of GES international inter-segment revenue treated as external expense in Telstra Retail and Telstra Wholesale. GES comparative restated to exclude Telstra Software Group.
2. MTAS and FAD 1H16 impacts across Telstra Retail $328m (Consumer $262m; Business $66m), GES domestic ($19m) and Telstra Wholesale $53m.

CEO & CFO SPEECH NOTES

TELSTRA HALF YEAR RESULTS

16 FEBRUARY 2017

ANDREW PENN – CEO

SLIDE 1: HALF YEAR 2017 RESULTS

Thank you Peter.

Good morning and welcome to our results briefing for the Half Year ended 31 December 2016.

Telstra's vision is to be a world class technology company that empowers people to connect.

This means we need to keep bringing world class technology innovation to the market. Technology innovation in our network and technology innovation in the applications and services our customers use on the network.

There is no better example of this than the new Telstra Nighthawk M1 mobile hotspot device.

Aside from being cutting edge technology in its own right, it is a great example of the transformative products and services we are offering our customers today.
Products consistent with our brand promise to create better ways to empower people to thrive in a connected world.

Created in partnership with Qualcomm, Netgear and Ericsson, this device is currently the fastest mobile device in the world. It is capable of delivering an incredible 1 Gigabit per second download speed.

To put that into perspective, it enables customers to download HD movies in around three minutes, or one hour episodes of their favourite TV show, in around 16 seconds.

It can even be used to charge your smartphone.

Telstra's substantial and sustained investment in our mobile network means we are one of a very few operators in the world with the speed and breadth of coverage to enable customers to truly make use of a device with its amazing capability.

The Nighthawk M1 was launched to Telstra customers earlier this week.

Let me now turn to the business of today.

SLIDE 3: AGENDA SLIDE

This morning, Warwick and I will provide an overview of our half year results. I will cover the key highlights and Warwick will then take you through the numbers in detail.

Following that, I will provide an update on our progress against the three pillars of our strategy.

I will also comment on the progress we have made on our $3bn strategic investment program.

Warwick and I will then be happy to take questions.

Before I start I would like to provide a sense of the market dynamics we experienced in the First Half.

There is no doubt the competitive intensity in the market has increased.

During the half we saw data volumes continue to increase and competition in pricing across fixed, bundles, mobile and data and IP.

There has also been an acceleration in the rollout of the NBN which we have previously reported will negatively impact our EBITDA by $2-3 billion per annum over the longer term.

It is significant that we were able to continue to increase customer numbers in mobiles, retail fixed plans and data and IP despite the competitive pressures and make very solid progress on our cost reduction program to mitigate the impact of these economic headwinds.

SLIDE 4: RESULTS

Turning then to the results.

On a guidance basis total income was 0.7 per cent lower than last year while EBITDA was 1.7 per cent higher.

Adjusting for recent regulatory impacts, including MTAS and the FAD decisions, total income and EBITDA were up 2.2 per cent and 2.4 per cent respectively.

Reported EBITDA decreased 1.6% to $5.2 billion and net profit after tax reduced to $1.8 billion including planned restructuring costs.

The Board has declared a fully franked dividend of 15.5 cents per share for the half, in line with the 2016 interim dividend.

SLIDE 5 – RESULTS

Importantly we continued to attract new customers during the half, adding 200,000 net new retail mobile services.

We now provide 17.4 million mobile services including 7.6 million postpaid handheld retail customer services, an increase in the period of 79,000.

Retail fixed bundle growth during the half was strong with 124,000 new bundles added which means we now have 2.8 million customers on a bundled plan.

Retail fixed broadband customers were up 90,000.

We performed well in nbn adding 292,000 new services reaching a market share of 51%.

IP MAN services were up 18.9%.

Our GES business continued to grow strongly and we were particularly pleased with the performance in cloud and in Industry Solutions where revenue was up 56.1 per cent, driven by commercial works for nbn.

NAS continued to deliver EBITDA margin improvement, up 6 percentage points through operational leverage, standardised offerings, and a lower cost global delivery model.

GES also received a number of key industry awards including from Cisco, Microsoft and from Frost & Sullivan the Service Provider of the Year for Excellence in Enterprise Collaboration, Enterprise Mobility Managed Services & Hosted Customer Contact services.

In productivity, we are seeing benefits flow to the bottom line through reductions in fixed costs. Underlying core fixed costs declined $92m or 2.6% in the half. This was ahead of our target to reduce core fixed costs by more than 2% per annum.

Warwick will provide more detail on our cost performance in a moment.

In October we completed the $1.25b off-market share buy-back, which was heavily subscribed, and in December a $250m on-market share buy-back.

In July we refreshed our brand with a focus on being more human and developing an emotional connection with our customers by demonstrating how innovation and technology can help people & businesses thrive.

Since launch we have seen positive trends in relation to brand consideration and perception measures and we have been recognised as Australia's most valuable brand and among the world's top 100 most valuable brands for the second year running.

Data usage on our network continued to grow strongly.

In the 12 months to December 2016 traffic over our mobile network increased 39%, traffic on our fixed network, including nbn grew 51% and traffic on the Telstra Air network increased tenfold.

Disappointingly and despite these improvements, our Strategic Net Promoter Score (NPS) was eight points lower than the same period last year, largely due to the impact of the network disruptions.

We are working hard to regain our customers' confidence.

As we announced in November, our aspiration is to improve strategic and episode NPS by 3 – 6 points annually so we have more work to do.

Encouragingly, Consumer NPS improved in the second half of the calendar year compared to the first half. We also saw some positive trends in Episode NPS.

We have a clear strategy to differentiate our products through the speed, coverage and reliability of our networks, and through innovative product design and new customer experiences, including access to media content.

The up to $3 billion incremental capital expenditure plan we announced last year will drive further improvements in our customer experience.

This investment will reinforce our market differentiation over the longer term, deliver significant customer benefits, together with associated revenue uplift, improve capital efficiency and further reduce operating costs.

Our total capital expenditure for the half was 16 percent of sales revenue or $2.1 billion.

Our full year guidance for capex to sales remains at 18% as we ramp up the strategic investment program.

SLIDE 6: CAPITAL ALLOCATION STRATEGY REVIEW

In November we communicated to the market our intention to conduct a strategic review of capital allocation over a 6 to 12 month period.

The review takes into account the nbn payments and is addressing our, balance sheet structure and settings, our debt profile, longer term capex requirements post the roll out of the nbn and investment decisions including M&A criteria. It is also considering returns to shareholders including dividends, buy backs and other forms of return.

Since November we have been consulting with shareholders.

We will continue to do so as we investigate how we optimise the value from the recurring NBN payments and any other changes we need to make to our capital management framework.

Overriding and consistent feedback from shareholders highlights the importance of retaining a strong balance sheet particularly through the nbn transition period and against the backdrop of a more competitive operating environment.

We have already communicated our intention to retain balance sheet settings consistent with an A band credit rating and this position remains unchanged.

The capital allocation review is ongoing and we will communicate further with the market in due course.

Before handing over to Warwick I will just make a couple of comments on mobile roaming.

Over many years Telstra has invested heavily in regional Australia. We will continue to do so if the current regulatory settings remain in place.

Our customers across Australia highly value the superior quality and coverage of our network.

In November I outlined our plans that would see more than $1 billion of investment directed towards regional and rural Australia over the next four to five years

Imposing regulated roaming would remove the business case for this investment. It would be unambiguously bad for regional Australia.

Any regulation that removes the ability to differentiate on the basis of coverage will inevitably see private investment by all carriers redirected away from remoter parts of our country.

This is not just Telstra's investment but also substantial proposed investment by the industry and co-investment in regional and remote mobile infrastructure.

One of our competitors has barely invested in regional infrastructure, just 24 base stations in the black spots programs compared to Telstra's commitment of 577. They clearly have no intention of investing and will have no incentive in the future if roaming is regulated.

They say we have had an unfair advantage. That is rubbish, the fact is we have invested billions of shareholders money since privatisation to build the largest and best network in Australia for our customers. They have chosen not to do so despite being one of the largest and best capitalised companies in the world.

This is why the ACCC has received an unprecedented amount of feedback from regional Australians and the overwhelming majority said regulated roaming was not worth the risk to investment.

We will continue to work constructively with the ACCC and with regional stakeholders to ensure the current regulatory settings remain in place and regional Australia continues to benefit from investment in leading edge mobile communications.

Thank you and let me now hand over to Warwick to take you through the results in more detail.

WARWICK BRAY – CFO

SLIDE 7 – TELSTRA HALF YEAR RESULTS ANNOUNCEMENT 2017

Thank you Andy and good morning everybody.

SLIDE 8 - AGENDA

The presentation this morning breaks down as:

- First, the overall results and performance against prior periods and guidance;
- Second, product performance;

- Third, our expenses and productivity;
- Fourth, an update on our main balance sheet movements and our capital position; and
- Finally, some comments on guidance for FY17

Firstly, let me take you through the overall performance of the business.

SLIDE 9 – GROUP RESULTS – INCOME STATEMENT

On a reported basis, including the impact of restructuring costs and regulatory decisions:
- Income was down 0.7% to $13.7bn;
- EBITDA was down 1.6% to $5.2bn;
- Net profit after tax was down 16.4% to $1.8bn; and
- Basic EPS was down 14.0% to 14.8 cents.

On a guidance basis, income was the same as reported and EBITDA was up 1.7%.

And excluding the MTAS and FAD regulatory decisions:
- Income was up 2.2%; and
- EBITDA was up 2.4%.

The reported numbers for the half include the effects of:
- Restructuring costs, which reduced EBITDA by $165m; and
- Regulatory pricing decisions, which decreased income by $400m and reduced EBITDA by $38m.

The guidance basis removes the restructuring costs. I will comment on full year guidance at the end of this session.

We have reported an increase in depreciation and amortisation of 10.7%. This was mostly due to ongoing investment in business software assets with shorter useful lives. D&A will also increase as a result of our strategic capex announced in August 2016 of up to $3bn over the next three years.

Net finance costs decreased 18.4% mostly due to the refinancing of debt at lower rates and $32m of favourable net non-cash gains associated with our derivative financial hedge instruments.

Income tax was broadly flat. Income tax expense was in line with cash tax paid. The effective tax rate on continuing operations increased to 32.8%. We expect the effective tax rate over time to revert closer to the statutory rate.

We now move to our other main financial measures.

SLIDE 10 – GROUP RESULTS – FINANCIAL MEASURES

This half our capex was broadly flat at $2.1bn, including increased investment in our mobile network. Our capex to sales ratio was up 0.8 points to 16.0%. We expect increased capex in the second half of this year consistent with our full year guidance of approximately 18%.

On a guidance basis, excluding restructuring costs in the half and in year M&A, free cash flow was $1.6b. The largest factor for the free cash flow reduction from $1.9b to $1.6b was that the first half of FY16 included cash flows from Autohome trading.

The Board has declared a fully franked interim dividend of 15.5 cents per share.

Return on Equity and Return on Invested Capital remain well above our costs of capital. ROE decreased by 4.9 points mostly due to reduced earnings and increased equity from the profit on sale of Autohome. ROIC decreased by 1.8 points mostly due to reduced earnings. Our future ratios will continue to be influenced by the changing mix in our major products.

Turning to income performance within our product framework.

SLIDE 11 – PRODUCT PERFORMANCE INCOME

Overall, we saw a decline in reported income of 0.7% to $13.7bn.

Our recurring core income decline was 3.4% or $453m. Excluding an impact from the implementation of the MTAS and FAD decisions, our core income declined 0.4%:

- Mobile was down $125m or 2.4% on the first half of FY16.
- Fixed was down $181m or 5.2%, and Data and IP was down $48m or 3.4%.
- Recurring NBN DA was up $26m or 14%.
- NAS continued its double-digit rate of growth, up $225m or 18.0%.
- Global connectivity was down $12m or 1.7%, however on a constant currency basis, income was up 2.6%.

Outside our recurring core income:

- One-off NBN DA receipts and hardware connection revenue was up $370m; and
- New business was down $16m due to the Telstra Software Group, where the focus is on consolidating operations.

Turning to product EBITDA performance.

SLIDE 12 – PRODUCT PERFORMANCE EBITDA SUMMARY

Overall, we saw an increase in EBITDA on a guidance basis, up 1.7% to $5.4bn.

Our recurring core was down $194m. The negative recurring influence of the nbn for this half was approximately $152m. We expect the recurring impact of nbn to grow to $2-3bn per annum over the course of the nbn network rollout.

Outside recurring NBN impacts, the remaining core was down $42m. We see some encouraging trends in the half and sequentially – we will go through this on the next slide.

One-off NBN DA EBITDA and nbn costs to connect was up $279m in line with the nbn rollout. This included $348m of increased one-off NBN DA income including retraining; partly offset by $56m of increased net nbn costs to connect and $13m of one-off DA costs.

New business EBITDA was up $3m. Telstra Health has moved from an acquisition phase to an integration phase, with a focus on new solutions with our existing assets. Across the Telstra Software Group we have rationalised operations for future growth.

Turning to recurring core product EBITDA performance in detail.

SLIDE 13 – PRODUCT PERFORMANCE EBITDA DETAIL

This table now further expands the EBITDA performance of our core business. Working from the bottom, the difference between the reported EBITDA figure of $5,189m and the recurring core of $4,940m, is the nbn one-off, new growth businesses and guidance adjustments.

Turning to our recurring core, EBITDA was down $194m, or as identified on the last slide, down $42m excluding the recurring impact from NBN. This included some encouraging trends.

- Mobile was down $63m; however sequentially mobile services revenue has increased which is one of our key indicators of success;
- NAS was up $90m, exceeding the $76m decline in Data and IP; and
- Global connectivity was up $13m or 16.4% on a constant currency basis.

Turning to the product performance in detail starting with mobile.

SLIDE 14 - MOBILE

We have seen some encouraging signs of stabilisation of revenue, ARPU and margin in the last half. These signs can be seen sequentially, so we are showing three halves on this chart.

For the half, mobile revenue was down 8.7%, or 2.4% excluding MTAS. We achieved mobile services growth of 0.3% sequentially against the second half of FY16. And we are starting to see our way through postpaid handheld ARPU declines and have continued SIO momentum in the half.

During the half we added 200,000 retail mobile services, including 79,000 postpaid handheld customers, to bring our total subscriber base to 17.4 million.

Postpaid handheld ARPU excluding MRO, although down 2.6% on the first half of FY16, has been stabilising against the second half of FY16. Encouragingly, we continue to see customer migration to higher minimum monthly commitment plans and the quality of revenue improving. This MMC growth was offset by lower out of bundle revenue and a higher mix of BYO plans.

Postpaid mobile churn continues to be low by international standards. Churn in this half decreased on the second half of FY16 excluding an impact from the closure of our 2G network in December.

We are encouraged by our prepaid handheld revenues which increased 1.4% with 39,000 unique users added in the half. Prepaid ARPU has also returned to sequential growth against the second half of FY16 with increased voice and data recharges.

Mobile broadband revenue fell 14.7% due to a decline in ARPU and prepaid unique users. This largely reflects the mix shift from old legacy plans to newer plans at a lower ARPU; and increased sharing of data through mobile handsets as mobile data inclusions have grown and are shareable.

Machine to machine revenue grew 13.3%, with 130,000 M2M SIOs added in the half. We continue to see growth in M2M with new Internet of Things solutions being implemented in verticals such as logistics.

Mobile hardware revenue decreased 4.4% largely due to lower volumes. Our hardware margin improved due to reduced handset subsidies.

The mobile EBITDA margin increased 2 points to 41%. Excluding the margin accretive impact from MTAS, mobile margins were broadly flat on PCP. Compared to the first half of FY17, mobile margins in the second half of FY16 benefited from the timing of roaming credits and lower hardware revenue.

Turning to our fixed performance.

SLIDE 15 - FIXED

Our strategy in fixed is to continue to provide customers with simple, flexible, and high value bundle plans together with unique inclusions like Telstra Air, Telstra TV, and more capable home internet devices. This strategy has led to continued strong SIO performance.

Fixed data revenue grew 1.8%. Our retail subscribers grew 90,000 in the half. Fixed data revenue was impacted by wholesale and the FAD regulatory decision. Excluding this FAD impact, fixed data revenue grew by 2.4%. Fixed data growth was also impacted by competitive conditions.

The fixed voice revenue decline was contained to single-digits. Retail fixed voice customer line loss was contained with continued focus on retention in our save cells and proactive migration of 'home phone only' customers to new bundled plans with broadband and WiFi. The fixed voice ARPU decline of 4.8% was broadly in line with the prior corresponding period.

Our bundled products are performing well. We added 124,000 retail bundled customers in the half. 85% of our retail broadband customer base are now on a bundled plan, many of which are on our entertainment offers.

Demand for our nbn services continues. During the half we added 292,000 nbn connections bringing total nbn connections to 792,000, or a 51% share ex-satellite. We now have 636,000 bundle and 52,000 data only connections.

The number of registered customers on Telstra Air increased by over 400,000 in the half. We now have over 1.5m customers activated on Telstra Air since launching in June 2015.

The fixed voice margin fell by 4 points, and fixed data margin fell by 7 points. Fixed margins were negatively affected by one-off costs of connecting customers to the nbn, and the ongoing nbn network costs. Excluding nbn related items and regulatory FAD impacts, fixed margins were broadly consistent with the prior corresponding period.

We continue to focus on reducing costs in our fixed portfolio by developing digital platforms in sales and self-service functionality.

Fixed other revenue decreased by 3.8% largely due to the FAD decision for Fixed Line Services implemented 1 November 2015.

Turning to data and IP.

SLIDE 16 – DATA & IP

Data & IP revenue declined 3.4% ex-FAD, largely due to increased competitive pressure and a decline in the domestic market. We continued to perform well against market with customers embracing our complementary NAS products; and Next IP network flexibility, scalability and security.

While we are achieving volume and connection growth in IP access, price competition is continuing. IP access declined 1.0% reflecting these yield trends. Within IP access, IP MAN revenue was up 1%, with SIOs up 18.9%, reflecting customer wins and demand for IP value added services.

ISDN declined 10.6% due to accelerated migration to IP access, unified communications, fixed data and nbn products.

Our EBITDA margin of 59% was impacted by yield pressures in the IP market.

Now, turning to Network Applications and Services, or NAS.

SLIDE 17 - NAS

We continue to be encouraged by our NAS performance. In the first half, we again achieved double-digit revenue growth and expanded margins. We achieved revenue growth across business and GES customers including growth from commercial works and cloud services.

Revenue growth across managed network services, unified communications and integrated services was impacted by the achievement of delivery milestones on large contracts in the prior corresponding period that were not repeated this half.

Excluding these delivery milestones, managed network services annuity revenue growth was achieved in security services; and the continued success and growth post integration of our Bridgepoint and O2 Networks acquisitions.

Unified communications declined 1.5%, however excluding the delivery milestones on large contracts, annuity revenue growth was achieved through increased IP telephony SIOs and across Cisco UC products.

Cloud revenue grew by 41% due to increased consulting professional services and key acquisitions, including Readify and K-Cloud.

Industry Solutions revenue growth of 56% was principally due to increased nbn commercial works, other commercial works and professional media solutions through Telstra Broadcast Services.

The NAS EBITDA margin improved 6 points through operational leverage, scalable standardised offerings and a lower cost delivery model.

Turning to global connectivity.

SLIDE 18 – GLOBAL CONNECTIVITY

Global connectivity represents our international GES business. On this slide, we have identified our global sales revenue from across our previous fixed, data & IP and NAS product results to be consistent with our overall product framework we presented at our August results.

Global connectivity revenue increased 2.6% in local currency with customers responding positively to the combination of the Pacnet network and the Telstra brand. Growth in $AUD was negatively impacted by currency appreciation.

Fixed voice decline was marginal as yield pressure has been mitigated by targeted volume growth.

Data & IP revenue growth in local currency was achieved in Internet and Ethernet services, to a large extent due to over-the-top customers.

NAS revenue grew due to the launch of a suite of managed network services and unified communications.

The Global connectivity margin improved by 2 points with EBITDA up 16.4% in local currency due to continued delivery of synergies from the Pacnet acquisition and productivity. We are encouraged with the progress of the Pacnet integration and expect to deliver the recurring annual synergy benefits of A$65m ahead of schedule.

Turning to media and firstly Foxtel.

SLIDE 19 – MEDIA – FOXTEL

Foxtel's revenue in the half decreased by 2% with a decline in total subscribers due to the wind down of T-Box and the announced closure of Presto. A major marketing push to formally launch the new Foxtel Play pricing is planned in coming months.

Foxtel's total closing subscribers were more than 2.8m, with closing broadcast cable and satellite subscribers flat compared to the prior year period. Whilst there was some increase in underlying churn, the majority of the increased churn was due to use of no fixed-term contract offers in FY16.

EBITDA decreased by 14.3% to $372m mostly due to lower revenue and increased investment in programming.

There was no distribution received from Foxtel in the half and cable access revenue was down 12.1% to $51m.

Now, moving to our other media assets.

SLIDE 20 – MEDIA

Telstra Media achieved strong revenue growth due to Foxtel from Telstra and Telstra TV.

In the half, we continued our strategy to bundle media with core fixed products. Foxtel from Telstra revenue grew by 11.4% to $390m, with net subscribers up 88,000 over the last twelve months. Foxtel from Telstra subscribers declined 3,000 in the last six months due to churn on our prior year promotional offer.

We had 622,000 Telstra TV devices in market. Telstra TV is now the fastest growing streaming device in Australia, contributing to majority of growth in other media revenue. Other media revenue was up by 19.1% including IPTV revenue growth, partly offset by a reduction in legacy mobile download services.

Our media strategy has moved from direct media revenue towards differentiation and bundling content – such as AFL and NRL – across Telstra's core products.

Turning to income from the NBN Definitive Agreements or “DA”.

SLIDE 21 – NBN DA and commercial works

During the half we recognised NBN DA related income of $1,057m, up 66.2%. This included strong growth from the PSAA and ISA ownership receipts, which were up $304m and $40m respectively, in line with the progress of the nbn roll out and migration.

PSAA and ownership receipts will be influenced by the timing of the nbn rollout; and the timing of related cashflows will vary between periods.

Revenue from the Commonwealth Agreements decreased 23.7% mostly due to the timing of income recognition from the Telstra Universal Service Obligation Performance Agreement.

Recurring ISA revenue from ducts, racks and backhaul was up 14.0% to $212m. These receipts reflect nbn co ongoing use of our infrastructure.

nbn commercial works income related to the sale of assets was $79m. We have separated this from ISA ownership receipts to provide additional clarity on the composition of NBN DA income.

In addition to NBN DA income, we also received nbn commercial works revenue in NAS of $311m.

Turning from our product performance, let me take you through our expenses and productivity.

SLIDE 22 – OPERATING EXPENSES

On a guidance basis, excluding mostly restructuring costs, operating expenses decreased 2.2% or $184m. On a reported basis, operating expenses decreased 0.1% or $12m. We are pleased by this result.

We are on track to deliver against our cost ambitions announced in November – that is – a more than 2% annual year-on-year reduction in net underlying core fixed costs.

Going through each of our four cost categories in turn:

First, our core sales costs decreased $240m or 6.3%. Excluding the benefit from reduced interconnect costs due to MTAS, core sales costs grew by 3.5%. Overall, we saw an increase in efficiency of our core sales costs.

Second, on an underlying basis, our core fixed costs declined $92m or 2.6%, exceeding our more than 2% annual year-on-year target.

This means that the results of our cost productivity programmes more than offset inflation and reinvestment. We remain committed to reducing core fixed costs on an underlying basis by more than $1b over the next 5 years to offset up to one third to one half of the $2-3b negative impact of the nbn.

Outside of our underlying core fixed costs, NAS labour and corporate increased by $76m. This included increased nbn commercial works and recurring DA costs; increased NAS labour on large contracts; offset by lower global connectivity and corporate costs.

Third, new business costs declined by $19m due to cost management and FX impacts. These costs supported Telstra Health and the Telstra Software Group.

Fourth, within one-off NBN DA and costs to connect, we reduced the average net cost per nbn connection by around 35%. This nbn unit cost reduction is critical for the future. One-off NBN DA and costs to connect increased by $91m in line with the nbn rollout.

Turning to some of the more detailed capital and balance sheet movements.

SLIDE 23 – CAPITAL MANAGEMENT

Overall, our balance sheet remains strong.

Gross debt remained consistent with June 2016 with no new long-term debt issuance in the first half of FY17.

Liquidity decreased in the first half of FY17 mostly reflecting the payment of dividend and buy-backs. Our closing FY16 liquidity included the proceeds from the sale of Autohome.

Our average debt maturity has decreased to 4.3 years from 4.8 years at the full year.

Finance costs on an accounting basis were down 18.4% mostly due to a reduction in average gross borrowing costs from 5.6% to 5.4%, and a net non-cash favourable movement in remeasurements. The reduction in gross borrowing costs reflects the ongoing benefit of lower cost term debt issuance and the favourable impact from lower market rates on the floating component of our portfolio.

Gearing increased to 50.4% including reduced liquidity following the cash received from the sale of Autohome and subsequent capital management program. Our financial parameters remain at the conservative end of our comfort zones. Our comfort zones will remain unchanged during the period of our capital allocation review.

Finally, turning to guidance.

SLIDE 24 – GUIDANCE

Today, we are reconfirming our guidance.

For FY17, we expect mid to high-single digit income growth and low to mid-single digit EBITDA growth.

We expect to spend capex of approximately 18% of sales and free cash flow to be in the range of $3.5b – $4.0b.

Our first half income growth was influenced by lower hardware revenue than we expected. Given this, we expect that full year FY17 income growth will be at the bottom end of our mid to high-single digit range.

In the second half of FY17, we expect that income growth will improve from factors such as: MTAS impacts in the first half dropping out of the comparison in the second half; and the nbn rollout is expected to accelerate in accordance with the nbn Corporate Plan.

As is usually the case, the basis on which we provided guidance is detailed in the slide footnote.

Thank you. I will now ask Andy back to provide a strategic update.

ANDREW PENN – CEO

SLIDE 26 – PURPOSE, VISION and STRATEGY

Thanks Warwick.

Last year we announced that we had refined our strategy around three pillars:

- Delivering brilliant customer experiences;
- Driving value and growth from the core; and
- Building new growth businesses close to the core.

In support of our strategy we also have three critical strategic enablers.

- Investing in the networks of the future
- Digitising our business; and
- Building the culture and capabilities that we will need to be successful.

It is against the first two of these where our $3 billion of incremental investment is focussed.

I will now comment on recent progress in each of the three pillars and on our Strategic Investment program.

SLIDE 27 – DELIVERING BRILLIANT CUSTOMER EXPERIENCES

Firstly delivering brilliant customer experiences.

Delivering brilliant customer experiences is our most important strategic imperative. It is therefore disappointing that our strategic NPS declined eight points compared to December 2015.

The drop has been primarily driven by the impact of network outages on our larger customers.

We are confident that the sentiment of our corporate customers is recovering and that should reflect in our NPS results in the coming half year.

Encouragingly we have seen positive trends in both strategic NPS and episode NPS for our Consumer customers during the last 6 months underpinned by a number of customer focussed initiatives.

Notwithstanding this we still have much to do to deliver a better experience for our customers and there are too many instances where we let our customers down.
When we announced our refined strategy in November we said that we would be relentless in delivering customer experience improvements.

We have a broad range of initiatives aimed at delivering seamless, simple and integrated interactions for customers and eliminating pain points.

Progress in the half included providing our customers with a better network experience, not only through more coverage and faster speeds as I will talk about later, but also through new devices.

The Telstra Gateway Frontier is a cutting edge fixed line modem with a built in mobile 4G chip set.

It is an example which brings together Telstra's mobile and fixed networks in one device to connect our customers quickly and keep them connected, even if their fixed line is unavailable.

We have introduced new systems to give customers greater flexibility and choice for hardware deliveries. We have simplified self install for our ADSL customers making the connection process much easier as well as increasing ADSL speeds for our customers.
We have also focussed on creating more value for our mobile customers with Go Mobile Swap and My Business Lease plans which provide customers with regular and cost-effective smartphone upgrades.

There are now 622,000 Telstra TV devices in the market, a six month increase of 322,000 making it the fastest growing streaming device in Australia.

We are seeing very strong activation and usage rates and we plan to launch the next Telstra TV later in the year. It will have a built in free to air tuner and customers will no longer need to change input source enjoying all of their viewing through Telstra TV. It will also have ability to receive 4K content.

The next generation of the Telstra TV device will deliver more content at a higher quality while using less data.

Most importantly, this device will be exclusive for Telstra broadband customers, and continue to be part of the “Why Telstra?” story, when our customers make the decision to choose us.

We have further extended our mobile content differentiation by offering live streaming of all AFL, NRL and Netball games data free and included with all mobile plans.
We have made it easier for customers to understand what is important by simplifying previously lengthy Terms and Conditions.

We have also simplified our International Roaming Day Pass pricing to two zones and we have improved protection for customers from the unwelcome surprise of additional charges from premium third party providers by introducing a double opt in process.

Notwithstanding these improvements, we recognise that we have work to do to consistently deliver a high quality customer experiences.

SLIDE 28 - DRIVING VALUE AND GROWTH FROM THE CORE

The second pillar of our strategy is to drive value and growth from our core business.

Progress in mobiles in the Half saw us add 79,000 retail postpaid services and 39,000 retail prepaid unique users.

New initiatives included the introduction of the new Pixel smartphone through an exclusive partnership with Google in Australia. The Pixel has proven to be a very popular device with our customers, exceeding our initial expectations.

We also continue to be pleased with the popularity of Telstra Air which provides Wi-Fi access through more than 750,000 hotspots nationally including more than 4,700 public hotspots. Broadband customers can also take their home data allowance overseas with them via 19 million hotspots globally.

The number of activated customers on Telstra Air increased by over 400,000 in the half, with 1.5 million customers now taking advantage of the service.

Turning to fixed.

We saw an additional 90,000 net new retail broadband customers with 292,000 new nbn connections and 124,000 new retail bundle customers.

Our new home internet bundle customers now have a significant boost in streaming speeds and stronger Wi-Fi signals.

On nbn, our market share excluding satellite grew to 51% and we are seeing strong demand from customers as the rollout scales up. 78% of nbn customers are now connecting via self-install kits.

Our challenger internet brand Belong also continues to grow with 120,000 customers of which over 50,000 are connected to the nbn.

Turning to data and IP.

We launched a Data Centre Interconnect product which allows customers to connect to 30 data centres globally with a range of bandwidths and latency on offer and flexible contract options.

Our acquisition of K Kloud and Readify has reinforced our credentials as the leading provider of enterprise Microsoft products in Australia. It has brought more than 250 specialist enterprise software developers into our business.

As Warwick mentioned, we also saw an EBITDA margin improvement in NAS of 6 percentage points in the period. This reflects the fact that our product and contract mix has continued to evolve and mature and we have achieved operational efficiencies through increased scale and automating more of our service delivery.

SLIDE 29 - DRIVING VALUE AND GROWTH FROM THE CORE (continued)

Productivity is critical to driving value from our core business and we continue to implement our plan to achieve at least $1 billion in net productivity over the next five years.

Key initiatives in the period have included automating the scheduling and dispatch process for customer appointments, removing manual steps for business and enterprise sales and improving turnaround time by 60% for customers.

We have also removed older plans from Telstra's IT systems which has improved average system response times for customer orders.

Underlying core fixed costs reduced by 2.6 per cent or $92 million in the Half, ahead of the annual target to reduce by more than 2 per cent each year.

In terms of network coverage, we now offer 4G coverage to over 98% of the population through 6400 4G sites. This is bringing faster speeds and a better mobile browsing experience to more customers.

Telstra has also built out additional network infrastructure 4GX which has doubled peak network speeds for up to 75% of customers with speeds of up to 300 Mbps.

In addition 36 new mobile base stations were constructed in the half through the first round of the Mobile Blackspots Program bringing our total of blackspot sites to around 100.

We will be rolling out a further 329 mobile black spots in the coming period from round 1 of the program and on top of this, we successfully won a further 148 mobile base stations under mobile blackspots Round 2.

In the Half we successfully decommissioned our 24-year-old 2G network with immediate cost benefits across power and lifecycle maintenance.

Importantly, this shutdown frees up valuable spectrum and infrastructure that will be reused for the roll out of new technologies, including 5G.

SLIDE 30 – BUILDING NEW GROWTH BUSINESSES CLOSE TO THE CORE

Our third strategic pillar is to build new growth businesses close to the core.

This is about realising new opportunities for the future that leverage Telstra's core strengths.

In Telstra Health we continue to focus on integrating the technology capabilities we have acquired and using them to deliver new services.

These capabilities are being used to deliver the National Cancer Screening Register for the Federal Government where we are creating a single electronic record for bowel and cervical cancer screening for millions of Australians.
In addition to this important project we have secured some other important health customer wins including:

- Contract with the Western Australia Government for an information system to support healthcare delivery in remote and regional areas;
- Epworth HealthCare will be rolling out our Patient Flow Manager solution at their main hospital in Melbourne; and
- Our joint venture, Fred IT has entered into a partnership with Sigma Pharmaceuticals, to deliver a cloud-based pharmacy software solution.

Smart home is an incredibly exciting opportunity for us.

Our Smart Home offer is now in the market including ‘Watch and monitor’ and ‘Automation and Energy’ products.

There has been strong interest from consumers with approximately 1,200 visits per day to Telstra Smart Home content online.

As the complexity of home networks increases our technology experts continue to provide personal support to our customers. We now have around 265,000 Platinum customers, representing 32% growth in the past six months.

We average over 12,000 interactions with customers per week via the Platinum Help Desk and at our 357 Tech Bars across Australia.

Turning to small and medium business opportunities. The Neto eCommerce platform is well positioned as 300,000 small to medium sized business customers are forecast to establish an online presence by 2020. We believe the opportunity for growth in NAS products in the small and medium business market will be significant in the future.

Telstra Ventures continues to invest in world class innovation which is strategically relevant to us. During the first half, Telstra Ventures invested in three US based companies:

- AttackIQ: a leading cyber-defence platform delivering continuous security validation to customers
- Headspin: a mobile app testing and performance management platform; and
- NS1: a next generation DNS for application developers

Turning to Ooyala. Intelligent video is a critically important capability in a world where we are seeing massive growth in the amount of media that is distributed over an IP network. However, the dynamics of this market have changed and we have a remediation plan for Ooyala which is aimed to reposition the company in the sector.

Globally we have also made progress.

We will outperform our plans for the integration of Pacnet and will achieve the previously announced run rate target of A$65m of synergies by end of FY17, one year ahead of schedule.

The integrated Telstra and Pacnet network has fueled key customer wins including:

- A $243 million contract with DFAT covering 160 sites;
- IPVPN services to 281 sites across the Asia-Pacific for a food and agriculture multinational; and
- Broadcast services for 47 international Women’s Tennis Association tournaments.

We also strengthened our in-country presence.

Our joint venture in China continues to perform well and we are investing in the business to enhance our unique proposition in this market.

Our joint venture in Indonesia, Telkomtelstra, now has more than 7,000 Managed Network Services sites under contract.

SLIDE 31 – STRATEGIC INVESTMENT UPDATE

I wanted to return to now to our strategic investment program and our plans to invest up to $3 billion between FY17 and FY19.

The investment program has three key objectives;

- To build the networks for the future, including reinforcing our network differentiation.

- Digitising our business and particularly the interactions between Telstra and our customers; and,
- Delivering seamless, simple and integrated customer experiences.

We provided some details of these investments at our Investor Day in November, and work has commenced on each of these programs.

While we are still at an early stage, I would like to provide examples of some quick wins for the program.

As I showcased earlier we launched the world's first Gigabit LTE network and device. This is technology that delivers world leading speeds and gives us good insight into 5G technologies, speeds and customer experiences.

We have improved ADSL speeds for more than 500,000 customers.

In digitisation we rolled out the first tranche of digital capabilities in a new stack that meant we could retire 21 legacy applications.

We are also building our foundational capabilities through a cross company approach on Agile/DevOps.

And to further improve the customer experience in nbn we deployed a new solution for our agents which consolidates nine previous agent interfaces into one. This is expected to reduce average customer handling times and improve customer first time resolution.

SLIDE 32 – SUMMARY

So let me summarise before we take your questions.

We have made good progress in the half.
We achieved strong growth in new customers across the portfolios and we also achieved strong progress on our productivity program.

Whilst the competitive dynamics and the acceleration of the nbn rollout have had an economic impact, we are nonetheless pleased with the overall resilience of the business.

We continue to execute in a changing environment and are moving forward with our plans to incrementally invest up to $3 billion in the network for the future and to digitise our core business to transform customer experience.

Telstra remains in a very strong capital position and we have been active in our capital management with the execution of off-market and on-market buy-backs and the review of our capital allocation.

Many thanks for being with us this morning. Before I hand over to Peter to moderate the Q&A part I would just like to acknowledge and thank our employees for their continued hard work, support and commitment to serve our customers.

[END]

Half-year results and operations review

Reported results

Telstra has performed well in a highly competitive market, gaining subscriber numbers in mobiles, retail fixed plans and market share in nbn despite increased competition. We have a clear strategy to differentiate our products through the speed, coverage and reliability of our networks, innovative product design and new customer experiences, including access to media content. We are committed to improving the experience we provide our customers and as announced in August 2016, we are investing up to $3 billion incremental capital expenditure in networks for the future and digitisation of the business. This investment will position us to deliver significant customer benefits, reinforce our market differentiation over the longer term, and deliver business benefits such as capital efficiency, reduced operating costs and increased revenue.

Regulatory decisions impacted reported first half 2017 income and EBITDA by $400 million and $38 million respectively for the Mobile Terminating Access Service (MTAS) and the fixed line services and domestic transmission capacity services Final Access Determinations (FAD). Excluding these impacts, higher total income was achieved through double digit growth in Network Applications and Services (NAS) and increased receipts from nbn co. Net profit after tax reduced to $1.8 billion due to planned restructuring costs and increased amortisation associated with shorter asset life for business software.

First half income growth was impacted by lower hardware revenue. Given this, we expect that full year FY17 income growth will be at the bottom end of our mid to high-single digit range. In the second half of FY17, the MTAS impacts in the first half will drop out of the comparison in the second half so the full year effect will be smaller, and the nbn rollout is expected to accelerate in accordance with the nbn Corporate Plan.

In November 2016 we communicated to the market our intention to conduct a strategic review of our capital allocation strategy taking into consideration the long term business and financial profile of Telstra. The review is looking at all aspects of our capital management framework and also taking into account the specific nature of the payments associated with the nbn.

Since November we have been consulting with our stakeholders, which we will continue to do, as we investigate how we optimise the value from the nbn payments, longer term capex requirements post the rollout of the nbn, investment decisions including M&A criteria, and returns to shareholders including dividends, buybacks and other forms of returns. We remain committed to balance sheet settings consistent with an A band credit rating.

The capital allocation strategy review is ongoing and we will communicate further with the market in due course.

The numbers and commentary in the product, expense and segment performance sections have been prepared on a continuing operations basis and align with the statutory financial statements.

Summary financial results	1H17 $m	1H16 $m	Change %
Total revenue	12,806	13,289	(3.6)
Total income (excluding finance income)	13,703	13,802	(0.7)
Operating expenses	8,512	8,524	(0.1)
Share of net (loss) from joint ventures and associated entities	(2)	(5)	60.0
EBITDA	5,189	5,273	(1.6)
Depreciation and amortisation	2,248	2,031	10.7
EBIT	2,941	3,242	(9.3)
Net finance costs	283	347	(18.4)
Income tax expense	873	872	0.1
Profit for the period from continuing operations	1,785	2,023	(11.8)
Profit for the period from discontinued operations	-	112	n/m
Profit for the period from continuing and discontinued operations	1,785	2,135	(16.4)
Profit attributable to equity holders of Telstra	1,791	2,093	(14.4)
Capex[1]	2,050	2,073	(1.1)
Free cashflow from continuing operations	1,378	1,718	(19.8)
Free cashflow from discontinued operations	-	200	n/m
Free cashflow from continuing and discontinued operations	1,378	1,918	(28.2)
Earnings per share (cents)	14.8	17.2	(14.0)

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

Results on a guidance basis[1]	1H17	FY17 guidance
Total income growth[2]	-0.7%	Mid to high-single digit
EBITDA growth	1.7%	Low to mid-single digit
Capex/sales ratio	16.0%	~18%
Free cashflow	$1.6b	$3.5b - $4.0b

1. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn[TM] rollout is in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excludes externally funded capex. Guidance excludes the Ooyala impairment in FY16 and restructuring costs in FY17 of $300m to $500m. Please refer to the guidance versus reported results reconciliation on page 9. This reconciliation has been reviewed by our auditors.
2. Total income excludes finance income.

Guidance versus reported results[1]	1H17 Reported results $m	1H17 Adjustments $m	1H17 Guidance basis $m
Total income[2]	13,703	-	13,703
EBITDA	5,189	172	5,361
Free cashflow	1,378	243	1,621

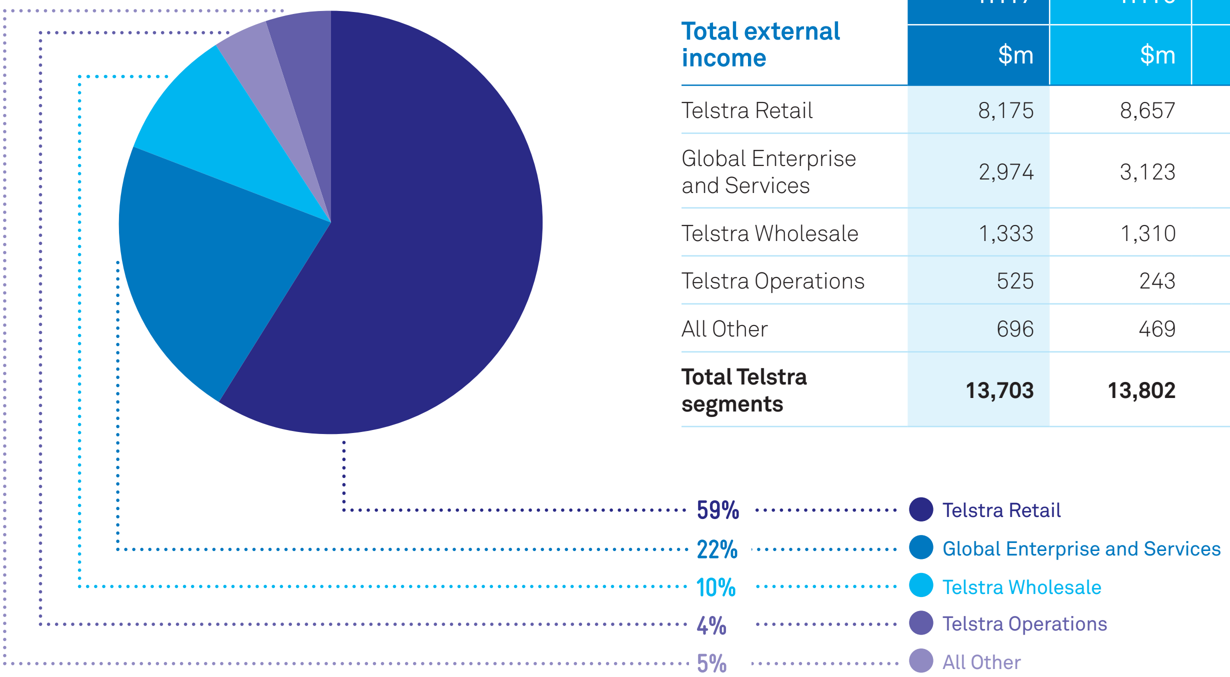
1. This guidance assumes wholesale product price stability and no impairments to investments, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout is in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excludes externally funded capex. Guidance excludes the Ooyala impairment in FY16 and restructuring costs in FY17 of $300m to $500m. Please refer to the guidance versus reported results reconciliation. This reconciliation has been reviewed by our auditors.
2. Excludes finance income.

On 16 February 2017, the Directors of Telstra resolved to pay a fully franked interim dividend of 15.5 cents per share. Shares will trade excluding entitlement to the dividends on 1 March 2017 with payment on 31 March 2017.

Segment Performance

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

Segment information from continuing operations



Total external income	1H17 $m	1H16 $m	Change %
Telstra Retail	8,175	8,657	(5.6)
Global Enterprise and Services	2,974	3,123	(4.8)
Telstra Wholesale	1,333	1,310	1.8
Telstra Operations	525	243	116.0
All Other	696	469	48.4
Total Telstra segments	**13,703**	**13,802**	**(0.7)**

Telstra Retail
Telstra Retail provides a full range of telecommunications products, services and solutions to consumer customers and to Australia's small to medium sized enterprises. Income in this segment fell by 5.6 per cent to $8,175 million. Excluding the impact of MTAS, income declined by 1.8 per cent.

Telstra Consumer income declined by 5.3 per cent with mobile services revenue decreasing by 10.0 per cent largely due to the impact of MTAS. Fixed voice continued its ongoing decline, falling by 7.7 per cent. Excluding the impact of MTAS, Telstra Consumer income declined by 1.1 per cent.

Telstra Business income declined by 6.2 per cent with mobile services revenue falling by 11.2 per cent due to the impact of MTAS, international roaming, and competitive pricing. Network Applications and Services (NAS) business revenue continued to grow, increasing by 11.5 per cent, driven primarily by growth in cloud professional services. Excluding the impact of MTAS, Telstra Business income declined by 3.7 per cent.

Global Enterprise and Services
Global Enterprise and Services (GES) is responsible for sales and contract management support for business and government customers in Australia and globally. It provides product management for advanced technology solutions including Data & IP networks, and NAS products such as managed networks, unified communications, cloud, industry solutions and integrated services. GES provides technical delivery support for all NAS customers globally.

Income for GES decreased by 4.8 per cent to $2,974 million. GES domestic income declined by 6.1 per cent due to competitive pressures driving industry average revenue per user (ARPU) down in Mobility and Data & IP despite solid growth in connections. The prior corresponding period included receipts associated with significant delivery milestones. GES international income declined by 1.1 per cent, impacted by an appreciation in the Australian dollar compared to the prior corresponding period. Underlying (constant currency) comparative growth was delivered by positive growth in NAS and global connectivity.

Telstra Wholesale
Telstra Wholesale is responsible for the provision of a wide range of telecommunication products and services delivered over Telstra networks and associated support systems to non-Telstra branded carriers, carriage service providers and internet service providers. Wholesale income grew by 1.8 per cent to $1,333 million, largely due to an increase in NBN Infrastructure Services Agreement (ISA) receipts which have increased in line with the nbn rollout. Excluding the impact of MTAS and FAD, income grew by 6.0 per cent.

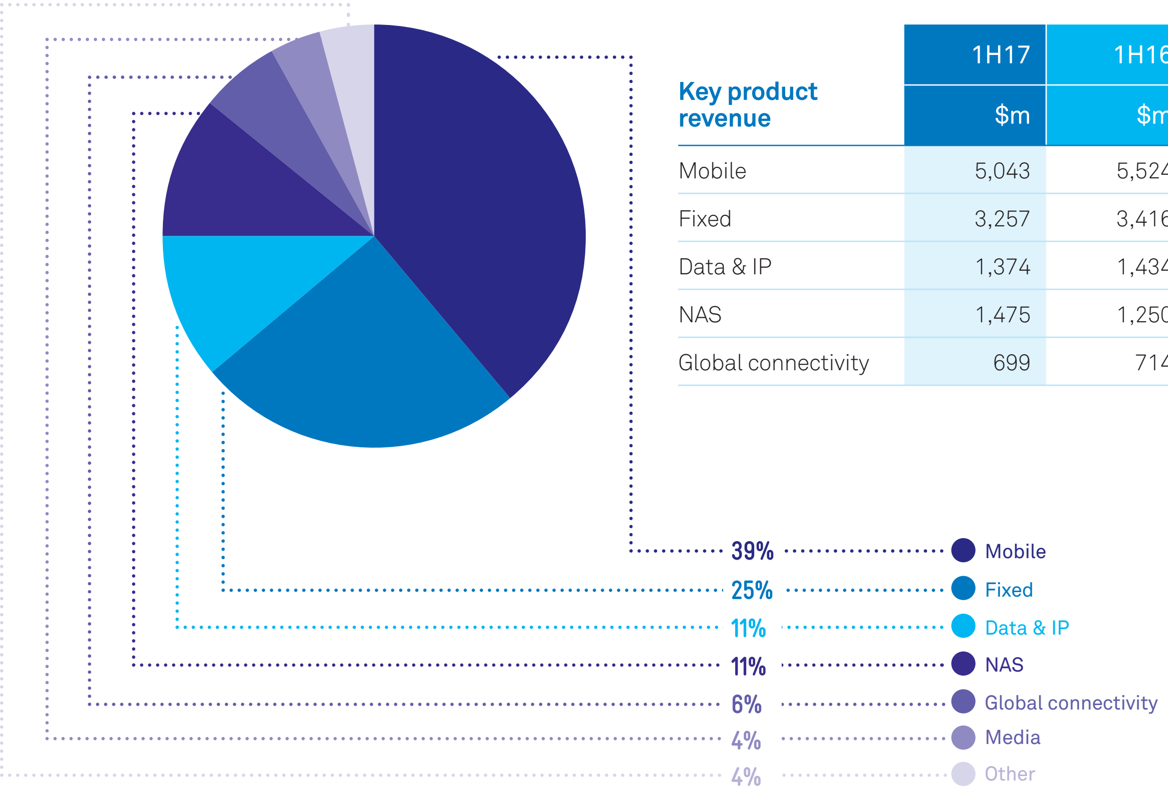
Telstra Operations
Telstra Operations is primarily a service delivery centre supporting the revenue generating activities of other segments.

It is also a provider of certain network services to nbn co under the NBN Definitive Agreements (DA) and commercial contracts. Income grew to $525 million, primarily due to an increase in nbn commercial works.

All Other
Certain items of income and expense relating to multiple reportable segments are recorded by our corporate areas and included in the All Other category. This category also includes Technology, Innovation and Strategy (including the Telstra Software Group), New Businesses (including Telstra Ventures and Telstra Health), and Media & Marketing. Income growth in this segment was largely due to increased nbn disconnection fees (Per Subscriber Address Amount (PSAA)) in line with the nbn rollout.

Product performance

Product sales revenue breakdown

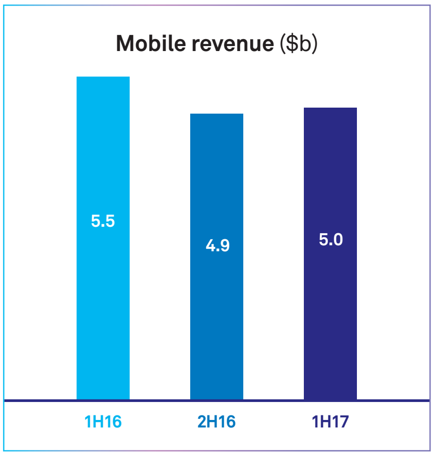


Key product revenue	1H17 $m	1H16 $m	Change %
Mobile	5,043	5,524	(8.7)
Fixed	3,257	3,416	(4.7)
Data & IP	1,374	1,434	(4.2)
NAS	1,475	1,250	18.0
Global connectivity	699	714	(2.1)

EBITDA margins[1]	1H17 %	1H16 %	FY16 %	2H16 %
Mobile	41	39	42	46
Fixed voice[2]	50	54	51	49
Fixed data[2]	34	41	41	40
Data & IP	59	62	62	62
NAS	8	2	6	9
Global connectivity	20	18	18	19

1. The data in this table includes minor adjustments to historic numbers to reflect changes in product hierarchy.
2. Margins include nbn voice and data products.

Mobile



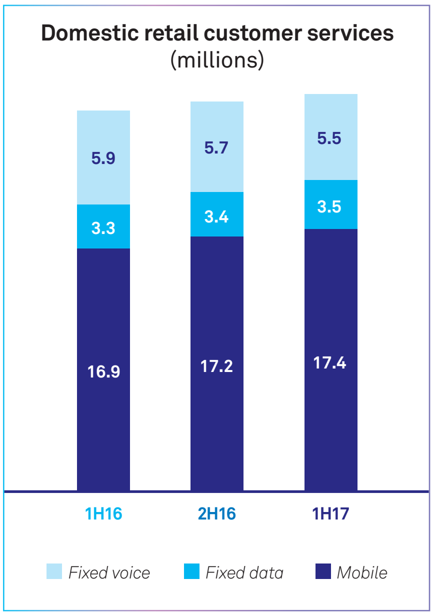
For the half-year ended 31 December 2016, mobile revenue decreased by 8.7 per cent to $5,043 million. Excluding the impact of MTAS, mobile revenue decreased by 2.4 per cent. This largely reflects the decline in mobile broadband revenue, which fell 14.7 per cent to $545 million due to a mix shift from old dongle plans to newer tablet plans at a lower ARPU, and increased sharing of data through mobile handsets. Mobile broadband customer services grew by 33,000 in the half, while ARPU declined by 16.6 per cent compared to the prior corresponding period, from $27.38 to $22.84. Mobile hardware revenue declined by 4.4 per cent to $1,072 million due to lower volumes on new devices and a higher take up of bring your own (BYO) device plans compared to the prior corresponding period.

Over the next three years to the end of FY19, we have committed more than $1.5 billion in additional investment in our networks to maintain our network leadership and quality of services, with the aim of delivering double the speeds of standard 4G to 87 per cent of the Australian population by the end of FY19. Our 4G network now covers 98 per cent of the population and we are working towards 99 per cent coverage. We continue to offer more data and exclusive content in our mobile plans to meet the needs of our customers.

Retail customer services increased by 200,000 in the half, bringing the total to 17.4 million. We now have 7.6 million postpaid handheld retail customer services, an increase of 79,000. Postpaid handheld revenue declined slightly by 0.9 per cent to $2,681 million (but was marginally higher compared to the second half of FY16), as mobile subscriber growth was offset by an ARPU reduction of 2.6 per cent from $69.03 to $67.26 (excluding the impact of mobile repayment options). ARPU continues to be impacted by changes in mobile plan structure (unlimited calls, larger data allowances, lower cost of excess data) and a higher mix of BYO device plans, however minimum monthly commitments continue to rise.

Prepaid handheld revenue grew by 1.4 per cent to $502 million in the half due to an increase in ARPU and an addition of 39,000 unique users. ARPU grew by 1.4 per cent to $21.50 as a result of increased voice and data recharges.

Mobile EBITDA margin increased by 2 percentage points to 41 per cent compared to the prior corresponding period. Excluding the margin impact of MTAS, EBITDA margin growth was flat. EBITDA margin was 5 percentage points higher at 46 per cent in the second half of FY16 largely due to one-off roaming credits.



Fixed

Our fixed portfolio offers broadband, calling and premium entertainment. Fixed also includes expert technology advice through our Telstra Platinum service. We continue to build Australia's largest Wi-Fi network, Telstra Air, providing Wi-Fi access to thousands of Australians through over 750,000 hotspots nationally including over 4,700 public hotspots. There are more than 1.5 million customers activated to use Telstra Air, reflecting our customers' increasing appetite for data and a desire to access this data wherever they go.

Total fixed revenue declined by 4.7 per cent to $3,257 million. Fixed voice revenue decreased by 9.4 per cent to $1,606 million while fixed data revenue grew by 1.8 per cent to $1,276 million. Retention activity has broadly maintained the rate of fixed voice decline. Retail fixed voice line loss was 161,000 in the half, taking total retail fixed voice customers to 5.5 million. Fixed voice ARPU decline was consistent with the prior period, decreasing by 4.8 per cent to $38.71.

The increase in fixed data revenue was primarily due to 90,000 retail net subscriber additions, bringing the total retail fixed data subscriber number to 3.5 million. This was partly offset by lower ARPU which decreased by 2.7 per cent to $50.20. The total number of customers taking up a bundle has increased in the six months to 31 December 2016 by 124,000. There are now 2.8 million customers on a bundled plan, or 85 per cent of the retail fixed data customer base.

We are determined to become Australia's leading provider of consumer and business services on the nbn. We have a clear strategy to differentiate our services based on network quality and unique products and content experiences that are better with Telstra, such as Telstra Air and Telstra TV. Our bundled products, including our "Hottest Entertainment Bundle" launched in October 2016, are performing well. We continue to lead the market with a total of 792,000 nbn connections, an increase of 292,000 in the half.

Other fixed revenue, which includes intercarrier services, payphones, customer premises equipment and narrowband, decreased by 3.8 per cent to $375 million. Intercarrier access services revenue declined by 4.1 per cent which includes the impact of the ACCC Final Access Determination for Fixed Line Services.

Fixed voice and fixed data EBITDA margins declined compared to the prior corresponding period due to the upfront costs in connecting our nbn customers in addition to growing ongoing network payments to nbn co. Fixed voice EBITDA margin decreased by 4 percentage points, while fixed data EBITDA margin decreased by 7 percentage points. However, compared to the second half of FY16, fixed voice EBITDA margin increased by 1 percentage point due to reduced core fixed costs, partially offset by growing network payments to nbn co.

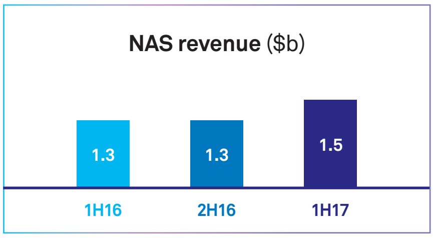
We continue to focus on reducing costs in our fixed product portfolio by developing digital platforms in sales and self-service functionality to establish online as the preferred point of contact for customers, and further automating and digitising the customer experience.

Data & IP

Our Data & IP product and service offerings enable Telstra to deliver world class technology solutions for our customers. Data & IP revenue decreased by 4.2 per cent to $1,374 million, which was largely due to increased competitive pressure and a decline in the domestic market. Within Data & IP, other data and calling products which include wholesale internet and data, and inbound calling products, decreased by 3.9 per cent to $518 million. IP access declined by 1.0 per cent, reflecting decreasing yield from increased competition, offsetting growth in IP customer connections. The accelerated decline in ISDN revenue, down 10.6 per cent, was largely due to continued customer migration to IP access, NAS and nbn.

Data & IP EBITDA margin decreased by 3 percentage points to 59 per cent, impacted by lower yields due to competitive pricing pressure.

Network Applications and Services (NAS)



NAS revenue grew by 18.0 per cent to $1,475 million with double digit growth due to increased commercial works for nbn co. Industry solutions revenue growth of 56.1 per cent was driven by nbn commercial works, while cloud services growth of 41.4 per cent was facilitated by consulting professional services and key acquisitions. On a comparable basis, revenue growth across managed services, unified communications, and integrated services were lower as a result of the achievement of significant delivery milestones in the prior corresponding period.

NAS continued to deliver EBITDA margin improvement, up this half-year by 6 percentage points through operational leverage, scalable standardised offerings, and a lower cost global delivery model. Compared to the second half of FY16, EBITDA margin declined by 1 percentage point due to the timing of delivery milestones.

Global connectivity
Global connectivity represents the international GES business, and has been separated from the domestic fixed, Data & IP and NAS businesses. On a reported AUD basis, global connectivity declined by 2.1 per cent to $699 million, impacted by AUD appreciation from 1H16 to 1H17. The decline was primarily led by a 2.9 per cent decrease in Data & IP and a decline in fixed of 4.7 per cent. However, revenue grew by 2.6 per cent in local currency terms as customers continued to respond positively to the suite of products and services available as a result of the combination of the Pacnet network and the Telstra brand.

On a local currency basis, global connectivity EBITDA grew 16.4 per cent, while EBITDA margin improved by 2 percentage points compared to the prior corresponding period due to the continued delivery of synergies and the portfolio of available products and services.

Media
Media is focused on delivering world class content experiences and leadership in technology that is simple and intuitive, adding value and differentiating Telstra's core products with Foxtel from Telstra, Telstra TV, BigPond Movies, and sport and music content subscriptions.

Media revenue including cable revenue increased by 9.7 per cent to $522 million, while media excluding cable increased by 12.7 per cent to $471 million. Foxtel from Telstra grew 11.4 per cent to $390 million, with 88,000 subscriber additions over the past year.

There are now 622,000 Telstra TV devices in the market, making it the fastest growing streaming device in Australia, helping to contribute to growth in other media revenue.

Our mobile media strategy helped deliver unique and exclusive content for our mobility customers. Mobile content subscribers and bundled customers increased across AFL, NRL and Apple Music, helping to drive further content usage across our core mobile products.

Other
Other sales revenue and other income includes income related to nbn co access to our infrastructure, and revenue from Telstra Health and Telstra Software Group. Other income includes gains and losses on asset and investment sales (including assets transferred under the NBN DA), income from government grants under the Telstra Universal Service Obligation Performance Agreement (TUSOPA), income from NBN disconnection fees (PSAA), subsidies and other miscellaneous items. The increase in other income of 74.9 per cent during the period was largely due to an increase in one-off PSAA and ISA receipts in line with the progress of the nbn rollout.

Expense Performance

	1H17	1H16[1]	Change	
Operating expenses	$m	$m	$m	%
Core sales costs[2]	3,598	3,838	(240)	(6.3)
Core fixed costs	4,353	4,369	(16)	(0.4)
- Underlying	3,439	3,531	(92)	(2.6)
- NAS labour and corporate[3]	914	838	76	9.1
New business costs[4]	177	196	(19)	(9.7)
One-off NBN DA and nbn Cost to Connect	212	121	91	75.2
Guidance adjustments[5]	172	-	172	n/m
Total Reported	**8,512**	**8,524**	**(12)**	**(0.1)**

1. 1H16 reclassified to reflect Autohome being a discontinued operation.
2. Core sales costs excludes goods and services purchased associated with new business and nbn Cost to Connect (C2C).
3. NAS labour and corporate costs include significant transactions and events associated with NAS commercial works and labour, global connectivity costs, and corporate items.
4. New business includes Telstra Health, Telstra Software Group and Telstra Ventures.
5. Guidance adjustments mostly reflect a portion of restructuring costs in FY17 of $300m to $500m.

Total operating expenses were broadly flat, declining 0.1 per cent to $8,512 million. A $240 million or 6.3 per cent decline in core sales costs were the largest influence on operating expenses. Core sales costs are direct costs associated with revenue and customer growth. Underlying core fixed costs declined by $92 million or 2.6 per cent.

Operating expenses	1H17 $m	1H16 $m	Change %
Labour	2,684	2,634	1.9
Goods and services purchased	3,693	3,897	(5.2)
Other expenses	2,135	1,993	7.1
Total operating expenses	8,512	8,524	(0.1)

Labour
Total labour expenses increased by 1.9 per cent or $50m to $2,684 million. Total full time staff and equivalents (FTE) decreased by 1,088 to 32,551. The movement in FTE includes the acquisition of Kloud, Readify and MSC (495 FTE for 1H17). There was also a 443 FTE increase to support the nbn contract for HFC delivery (announced 11 April 2016). Offsetting these increases were reductions in FTE in the core business, in line with restructuring activity conducted throughout the half-year.

Salary and associated costs decreased by 2.4 per cent or $47 million to $1,891 million. A favourable bond rate movement of $75 million for long service leave and worker's compensation contributed to the decrease. This was offset by new salary and associated costs for Kloud, Readify and MSC ($33 million), and HFC delivery. Underlying reduction in FTE costs more than offset inflationary increases.

An increase in labour outsourcing of 7.2 per cent or $32 million resulted in an increase of labour substitution costs.

Redundancy costs increased by 64.0 per cent or $57 million as a result of an increased focus on accelerating restructuring activity relating to our productivity programs.

Goods and services purchased
Goods and services purchased decreased by 5.2 per cent or $204 million to $3,693 million. Cost of goods sold (COGS) (which includes directly variable costs, including mobile handsets, tablets, dongles and broadband modems) decreased by 6.5 per cent or $111 million to $1,597 million impacted by lower mobile hardware sales.

Network payments decreased by 23.2 per cent or $239 million to $789 million including a $351m decrease in carrier network payments largely a result of the MTAS impact on voice and SMS terminating charges and lower mobile roaming charges. These decreases were partially offset by a $109 million increased nbn access payments as we move customers to the nbn.

Other expenses
Total other expenses increased by 7.1 per cent or $142 million to $2,135 million as a result of increased costs for service contracts and other agreements.

Service contract and other agreement costs increased by $117 million to $874 million. The increase in costs was largely driven by increased growth in our services business.

Depreciation and Amortisation
Depreciation and Amortisation increased by 10.7 per cent to $2,248 million due to ongoing investment in business software assets with shorter useful lives.

Depreciation will increase as a result of our incremental capital expenditure announced in August 2016 of up to $3 billion over the next three years to the end of FY19.

Foreign currency impacts
For the purposes of reporting our consolidated results, the translation of foreign operations denominated in foreign currency to Australian dollars decreased our expenses by $50 million on the prior period across labour, goods and services purchased, and other expenses. This foreign exchange impact has been offset by a loss to sales revenue, resulting in a favourable EBITDA contribution of $6 million.

Net finance costs

Net finance costs decreased by 18.4 per cent or $64 million to $283 million primarily due to a reduction in finance costs of $50 million and higher finance income from financial instruments of $19 million.

The main movements included an increase in interest income from financial instruments of $19 million from the prior year. This was driven by interest earned on cash and liquid investments due to holding higher average cash balances period on period resulting primarily from the receipt of Autohome sale proceeds in June 2016.

Gross borrowing costs (including finance leases) decreased by $15 million from prior year primarily as a result of a reduction in our cost of borrowing. Our average borrowing costs on gross debt for the period was 5.4 per cent compared to 5.6 per cent in the prior period. This reflects the enduring benefit of refinancing debt at rates below our existing cost of funds, and a reduction in market rates impacting both our variable rate long-term debt and short-term debt. We will continue to see the favourable impact of refinancing as debt with higher cost of funds matures.

The reduction in finance costs includes a $32 million favourable movement in remeasurements. These remeasurements represent (non-cash) unrealised gains and losses associated with our derivative financial instruments.

The adoption of AASB 9 (2013) has enabled us to significantly reduce volatility associated with market movements as a result of the deferral of hedging costs in equity and associated transition adjustments. Remeasurements can vary significantly period on period and are not considered part of underlying economic performance.

Capitalised interest is favourable by $4 million compared to the prior period due to higher net work in progress (associated with our capital expenditure spend), partially offset by a lower capitalisation rate due to lower cost of borrowing.

Financial Position

Capital expenditure and cash flow
Net cash provided by operating activities declined by 14.0 per cent to $3,162 million which included Autohome earnings in the prior corresponding period and restructuring costs in the six months to 31 December 2016. Our operating capital expenditure for the half was 16.0 per cent of sales revenue or $2,050 million, however this will accelerate to approximately 18.0 per cent during the FY17-19 period as the up to $3 billion of incremental capital expenditure is invested across the business. We are spending a significant proportion of our capital expenditure on mobile in particular to extend our 4G and 4GX networks to deliver more square kilometres of coverage, more reliable voice and data, fewer dropouts and faster download speeds. We are also committed to investing in our networks for the future and digitisation to drive improvements in customer experience. This investment will position us to deliver significant customer benefits and reinforce our market differentiation over the longer term, as well as deliver business benefits such as capital efficiency, reduced operating costs and increased revenue.

Free cashflow generated from operating and investing activities was $1,378 million, representing a decrease of $540 million on the prior period. This was primarily due to the decline in net cash provided by operating activities as detailed above, while net cash used in investing activities remained broadly flat. On a guidance basis free cashflow was $1,621 million. Guidance has been adjusted in the current period for free cashflow associated with restructuring costs ($129 million), M&A activity ($64 million), spectrum ($27 million), and Autohome ($23 million).

Summary Statement of Cash Flows	1H17 $m	1H16 $m	Change %
Net cash provided by operating activities	3,162	3,677	(14.0)
Total capital expenditure	(2,258)	(2,244)	(0.6)
Sale of shares in controlled entities (net of cash disposed)	-	6	n/m
Other investing cash flows	474	479	(1.0)
Net cash used in investing activities	(1,784)	(1,759)	(1.4)
Free cashflow	1,378	1,918	(28.2)
Net cash used in financing activities	(3,741)	(1,160)	n/m
Net increase/(decrease) in cash and cash equivalents	(2,363)	758	n/m
Cash and cash equivalents at the beginning of the year	3,550	1,396	154.3
Effects of exchange rate changes on cash and cash equivalents	1	11	(90.9)
Cash and cash equivalents at the end of the period	1,188	2,165	(45.1)

Financial settings	1H17 Actual	FY17 Comfort zone
Debt servicing[1]	1.4x	1.3 – 1.8x
Gearing[2]	50.4%	50% to 70%
Interest cover[3]	14.7x	>7x

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

Debt position

Our gross debt position at 31 December 2016 was $16,011 million, comprising borrowings of $17,210 million and net derivative assets of $1,199 million. Gross debt has remained consistent with June 2016 ($16,009 million) resulting from a $574 million increase in debt as shown in the table below, offset by a $572 million cash outflow on debt maturities and other non-cash adjustments.

Debt issuance	$m
Net short term commercial paper issuance	550
Finance lease additions (non-cash)	24
Total	**574**

Debt maturities within the period included $375 million of term debt and $62 million of finance lease repayments. A further $126 million is due to non-cash revaluations such as unrealised movements on our derivatives.

Net debt has increased by $2,364 million to $14,823 million primarily as a result of a decrease in cash and cash equivalents of $2,362 million. This is driven by free cashflow of $1,378 million and net non-cash movements impacting gross debt of $102 million, being more than offset by financing outflows principally due to the $1.5 billion share buybacks. At 31 December 2016, cash and cash equivalents were $1,188 million.

Financial parameters remain at the conservative end of our comfort zones. Debt servicing (net debt/EBITDA) is at 1.4x and is within our comfort zone (June 2016: 1.2x).

Our gearing, measured as net debt as a proportion of total capital value, is 50.4 per cent (June 2016: 43.9 per cent). We also monitor interest cover, which is a measure of the cash flows we generate compared with the net interest cost of servicing our borrowings. Interest cover was 14.7x (June 2016: 13.0x). During the 6-12 month period of the capital allocation strategy review, announced at Investor Day in November 2016, the current settings of our comfort zones will remain unchanged.

Summary Statement of Financial Position	1H17 $m	FY16 $m	Change %
Current assets	7,853	9,340	(15.9)
Non-current assets	33,901	33,946	(0.1)
Total assets	41,754	43,286	(3.5)
Current liabilities	10,023	9,188	9.1
Non-current liabilities	17,162	18,191	(5.7)
Total liabilities	27,185	27,379	(0.7)
Net assets	14,569	15,907	(8.4)
Total equity	14,569	15,907	(8.4)
Return on average assets (%)	14.8	16.2	(1.4)pp
Return on average equity (%)	23.6	25.7	(2.1)pp

Statement of Financial Position

Our balance sheet remains in a strong position with net assets of $14,569 million. Current assets decreased by 15.9 per cent to $7,853 million largely as a result of the reduction in cash and cash equivalents of $2,362 million used to fund debt maturities and the share buybacks. This was partly offset by trade and other receivables, which increased by $470 million primarily due to an increase in trade debtors (including increased billings for NBN ISA), and a $319 million increase in inventories, primarily driven by works relating to the nbn rollout.

Non-current assets decreased by 0.1 per cent to $33,901 million. A decrease of $302 million in derivative financial assets was driven by foreign currency movements and other valuation impacts arising from measuring to fair value. As our derivatives are used to hedge foreign currency and interest rate exposures, the movement in derivative position was largely offset by corresponding movements in borrowings and reserves (equity). This was partially offset by property, plant and equipment which increased by $207 million, driven by investments made to upgrade our mobile networks.

Current liabilities increased by 9.1 per cent to $10,023 million. Current borrowings increased by $1,081 million primarily due to a reclassification of long-term debt due to mature within the next 12 months. Short-term commercial paper, which is held principally to support working capital and liquidity requirements, has also increased from June 2016. This was partially offset by a reduction in current tax payable of $109 million largely due to an increase in PAYG tax instalments paid during the year.

Non-current liabilities decreased by 5.7 per cent to $17,162 million. Non-current borrowings have decreased by $1,173 million primarily as a result of the reclassification of debt due to mature within 12 months to current borrowings. Exchange rate movements also impact our offshore borrowings however as we hedge all foreign currency risk, this movement was fully offset by a decrease in our net derivative asset position.

Guidance versus reported results

This schedule details the adjustments made to the reported results for the current period to reflect the performance of the business on the basis which we provided guidance to the market. Our guidance assumed wholesale product price stability from the beginning of the financial year and no impairments to investments, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumed the nbn™ rollout is in accordance with the nbn Corporate Plan 2016. Capex to sales guidance excluded externally funded capex. Guidance excluded the Ooyala impairment in FY16 and restructuring costs in FY17 of $300m to $500m.

	Reported continuing operations Half-year ended 31 December			Adjustments Dec-16							Guidance Basis Half-year ended 31 December		
	2016	2015	Growth	M&A Controlled Entities[1]	M&A JVs / Associates[1]	M&A Other Investments[1]	M&A Disposals[1]	Restructuring Costs[2]	Spectrum[3]	Autohome[4]	2016	2015	Growth
	$m	$m	%	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Sales revenue	12,787	13,235	(3.4%)	0	0	0	0	0	0	0	12,787	13,235	(3.4%)
Total revenue	12,806	13,289	(3.6%)	0	0	0	0	0	0	0	12,806	13,289	(3.6%)
Total income (excl. finance income)	13,703	13,802	(0.7%)	0	0	0	0	0	0	0	13,703	13,802	(0.7%)
Labour	2,684	2,634	1.9%	(3)	0	0	0	(94)	0	0	2,587	2,634	(1.8%)
Goods and services purchased	3,693	3,897	(5.2%)	(2)	0	0	0	0	0	0	3,691	3,897	(5.3%)
Other expenses	2,135	1,993	7.1%	(2)	0	0	0	(71)	0	0	2,062	1,993	3.5%
Operating expenses	8,512	8,524	(0.1%)	(7)	0	0	0	(165)	0	0	8,340	8,524	(2.2%)
Share of net profit/(loss) from joint ventures and associated entities	(2)	(5)	60.0%	0	0	0	0	0	0	0	(2)	(5)	60.0%
EBITDA	5,189	5,273	(1.6%)	7	0	0	0	165	0	0	5,361	5,273	1.7%
Depreciation and amortisation	2,248	2,031	10.7%	(1)	0	0	0	0	0	0	2,247	2,031	10.6%
EBIT	2,941	3,242	(9.3%)	8	0	0	0	165	0	0	3,114	3,242	(3.9%)
Net finance costs	283	347	(18.4%)	0	0	0	0	0	0	0	283	347	(18.4%)
Profit before income tax expense	2,658	2,895	(8.2%)	8	0	0	0	165	0	0	2,831	2,895	(2.2%)
Income tax expense	873	872	0.1%	2	0	0	0	50	0	0	925	872	6.1%
Profit for the year from continuing operations	1,785	2,023	(11.8%)	6	0	0	0	115	0	0	1,906	2,023	(5.8%)
Profit/(loss) for the period from discontinued operations	-	112	n/m	0	0	0	0	0	0	0	-	112	n/m
Profit for the period from continuing and discontinued operations	1,785	2,135	(16.4%)	6	0	0	0	115	0	0	1,906	2,135	(10.7%)
Attributable to:													
Equity holders of Telstra Entity	1,791	2,093	(14.4%)	6	0	0	0	115	0	0	1,912	2,093	(8.6%)
Non controlling interests	(6)	42	(114.3%)	0	0	0	0	0	0	0	(6)	42	(114.3%)
Free cashflow	1,378	1,918	(28.2%)	51	5	9	(1)	129	27	23	1,621	1,918	(15.5%)

This table has been subject to review by our auditors.

Note:

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

(1) **Mergers & Acquisitions adjustments:**
Adjustments relating to acquisition of controlled entities and businesses. This includes the acquisition of Mercury Holdings Corporation Pty Ltd and its controlled entities, Fusion Payments Pty Ltd and the acquisition of the Cognevo business from the Wynyard Group. Joint Ventures/Associates includes additional equity injections in Near Pte Ltd, ProQuo Pty Ltd and enepath (Group Holdings) Pte Ltd. Other Investments include purchase of shares/additional shares in NSOne Inc, Attack IQ Inc, Headspin Inc and Monk's Hill Ventures Fund.
During this period we disposed of our investment in Vonage Holdings Corporation.

(2) **Restructuring Costs adjustments:**
Adjustments for the strategic focus on accelerating restructure activity including Fitter and Faster programs ($160m), in addition to our normal business as usual redundancies for the period. Adjustments for the strategic focus on the incremental capex spend announced at last financial full year results to promote sustainable network differentiation, support digitisation, productivity and boost customer experience ($5m).

(3) **Spectrum adjustments:**
Adjustments relating to the impact on Free Cashflow associated with our Spectrum purchases and renewals for the period ($27m for Spectrum licences in the PTS 900 MHz/PMTS Class B (935-960 MHz)).

(4) **Autohome adjustments:**
Autohome Group was disposed on 23 June 2016 and classified as a discontinued operation in the second half of financial year 2016. There has been $23m net cash used in the operating activities during the current period to settle accrued transaction costs related to the Autohome disposal.

Results of operations

	Half year ended 31 December			
	2016 $M	2015 $M	Change $M	**Change %**
Continuing operations				
Sales revenue	**12,787**	13,235	(448)	**(3.4)**
Other revenue(i)	**19**	54	(35)	**(64.8)**
Total revenue	**12,806**	13,289	(483)	**(3.6)**
Other income(ii)	**897**	513	384	**74.9**
Total income (excl. finance income)	**13,703**	13,802	(99)	**(0.7)**
Labour	**2,684**	2,634	50	**1.9**
Goods and services purchased	**3,693**	3,897	(204)	**(5.2)**
Other expenses	**2,135**	1,993	142	**7.1**
Operating expenses	**8,512**	8,524	(12)	**(0.1)**
Share of net (loss) from joint ventures and associated entities	**(2)**	(5)	3	**60.0**
	8,514	8,529	(15)	**(0.2)**
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	**5,189**	5,273	(84)	**(1.6)**
Depreciation and amortisation	**2,248**	2,031	217	**10.7**
Earnings before interest and income tax expense (EBIT)	**2,941**	3,242	(301)	**(9.3)**
Net finance costs	**283**	347	(64)	**(18.4)**
Profit before income tax expense	**2,658**	2,895	(237)	**(8.2)**
Income tax expense	**873**	872	1	**0.1**
Profit for the period from continuing operations	**1,785**	2,023	(238)	**(11.8)**
Profit for the period from discontinued operations	**0**	112	(112)	**(100.0)**
Profit for the period from continuing and discontinued operations	**1,785**	2,135	(350)	**(16.4)**
Attributable to:				
Equity holders of Telstra Entity	**1,791**	2,093	(302)	**(14.4)**
Non-controlling interests	**(6)**	42	(48)	**(114.3)**
	1,785	2,135	(350)	**(16.4)**
Effective tax rate on continuing operations	**32.8%**	30.1%		**2.7 pp**
EBITDA margin on sales revenue	**40.6%**	39.8%		**0.8 pp**
EBIT margin on sales revenue	**23.0%**	24.5%		**(1.5) pp**
	cents	cents	Change cents	**Change %**
Basic earnings per share from continuing operations(iii)	14.8	16.6	(1.8)	**(10.8)**
Diluted earnings per share from continuing operations(iii)	14.8	16.6	(1.8)	**(10.8)**
Basic earnings per share(iii)	14.8	17.2	(2.4)	**(14.0)**
Diluted earnings per share(iii)	14.8	17.1	(2.3)	**(13.5)**

(i) Other revenue primarily consists of rental income and distributions received from Foxtel (31 Dec 2016: nil; 31 Dec 2015: $37m).
(ii) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, income from nbn disconnection fees, subsidies and other miscellaneous items.
(iii) Basic and diluted earnings per share are impacted by the effect of shares held in trust by Telstra Growthshare Trust (Growthshare) and by the Telstra Employee Share Ownership Plan Trust II (TESOP99).
n/m = not meaningful

Revenue

Continuing operations	2016 $M	2015 $M	Change $M	Change %
	Half year ended 31 December			
Fixed products				
Fixed voice	**1,606**	1,772	(166)	**(9.4)**
Fixed data	**1,276**	1,254	22	**1.8**
Other fixed revenue(i)	**375**	390	(15)	**(3.8)**
Total fixed revenue	**3,257**	3,416	(159)	**(4.7)**
Mobiles				
Post-paid handheld	**2,681**	2,706	(25)	**(0.9)**
Pre-paid handheld	**502**	495	7	**1.4**
Mobile broadband	**545**	639	(94)	**(14.7)**
Machine to Machine (M2M)	**68**	60	8	**13.3**
Satellite	**7**	8	(1)	**(12.5)**
Mobile interconnection	**101**	441	(340)	**(77.1)**
Mobile services revenue - wholesale resale	**67**	54	13	**24.1**
Total mobile services revenue	**3,971**	4,403	(432)	**(9.8)**
Mobiles hardware	**1,072**	1,121	(49)	**(4.4)**
Total mobile revenue	**5,043**	5,524	(481)	**(8.7)**
Data & IP				
ISDN products	**279**	312	(33)	**(10.6)**
IP access	**577**	583	(6)	**(1.0)**
Other data and calling products	**518**	539	(21)	**(3.9)**
Total Data & IP	**1,374**	1,434	(60)	**(4.2)**
Total Network applications and services	**1,475**	1,250	225	**18.0**
Media				
Foxtel from Telstra	**390**	350	40	**11.4**
IPTV	**42**	34	8	**23.5**
Mobility and other content	**39**	34	5	**14.7**
Cable	**51**	58	(7)	**(12.1)**
Total media	**522**	476	46	**9.7**
Global connectivity	**699**	714	(15)	**(2.1)**
Other sales revenue(ii)	**417**	421	(4)	**(1.0)**
Sales revenue	**12,787**	13,235	(448)	**(3.4)**
Other revenue(iii)	**19**	54	(35)	**(64.8)**
Total revenue	**12,806**	13,289	(483)	**(3.6)**
Other income(iv)	**897**	513	384	**74.9**
Total income	**13,703**	13,802	(99)	**(0.7)**

(i) Other fixed revenue includes intercarrier services, payphones, customer premises equipment and narrowband.

(ii) Other sales revenue primarily includes revenue related to nbn access to our infrastructure and miscellaneous revenue. It also includes revenue from Telstra Health and Telstra Software.

(iii) Other revenue primarily consists of rental income and distributions received from Foxtel (31 Dec 2016: nil; 31 Dec 2015: $37m).

(iv) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, income from nbn disconnection fees, subsidies and other miscellaneous items.

Expenses

Continuing operations	Half year ended 31 December 2016 $M	2015 $M	Change $M	Change %
Salary and associated costs	**1,891**	1,938	(47)	**(2.4)**
Other labour expenses	**173**	165	8	**4.8**
Labour substitution	**474**	442	32	**7.2**
Redundancy	**146**	89	57	**64.0**
Total labour	**2,684**	2,634	50	**1.9**
Cost of goods sold	**1,597**	1,708	(111)	**(6.5)**
Network payments	**789**	1,028	(239)	**(23.2)**
Other	**1,307**	1,161	146	**12.6**
Total goods and services purchased	**3,693**	3,897	(204)	**(5.2)**
Service contracts and other agreements	**874**	757	117	**15.5**
Impairment expenses (incl bad and doubtful debts)	**102**	110	(8)	**(7.3)**
Other	**1,159**	1,126	33	**2.9**
Total other expenses	**2,135**	1,993	142	**7.1**
Total operating expenses	**8,512**	8,524	(12)	**(0.1)**
Depreciation	**1,508**	1,446	62	**4.3**
Amortisation	**740**	585	155	**26.5**
Total depreciation and amortisation	**2,248**	2,031	217	**10.7**

Net finance costs

	Half year ended 31 December 2016 $M	2015 $M	Change $M	Change %
Finance income	**77**	63	14	**22.2**
Finance costs	**360**	410	(50)	**(12.2)**
Net finance costs	**283**	347	(64)	**(18.4)**

Statement of cash flows

	Half year ended 31 December			
	2016	2015	Change	**Change**
	$M	$M	$M	**%**
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax (GST))	**15,039**	15,642	(603)	**(3.9)**
Payments to suppliers and employees (inclusive of GST)	**(11,173)**	(11,128)	(45)	**(0.4)**
Government grants received	**178**	152	26	**17.1**
Net cash generated by operations	**4,044**	4,666	(622)	**(13.3)**
Income taxes paid	**(882)**	(989)	107	**10.8**
Net cash provided by operating activities	**3,162**	3,677	(515)	**(14.0)**
Cash flows from investing activities				
Payments for property, plant and equipment	**(1,672)**	(1,606)	(66)	**(4.1)**
Payments for intangible assets	**(528)**	(589)	61	**10.4**
Capital expenditure (before investments)	**(2,200)**	(2,195)	(5)	**(0.2)**
Payments for businesses and shares in controlled entities (net of cash acquired)	**(44)**	(10)	(34)	**n/m**
Payments for joint ventures and associated entities	**(5)**	(27)	22	**81.5**
Payments for other investments	**(9)**	(12)	3	**25.0**
Total capital expenditure (including investments)	**(2,258)**	(2,244)	(14)	**(0.6)**
Proceeds from sale of property, plant and equipment	**365**	257	108	**42.0**
Proceeds from sale of shares in controlled entities (net of cash disposed)	**-**	6	(6)	**n/m**
Proceeds from sale of other investments	**1**	52	(51)	**(98.1)**
Distributions received from joint ventures and associated entities	**10**	81	(71)	**(87.7)**
Interest received	**55**	38	17	**44.7**
Other	**43**	51	(8)	**(15.7)**
Net cash used in investing activities	**(1,784)**	(1,759)	(25)	**(1.4)**
Operating cash flows less investing cash flows	**1,378**	1,918	(540)	**(28.2)**
Cash flows from financing activities				
Proceeds from borrowings	**1,392**	3,009	(1,617)	**(53.7)**
Repayment of borrowings	**(1,226)**	(1,782)	556	**31.2**
Repayment of finance lease principal amounts	**(62)**	(7)	(55)	**n/m**
Share buy-back	**(1,502)**	-	(1,502)	**n/m**
Purchase of shares for employee share plans	**(22)**	(68)	46	**67.6**
Finance costs paid	**(429)**	(420)	(9)	**(2.1)**
Dividends paid to equity holders of Telstra Entity	**(1,894)**	(1,893)	(1)	**(0.1)**
Other	**2**	1	1	**100.0**
Net cash used in financing activities	**(3,741)**	(1,160)	(2,581)	**n/m**
Net increase/(decrease) in cash and cash equivalents	**(2,363)**	758	(3,121)	**n/m**
Cash and cash equivalents at the beginning of the period	**3,550**	1,396	2,154	**154.3**
Effects of exchange rate changes on cash and cash equivalents	**1**	11	(10)	**(90.9)**
Cash and cash equivalents at the end of the period	**1,188**	2,165	(977)	**(45.1)**

Statement of financial position

	As at			
	31 Dec 16 $M	30 Jun 16 $M	Change $M	**Change %**
Current assets				
Cash and cash equivalents	**1,188**	3,550	(2,362)	**(66.5)**
Trade and other receivables	**5,207**	4,737	470	**9.9**
Inventories	**876**	557	319	**57.3**
Derivative financial assets	**93**	62	31	**50.0**
Current tax receivables	**4**	8	(4)	**(50.0)**
Prepayments	**485**	426	59	**13.8**
Total current assets	**7,853**	9,340	(1,487)	**(15.9)**
Non-current assets				
Trade and other receivables	**1,184**	1,293	(109)	**(8.4)**
Inventories	**29**	29	0	**0.0**
Investments - accounted for using the equity method	**165**	171	(6)	**(3.5)**
Investments - other	**466**	394	72	**18.3**
Property, plant and equipment	**20,788**	20,581	207	**1.0**
Intangible assets	**9,143**	9,229	(86)	**(0.9)**
Derivative financial assets	**1,878**	2,180	(302)	**(13.9)**
Deferred tax assets	**45**	54	(9)	**(16.7)**
Defined benefit assets	**203**	15	188	**n/m**
Total non-current assets	**33,901**	33,946	(45)	**(0.1)**
Total assets	**41,754**	43,286	(1,532)	**(3.5)**
Current liabilities				
Trade and other payables	**3,855**	3,948	(93)	**(2.4)**
Employee benefits	**861**	913	(52)	**(5.7)**
Other provisions	**100**	92	8	**8.7**
Borrowings	**3,736**	2,655	1,081	**40.7**
Derivative financial liabilities	**254**	286	(32)	**(11.2)**
Current tax payables	**67**	176	(109)	**(61.9)**
Revenue received in advance	**1,150**	1,118	32	**2.9**
Total current liabilities	**10,023**	9,188	835	**9.1**
Non-current liabilities				
Other payables	**67**	66	1	**1.5**
Employee benefits	**157**	169	(12)	**(7.1)**
Other provisions	**128**	127	1	**0.8**
Borrowings	**13,474**	14,647	(1,173)	**(8.0)**
Derivative financial liabilities	**518**	663	(145)	**(21.9)**
Deferred tax liabilities	**1,662**	1,493	169	**11.3**
Defined benefit liability	**4**	4	0	**0.0**
Revenue received in advance	**1,152**	1,022	130	**12.7**
Total non-current liabilities	**17,162**	18,191	(1,029)	**(5.7)**
Total liabilities	**27,185**	27,379	(194)	**(0.7)**
Net assets	**14,569**	15,907	(1,338)	**(8.4)**
Equity				
Share capital	**4,413**	5,167	(754)	**(14.6)**
Reserves	**204**	62	142	**n/m**
Retained Profits	**9,924**	10,642	(718)	**(6.7)**
Equity available to Telstra Entity shareholders	**14,541**	15,871	(1,330)	**(8.4)**
Non-controlling interests	**28**	36	(8)	**(22.2)**
Total equity	**14,569**	15,907	(1,338)	**(8.4)**
Gross debt	**16,011**	**16,009**	2	**0.0**
Net debt	**14,823**	**12,459**	2,364	**19.0**
EBITDA interest cover (times)(i)	**14.7**	**13.0**	1.7	**13.1**
Net debt to EBITDA	**1.4**	**1.2**	0.2	**16.7**
ROA - Return on average assets(ii)	14.8%	16.2%		**(1.4) pp**
ROE - Return on average equity(ii)	23.6%	25.7%		**(2.1) pp**
ROI - Return on average investment(ii)	20.4%	22.4%		**(2.0) pp**
ROIC - Return on invested capital(ii)	12.4%	13.6%		**(1.2) pp**
Gearing ratio (net debt to capitalisation)(ii)	50.4%	43.9%		**6.5 pp**

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

(ii) Ratio has been measured on a continuing basis.

n/m = not meaningful

ARPU ($)

Continuing operations	Half year ended Dec 2016 $	Half year ended Jun 2016 $	Half year ended Dec 2015 $	Dec 16 vs Dec 15 Change $	Dec 16 vs Dec 15 Change %	Dec 16 vs Jun 16 Change $	Dec 16 vs Jun 16 Change %
Fixed voice	**38.71**	38.96	40.66	(1.95)	(4.8)	(0.25)	(0.6)
Fixed data	**50.20**	50.35	51.60	(1.40)	(2.7)	(0.15)	(0.3)
Post-paid handheld (incl. MRO)	**59.46**	60.08	61.38	(1.92)	(3.1)	(0.62)	(1.0)
Post-paid handheld (excl. MRO)	**67.26**	67.82	69.03	(1.77)	(2.6)	(0.56)	(0.8)
Pre-paid handheld	**21.50**	19.89	21.20	0.30	1.4	1.61	8.1
Mobile broadband	**22.84**	25.02	27.38	(4.54)	(16.6)	(2.18)	(8.7)
M2M	**5.87**	6.69	6.15	(0.28)	(4.6)	(0.82)	(12.3)
Satellite	**39.03**	39.86	43.60	(4.57)	(10.5)	(0.83)	(2.1)

Services in operation

Continuing operations	Half year ended Dec 2016 K	Half year ended Jun 2016 K	Half year ended Dec 2015 K	Dec 16 vs Dec 15 Change K	Dec 16 vs Dec 15 Change %	Dec 16 vs Jun 16 Change K	Dec 16 vs Jun 16 Change %
Fixed products							
Basic access lines in service							
Retail(i)	**5,549**	5,710	5,852	(303)	(5.2)	(161)	(2.8)
Wholesale	**1,251**	1,328	1,353	(102)	(7.5)	(77)	(5.8)
Total fixed voice lines in service	**6,800**	7,038	7,205	(405)	(5.6)	(238)	(3.4)
Fixed data SIOs - retail(ii)	**3,469**	3,379	3,265	204	6.2	90	2.7
Fixed data SIOs - wholesale	**784**	840	850	(66)	(7.8)	(56)	(6.7)
Fixed data	**4,253**	4,219	4,115	138	3.4	34	0.8
ISDN access (basic line equivalents)	**1,004**	1,049	1,102	(98)	(8.9)	(45)	(4.3)
Unconditioned local loop (ULL) SIOs	**1,496**	1,547	1,570	(74)	(4.7)	(51)	(3.3)
Line spectrum sharing services (LSS)(iii)	**437**	478	516	(79)	(15.3)	(41)	(8.6)
Mobiles SIOs							
Post-paid handheld retail mobile	**7,555**	7,476	7,387	168	2.3	79	1.1
Pre-paid handheld retail mobile	**3,870**	3,914	3,864	6	0.2	(44)	(1.1)
Total mobile broadband (data card)	**3,993**	3,960	3,914	79	2.0	33	0.8
M2M	**1,984**	1,854	1,714	270	15.8	130	7.0
Satellite	**31**	29	29	2	6.9	2	6.9
Total retail mobile	**17,433**	17,233	16,908	525	3.1	200	1.2
Total wholesale mobile	**637**	530	478	159	33.3	107	20.2
Pre-paid handheld unique users(iv)	**2,653**	2,614	2,603	50	1.9	39	1.5
Foxtel from Telstra	**748**	751	660	88	13.3	(3)	(0.4)

(i) Includes nbn.
(ii) Includes nbn and Belong SIOs.
(iii) Excluded from wholesale broadband SIOs.
(iv) Pre-paid unique users defined as the three month rolling average of monthly active prepaid users.
Note: Statistical data represents management's best estimates.
n/m = not meaningful

Workforce

Continuing operations	Half year ended Dec 2016	Half year ended Jun 2016	Half year ended Dec 2015	Dec 16 vs Dec 15 Change	Dec 16 vs Dec 15 Change %	Dec 16 vs Jun 16 Change	Dec 16 vs Jun 16 Change %
Employee data							
Full time staff equivalents	32,551	33,659	33,639	(1,088)	(3.2)	(1,108)	(3.3)

Note: Statistical data represents management's best estimates.

Segment information from continuing operations

	Total external income Half year ended 31 December			EBITDA contribution Half year ended 31 December		
	2016 $M	2015 $M	Change %	2016 $M	2015 $M	Change %
Telstra Retail	**8,175**	8,657	**(5.6)**	**4,415**	4,717	**(6.4)**
Global Enterprise and Services	**2,974**	3,123	**(4.8)**	**1,120**	1,207	**(7.2)**
Telstra Wholesale	**1,333**	1,310	**1.8**	**1,228**	1,210	**1.5**
Telstra Operations	**525**	243	**116.0**	**(1,316)**	(1,399)	**5.9**
All Other	**696**	469	**48.4**	**(258)**	(462)	**44.2**
Total Telstra segments	**13,703**	13,802	**(0.7)**	**5,189**	5,273	**(1.6)**

Revenue by Business Segment

	Half year ended 31 December		
	2016 $M	2015 $M	Change %
Telstra Consumer			
Fixed voice	**902**	977	**(7.7)**
Fixed data	**912**	883	**3.3**
Mobile services revenue	**2,468**	2,743	**(10.0)**
Telstra Business			
Fixed voice	**376**	428	**(12.1)**
Fixed data	**181**	184	**(1.6)**
Mobile services revenue	**1,004**	1,130	**(11.2)**
Network applications and services	**348**	312	**11.5**
GES Australia			
Mobile services revenue	**430**	471	**(8.7)**
Data & IP	**791**	831	**(4.8)**
Network applications and services	**787**	830	**(5.2)**

Product profitability - EBITDA margins %

	Half year ended		
	Dec 2016	Jun 2016	Dec 2015
Mobile	41%	46%	39%
Fixed data(i)	34%	40%	41%
Fixed voice(i)	50%	49%	54%
Data & IP	59%	62%	62%

Note: product margins represent management's best estimates.
(i) includes nbn voice and data.

Product profitability - EBITDA ($M)

	Half Year ended		
	Dec 2016	Jun 2016	Dec 2015
Mobile	**2,065**	2,256	2,128
Fixed data(i)	**439**	504	518
Fixed voice(i)	**809**	811	955
Data & IP	**817**	859	893

Note: product margins represent management's best estimates.
(i) includes nbn voice and data.

Telstra Corporation Limited
Half-yearly comparison
Half Year ended 31 December 2016

Summary Reported Half-yearly Data ($ Millions)	Half 1 Dec-12	PCP Growth	Half 2 Jun-13	PCP Growth	Full year Jun-13	PCP Growth	Half 1 Dec-13	PCP Growth	Half 2 Jun-14	PCP Growth	Full year Jun-14	PCP Growth	Half 1 Dec-14	PCP Growth	Half 2 Jun-15	PCP Growth	Full year Jun-15	PCP Growth	Half 1 Dec-15	PCP Growth	Half 2 Jun-16	PCP Growth	Full year Jun-16	PCP Growth	Half 1 Dec-16	PCP Growth
Revenue																										
Fixed products																										
Fixed voice products																										
Fixed voice(i)	2,219	(10.8%)	2,137	(8.2%)	4,356	(9.5%)	2,058	(7.3%)	1,974	(7.6%)	4,032	(7.4%)	1,917	(6.9%)	1,829	(7.3%)	3,746	(7.1%)	1,772	(7.6%)	1,665	(9.0%)	3,437	(8.2%)	1,606	(9.4%)
Fixed data(i)	1,028	4.4%	1,059	5.7%	2,087	5.0%	1,090	6.0%	1,128	6.5%	2,218	6.3%	1,175	7.8%	1,204	6.7%	2,379	7.3%	1,254	6.7%	1,259	4.6%	2,513	5.6%	1,276	1.8%
Fixed other	234	47.2%	230	58.6%	464	52.1%	231	(1.3%)	231	0.4%	462	(0.4%)	104	(55.0%)	95	(58.9%)	199	(56.9%)	97	(6.7%)	96	1.1%	193	(3.0%)	94	(3.1%)
Intercarrier services	311	21.0%	290	8.2%	601	14.5%	288	(7.4%)	298	2.8%	586	(2.5%)	309	7.3%	311	4.4%	620	5.8%	293	(5.2%)	285	(8.4%)	578	(6.8%)	281	(4.1%)
Total fixed products(i)	**3,792**	**(2.5%)**	**3,716**	**(0.7%)**	**7,508**	**(1.6%)**	**3,667**	**(3.3%)**	**3,631**	**(2.3%)**	**7,298**	**(2.8%)**	**3,505**	**(4.4%)**	**3,439**	**(5.3%)**	**6,944**	**(4.9%)**	**3,416**	**(2.5%)**	**3,305**	**(3.9%)**	**6,721**	**(3.2%)**	**3,257**	**(4.7%)**
Mobiles																										
Post-paid handheld	2,377	0.3%	2,427	5.4%	4,804	2.8%	2,495	5.0%	2,511	3.5%	5,006	4.2%	2,701	8.3%	2,688	7.0%	5,389	7.7%	2,706	0.2%	2,679	(0.3%)	5,385	(0.1%)	2,681	(0.9%)
Pre-paid handheld	351	7.7%	376	14.6%	727	11.2%	419	19.4%	460	22.3%	879	20.9%	498	18.9%	496	7.8%	994	13.1%	495	(0.6%)	464	(6.5%)	959	(3.5%)	502	1.4%
Mobile broadband	576	16.8%	620	18.1%	1,196	17.5%	643	11.6%	644	3.9%	1,287	7.6%	649	0.9%	641	(0.5%)	1,290	0.2%	639	(1.5%)	591	(7.8%)	1,230	(4.7%)	545	(14.7%)
Machine to Machine (M2M)	44	10.0%	46	15.0%	90	12.5%	47	6.8%	54	17.4%	101	12.2%	55	17.0%	58	7.4%	113	11.9%	60	9.1%	72	24.1%	132	16.8%	68	13.3%
Satellite	7	0.0%	6	20.0%	13	8.3%	7	0.0%	7	16.7%	14	7.7%	8	14.3%	8	14.3%	16	14.3%	8	0.0%	7	(12.5%)	15	(6.3%)	7	(12.5%)
Mobile interconnection	395	(2.9%)	369	1.9%	764	(0.7%)	403	2.0%	377	2.2%	780	2.1%	412	2.2%	424	12.5%	836	7.2%	441	7.0%	98	(76.9%)	539	(35.5%)	101	(77.1%)
Mobile services - wholesale resale	51	(26.1%)	60	(11.8%)	111	(19.0%)	65	27.5%	46	(23.3%)	111	0.0%	58	(10.8%)	69	50.0%	127	14.4%	54	(6.9%)	48	(30.4%)	102	(19.7%)	67	24.1%
Total mobile services	**3,801**	**2.4%**	**3,904**	**7.5%**	**7,705**	**4.9%**	**4,079**	**7.3%**	**4,099**	**5.0%**	**8,178**	**6.1%**	**4,381**	**7.4%**	**4,384**	**7.0%**	**8,765**	**7.2%**	**4,403**	**0.5%**	**3,959**	**(9.7%)**	**8,362**	**(4.6%)**	**3,971**	**(9.8%)**
Mobile hardware	766	16.9%	731	7.0%	1,497	11.9%	784	2.3%	708	(3.1%)	1,492	(0.3%)	946	20.7%	940	32.8%	1,886	26.4%	1,121	18.5%	955	1.6%	2,076	10.1%	1,072	(4.4%)
Total mobiles	**4,567**	**4.6%**	**4,635**	**7.5%**	**9,202**	**6.0%**	**4,863**	**6.5%**	**4,807**	**3.7%**	**9,670**	**5.1%**	**5,327**	**9.5%**	**5,324**	**10.8%**	**10,651**	**10.1%**	**5,524**	**3.7%**	**4,914**	**(7.7%)**	**10,438**	**(2.0%)**	**5,043**	**(8.7%)**
Data & IP																										
ISDN products	398	(5.2%)	379	(6.7%)	777	(5.9%)	363	(8.8%)	349	(7.9%)	712	(8.4%)	340	(6.3%)	322	(7.7%)	662	(7.0%)	312	(8.2%)	291	(9.6%)	603	(8.9%)	279	(10.6%)
IP access	559	8.1%	570	4.6%	1,129	6.3%	592	5.9%	598	4.9%	1,190	5.4%	590	(0.3%)	590	(1.3%)	1,180	(0.8%)	583	(1.2%)	557	(5.6%)	1,140	(3.4%)	577	(1.0%)
Other data and calling products	752	24.1%	718	16.9%	1,470	20.5%	728	(3.2%)	723	0.7%	1,451	(1.3%)	528	(27.5%)	514	(28.9%)	1,042	(28.2%)	539	2.1%	547	6.4%	1,086	4.2%	518	(3.9%)
Data & IP Total	**1,709**	**10.8%**	**1,667**	**6.5%**	**3,376**	**8.6%**	**1,683**	**(1.5%)**	**1,670**	**0.2%**	**3,353**	**(0.7%)**	**1,458**	**(13.4%)**	**1,426**	**(14.6%)**	**2,884**	**(14.0%)**	**1,434**	**(1.6%)**	**1,395**	**(2.2%)**	**2,829**	**(1.9%)**	**1,374**	**(4.2%)**
Network applications and services	**662**	**15.3%**	**877**	**27.7%**	**1,539**	**22.0%**	**853**	**28.9%**	**1,110**	**26.6%**	**1,963**	**27.6%**	**966**	**13.2%**	**1,353**	**21.9%**	**2,319**	**18.1%**	**1,250**	**29.4%**	**1,331**	**(1.6%)**	**2,581**	**11.3%**	**1,475**	**18.0%**
Media																										
Foxtel from Telstra	302	0.0%	293	(2.7%)	595	(1.3%)	297	(1.7%)	308	5.1%	605	1.7%	322	8.4%	340	10.4%	662	9.4%	350	8.7%	369	8.5%	719	8.6%	390	11.4%
IPTV	31	10.7%	41	17.1%	72	14.3%	50	61.3%	44	7.3%	94	30.6%	42	(16.0%)	30	(31.8%)	72	(23.4%)	34	(19.0%)	41	36.7%	75	4.2%	42	23.5%
Mobility and other content	54	(89.7%)	48	(94.9%)	102	(93.1%)	41	(24.1%)	40	(16.7%)	81	(20.6%)	41	0.0%	38	(5.0%)	79	(2.5%)	34	(17.1%)	36	(5.3%)	70	(11.4%)	39	14.7%
Cable	61	5.2%	58	(3.3%)	119	0.8%	60	(1.6%)	60	3.4%	120	0.8%	60	0.0%	58	(3.3%)	118	(1.7%)	58	(3.3%)	52	(10.3%)	110	(6.8%)	51	(12.1%)
Total media	**448**	**(50.9%)**	**440**	**(67.2%)**	**888**	**(60.6%)**	**448**	**0.0%**	**452**	**2.7%**	**900**	**1.4%**	**465**	**3.8%**	**466**	**3.1%**	**931**	**3.4%**	**476**	**2.4%**	**498**	**6.9%**	**974**	**4.6%**	**522**	**9.7%**
Global connectivity																										
Global connectivity - fixed	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	115	n/m	129	n/m	244	n/m	148	28.7%	160	24.0%	308	26.2%	141	(4.7%)
Global connectivity - data & IP	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	206	n/m	327	n/m	533	n/m	480	133.0%	480	46.8%	960	80.1%	466	(2.9%)
Global connectivity - other	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	52	n/m	59	n/m	111	n/m	86	65.4%	98	66.1%	184	65.8%	**92**	7.0%
Total global connectivity	**0**	**n/m**	**0**	**n/m**	**0**	**n/m**	**0**	**n/m**	**0**	**n/m**	**0**	**n/m**	**373**	**n/m**	**515**	**n/m**	**888**	**n/m**	**714**	**91.4%**	**738**	**43.3%**	**1,452**	**63.5%**	**699**	**(2.1%)**
Other																										
CSL New World	494	13.3%	517	21.9%	1,011	17.6%	630	27.5%	415	(19.7%)	1,045	3.4%	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m
TelstraClear	164	(35.7%)	0	(100.0%)	164	(67.3%)	0	(100.0%)	0	n/m	0	(100.0%)	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m	0	n/m
Other sales revenue	288	65.5%	322	23.8%	610	40.6%	420	45.8%	470	46.0%	890	45.9%	333	(20.7%)	400	(14.9%)	733	(17.6%)	421	26.4%	418	4.5%	839	14.5%	417	(1.0%)
Total sales revenue	**12,124**	**(2.3%)**	**12,174**	**(5.1%)**	**24,298**	**(3.7%)**	**12,564**	**3.6%**	**12,555**	**3.1%**	**25,119**	**3.4%**	**12,427**	**(1.1%)**	**12,923**	**2.9%**	**25,350**	**0.9%**	**13,235**	**6.5%**	**12,599**	**(2.5%)**	**25,834**	**1.9%**	**12,787**	**(3.4%)**
Other revenue(iii)	67	378.6%	109	(10.7%)	176	29.4%	62	(7.5%)	139	27.5%	201	14.2%	78	25.8%	100	(28.1%)	178	(11.4%)	54	(30.8%)	23	(77.0%)	77	(56.7%)	19	(64.8%)
Total revenue	**12,191**	**(1.8%)**	**12,283**	**(5.1%)**	**24,474**	**(3.5%)**	**12,626**	**3.6%**	**12,694**	**3.3%**	**25,320**	**3.5%**	**12,505**	**(1.0%)**	**13,023**	**2.6%**	**25,528**	**0.8%**	**13,289**	**6.3%**	**12,622**	**(3.1%)**	**25,911**	**1.5%**	**12,806**	**(3.6%)**
Other income(iv)	110	34.1%	192	262.3%	302	123.7%	177	60.9%	799	316.1%	976	223.2%	294	66.1%	290	(63.7%)	584	(40.2%)	513	74.5%	626	115.9%	1,139	95.0%	897	74.9%
Total income	**12,301**	**(1.6%)**	**12,475**	**(4.1%)**	**24,776**	**(2.9%)**	**12,803**	**4.1%**	**13,493**	**8.2%**	**26,296**	**6.1%**	**12,799**	**(0.0%)**	**13,313**	**(1.3%)**	**26,112**	**(0.7%)**	**13,802**	**7.8%**	**13,248**	**(0.5%)**	**27,050**	**3.6%**	**13,703**	**(0.7%)**
Expenses																										
Labour	2,246	(11.9%)	2,281	(5.7%)	4,527	(8.9%)	2,367	5.4%	2,365	3.7%	4,732	4.5%	2,375	0.3%	2,407	1.8%	4,782	1.1%	2,634	10.9%	2,407	0.0%	5,041	5.4%	2,684	1.9%
Goods and services purchased	3,135	(0.8%)	3,112	3.1%	6,247	1.1%	3,295	5.1%	3,170	1.9%	6,465	3.5%	3,262	(1.0%)	3,583	13.0%	6,845	5.9%	3,897	19.5%	3,350	(6.5%)	7,247	5.9%	3,693	(5.2%)
Other expenses	1,978	(3.1%)	1,855	(10.9%)	3,833	(7.0%)	1,852	(6.4%)	2,136	15.1%	3,988	4.0%	1,928	4.1%	2,043	(4.4%)	3,971	(0.4%)	1,993	3.4%	2,319	13.5%	4,312	8.6%	2,135	7.1%
Operating expense (before interest)	7,359	(5.1%)	7,248	(3.6%)	14,607	(4.3%)	7,514	2.1%	7,671	5.8%	15,185	4.0%	7,565	0.7%	8,033	4.7%	15,598	2.7%	8,524	12.7%	8,076	0.5%	16,600	6.4%	8,512	(0.1%)
Share of net profit/(loss) from jointly controlled and associated entities	0	n/m	(1)	n/m	(1)	n/m	0	n/m	24	n/m	24	n/m	(10)	n/m	29	20.8%	19	(20.8%)	(5)	50.0%	20	(31.0%)	15	(21.1%)	(2)	60.0%
EBITDA	**4,942**	**4.0%**	**5,226**	**(4.7%)**	**10,168**	**(0.6%)**	**5,289**	**7.0%**	**5,846**	**11.9%**	**11,135**	**9.5%**	**5,224**	**(1.2%)**	**5,309**	**(9.2%)**	**10,533**	**(5.4%)**	**5,273**	**0.9%**	**5,192**	**(2.2%)**	**10,465**	**(0.6%)**	**5,189**	**(1.6%)**
Depreciation and amortisation	2,068	(5.4%)	2,010	(9.7%)	4,078	(7.6%)	2,013	(2.7%)	1,937	(3.6%)	3,950	(3.1%)	1,985	(1.4%)	1,989	2.7%	3,974	0.6%	2,031	2.3%	2,124	6.8%	4,155	4.6%	2,248	10.7%
EBIT	**2,874**	**12.1%**	**3,216**	**(1.3%)**	**6,090**	**4.6%**	**3,276**	**14.0%**	**3,909**	**21.5%**	**7,185**	**18.0%**	**3,239**	**(1.1%)**	**3,320**	**(15.1%)**	**6,559**	**(8.7%)**	**3,242**	**0.1%**	**3,068**	**(7.6%)**	**6,310**	**(3.8%)**	**2,941**	**(9.3%)**
Net finance costs	477	20.5%	456	(7.3%)	933	5.1%	490	2.7%	467	2.4%	957	2.6%	357	(27.1%)	342	(26.8%)	699	(27.0%)	347	(2.8%)	363	6.1%	710	1.6%	283	(18.4%)
Profit before income tax expense	2,397	10.6%	2,760	(0.2%)	5,157	4.5%	2,786	16.2%	3,442	24.7%	6,228	20.8%	2,882	3.4%	2,978	(13.5%)	5,860	(5.9%)	2,895	0.5%	2,705	(9.2%)	5,600	(4.4%)	2,658	(8.2%)
Income tax expense	758	10.0%	759	(7.6%)	1,517	0.5%	825	8.8%	854	12.5%	1,679	10.7%	862	4.5%	884	3.5%	1,746	4.0%	872	1.2%	896	1.4%	1,768	1.3%	873	0.1%
Profit for the year from continuing operations	**1,639**	**10.8%**	**2,001**	**2.9%**	**3,640**	**6.3%**	**1,961**	**19.6%**	**2,588**	**29.3%**	**4,549**	**25.0%**	**2,020**	**3.0%**	**2,094**	**(19.1%)**	**4,114**	**(9.6%)**	**2,023**	**0.1%**	**1,809**	**(13.6%)**	**3,832**	**(6.9%)**	**1,785**	**(11.8%)**
Profit/(loss) for the year from discontinued operations	**(53)**	**n/m**	**204**	**n/m**	**151**	**n/m**	**(221)**	**(317.0%)**	**17**	**(91.7%)**	**(204)**	**(235.1%)**	**98**	**144.3%**	**93**	**447.1%**	**191**	**193.6%**	**112**	**14.3%**	**1,905**	**1948.4%**	**2,017**	**956.0%**	**0**	**(100.0%)**
Profit for the year	**1,586**	**7.2%**	**2,205**	**13.4%**	**3,791**	**10.7%**	**1,740**	**9.7%**	**2,605**	**18.1%**	**4,345**	**14.6%**	**2,118**	**21.7%**	**2,187**	**(16.0%)**	**4,305**	**(0.9%)**	**2,135**	**0.8%**	**3,714**	**69.8%**	**5,849**	**35.9%**	**1,785**	**(16.4%)**

(i) Other fixed revenue includes payphones, customer premises equipment and narrowband

(ii) Other sales revenue primarily includes revenue related to nbn access to our infrastructure and miscellaneous revenue. It also includes revenue from Telstra Health and Telstra Software

(iii) Other revenue primarily consists of rental income and distributions received from Foxtel (31 Dec 2016 nil; 31 Dec 2015 $37m).

(iv) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, income from nbn disconnection fees, subsidies and other miscellaneous items.

n/m = not meaningful

Telstra Corporation Limited
Half-yearly comparison
Half Year ended 31 December 2016

Summary Reported Half-yearly Data	Half 1 Dec-12	PCP Growth	Half 2 Jun-13	PCP Growth	Full year Jun-13	PCP Growth	Half 1 Dec-13	PCP Growth	Half 2 Jun-14	PCP Growth	Full year Jun-14	PCP Growth	Half 1 Dec-14	PCP Growth	Half 2 Jun-15	PCP Growth	Full year Jun-15	PCP Growth	Half 1 Dec-15	PCP Growth	Half 2 Jun-16	PCP Growth	Full year Jun-16	PCP Growth	Half 1 Dec-16	PCP Growth
Selected statistical data																										
Fixed voice																										
Retail basic access lines in service (thousands)	6,695	(4.8%)	6,524	(5.1%)	6,524	(5.1%)	6,356	(5.1%)	6,245	(4.3%)	6,245	(4.3%)	6,104	(4.0%)	5,981	(4.2%)	5,981	(4.2%)	5,852	(4.1%)	5,710	(4.5%)	5,710	(4.5%)	5,549	(5.2%)
Wholesale basic access lines in service (thousands)	1,207	0.6%	1,239	5.0%	1,239	5.0%	1,277	5.8%	1,285	3.7%	1,285	3.7%	1,318	3.2%	1,338	4.1%	1,338	4.1%	1,353	2.7%	1,328	(0.7%)	1,328	(0.7%)	1,251	(7.5%)
Fixed voice lines in service (thousands)(i)	**7,902**	**(4.0%)**	**7,763**	**(3.6%)**	**7,763**	**(3.6%)**	**7,633**	**(3.4%)**	**7,530**	**(3.0%)**	**7,530**	**(3.0%)**	**7,422**	**(2.8%)**	**7,319**	**(2.8%)**	**7,319**	**(2.8%)**	**7,205**	**(2.9%)**	**7,038**	**(3.8%)**	**7,038**	**(3.8%)**	**6,800**	**(5.6%)**
Unconditioned local loop (ULL) services in operation (thousands)	1,245	17.3%	1,322	14.0%	1,322	14.0%	1,400	12.4%	1,482	12.1%	1,482	12.1%	1,528	9.1%	1,563	5.5%	1,563	5.5%	1,570	2.7%	1,547	(1.0%)	1,547	(1.0%)	1,496	(4.7%)
Number of local calls (millions)	1,292	(18.0%)	1,143	(19.4%)	2,435	(18.7%)	1,053	(18.5%)	938	(17.9%)	1,991	(18.2%)	876	(16.8%)	750	(20.0%)	1,626	(18.3%)	727	(17.0%)	624	(16.8%)	1,351	(16.9%)	553	(23.9%)
National long distance minutes (millions)	2,066	(14.6%)	1,868	(17.7%)	3,934	(16.1%)	1,706	(17.4%)	1,539	(17.6%)	3,245	(17.5%)	1,378	(19.2%)	1,175	(23.7%)	2,553	(21.3%)	1,171	(15.0%)	1,012	(13.9%)	2,183	(14.5%)	909	(22.4%)
Fixed to mobile minutes (millions)	1,371	(8.8%)	1,287	(11.2%)	2,658	(10.0%)	1,241	(9.5%)	1,170	(9.1%)	2,411	(9.3%)	1,112	(10.4%)	996	(14.9%)	2,108	(12.6%)	1,016	(8.6%)	905	(9.1%)	1,921	(8.9%)	858	(15.6%)
International direct minutes (millions)	222	(7.9%)	241	5.7%	463	(1.3%)	273	23.0%	273	13.3%	546	17.9%	256	(6.2%)	209	(23.4%)	465	(14.8%)	255	(0.4%)	225	7.7%	480	3.2%	194	(23.9%)
Average fixed voice revenue per user per month ($)	46.34	(7.3%)	45.49	(4.5%)	45.90	(6.1%)	44.54	(3.9%)	43.42	(4.6%)	43.94	(4.3%)	42.73	(4.1%)	41.37	(4.7%)	42.05	(4.3%)	40.66	(4.8%)	38.96	(5.8%)	39.89	(5.1%)	38.71	(4.8%)
Fixed data																										
Fixed data SIOs - Retail (thousands)	2,684	7.2%	2,772	6.7%	2,772	6.7%	2,847	6.1%	2,955	6.6%	2,955	6.6%	3,043	6.9%	3,144	6.4%	3,144	6.4%	3,265	7.3%	3,379	7.5%	3,379	7.5%	3,469	6.2%
Broadband wholesale SIOs (thousands)	761	(6.6%)	769	0.3%	769	0.3%	777	2.1%	789	2.6%	789	2.6%	816	5.0%	841	6.6%	841	6.6%	850	4.2%	840	(0.1%)	840	(0.1%)	784	(7.8%)
Fixed data SIOs (thousands)(i)	**3,445**	**3.8%**	**3,541**	**5.2%**	**3,541**	**5.2%**	**3,624**	**5.2%**	**3,744**	**5.7%**	**3,744**	**5.7%**	**3,859**	**6.5%**	**3,985**	**6.4%**	**3,985**	**6.4%**	**4,115**	**6.6%**	**4,219**	**5.9%**	**4,219**	**5.9%**	**4,253**	**3.4%**
Wholesale line spectrum site sharing (LSS) SIOs (thousands)	658	(8.2%)	631	(9.3%)	631	(9.3%)	614	(6.7%)	589	(6.7%)	589	(6.7%)	569	(7.3%)	544	(7.6%)	544	(7.6%)	516	(9.3%)	478	(12.1%)	478	(12.1%)	437	(15.3%)
Average fixed data revenue per user per month ($)	50.29	0.9%	50.52	1.1%	50.34	0.8%	50.75	0.9%	50.99	0.9%	50.74	0.8%	51.53	1.5%	51.15	0.3%	51.31	1.1%	51.60	0.1%	50.35	(1.6%)	51.04	(0.5%)	50.20	(2.7%)
ISDN																										
ISDN access (basic access line equivalents) (thousands)	1,282	(1.7%)	1,285	(0.9%)	1,285	(0.9%)	1,265	(1.3%)	1,225	(4.7%)	1,225	(4.7%)	1,181	(6.6%)	1,137	(7.2%)	1,137	(7.2%)	1,102	(6.7%)	1,049	(7.7%)	1,049	(7.7%)	1,004	(8.9%)
ISDN average revenue per user per month ($)	51.47	(3.9%)	49.25	(5.5%)	50.19	(5.1%)	47.41	(7.9%)	46.79	(5.0%)	47.29	(5.8%)	47.07	(0.7%)	46.31	(1.0%)	46.70	(1.2%)	46.39	(1.4%)	45.14	(2.5%)	45.97	(1.6%)	45.26	(2.4%)
IP MAN SIOs (thousands)	28	7.7%	31	14.8%	31	14.8%	32	14.3%	33	6.5%	33	6.5%	34	6.3%	35	6.1%	35	6.1%	37	8.8%	40	14.3%	40	14.3%	44	18.9%
IP WAN SIOs (thousands)	106	0.0%	109	2.8%	109	2.8%	110	3.8%	110	0.9%	110	0.9%	109	(0.9%)	111	0.9%	111	0.9%	113	3.7%	112	0.9%	112	0.9%	111	(1.8%)
Mobiles																										
Total retail mobile SIOs (thousands)	14,423	9.2%	15,072	9.1%	15,072	9.1%	15,811	9.6%	16,009	6.2%	16,009	6.2%	16,375	3.6%	16,673	4.1%	16,673	4.1%	16,908	3.3%	17,233	3.4%	17,233	3.4%	17,433	3.1%
Post-paid handheld mobile SIOs (thousands)	6,861	7.2%	7,019	6.4%	7,019	6.4%	7,122	3.8%	7,194	2.5%	7,194	2.5%	7,275	2.1%	7,307	1.6%	7,307	1.6%	7,387	1.5%	7,476	2.3%	7,476	2.3%	7,555	2.3%
Mobile broadband (data cards) SIOs (thousands)	3,336	21.5%	3,570	14.5%	3,570	14.5%	3,672	10.1%	3,679	3.1%	3,679	3.1%	3,809	3.7%	3,866	5.1%	3,866	5.1%	3,914	2.8%	3,960	2.4%	3,960	2.4%	3,993	2.0%
Pre-paid mobile handheld unique users (thousands)	2,102	5.7%	2,197	8.3%	2,197	8.3%	2,347	11.7%	2,446	11.3%	2,446	11.3%	2,490	6.1%	2,531	3.5%	2,531	3.5%	2,603	4.5%	2,614	3.3%	2,614	3.3%	2,653	1.9%
Machine to Machine (M2M) SIOs (thousands)	888	19.4%	970	19.9%	970	19.9%	1,086	22.3%	1,261	30.0%	1,261	30.0%	1,385	27.5%	1,547	22.7%	1,547	22.7%	1,714	23.8%	1,854	19.8%	1,854	19.8%	1,984	15.8%
Satellite SIOs (thousands)	26	8.3%	27	8.0%	27	8.0%	28	7.7%	30	11.1%	30	11.1%	30	7.1%	30	0.0%	30	0.0%	29	(3.3%)	29	(3.3%)	29	(3.3%)	31	6.9%
Total wholesale SIOs (thousands)	67	3.1%	241	322.8%	241	322.8%	348	419.4%	379	57.3%	379	57.3%	408	17.2%	465	22.7%	465	22.7%	478	17.2%	530	14.0%	530	14.0%	637	33.3%
Mobile voice telephone minutes (millions)	9,906	22.9%	10,504	18.5%	20,410	20.6%	11,633	17.4%	12,194	16.1%	23,827	16.7%	13,240	13.8%	13,395	9.8%	26,635	11.8%	14,363	8.5%	14,936	11.5%	29,299	10.0%	15,257	6.2%
Number of SMS sent (millions)	6,771	15.1%	6,992	13.4%	13,763	14.2%	7,475	10.4%	7,846	12.2%	15,321	11.3%	8,642	15.6%	9,011	14.8%	17,653	15.2%	9,146	5.8%	8,797	(2.4%)	17,943	1.6%	8,677	(5.1%)
Average post-paid handheld revenue per user (excl. MRO) ($)	65.34	(3.1%)	65.92	2.4%	65.90	(0.5%)	66.80	2.2%	66.20	0.4%	66.57	1.0%	69.71	4.4%	69.08	4.4%	69.51	4.4%	69.03	(1.0%)	67.82	(1.8%)	68.40	(1.6%)	67.26	(2.6%)
Average post-paid handheld revenue per user (incl. MRO) ($)	58.88	(7.1%)	58.29	(1.3%)	58.80	(4.4%)	58.81	(0.1%)	58.47	0.3%	58.70	(0.2%)	62.22	5.8%	61.45	5.1%	61.94	5.5%	61.38	(1.4%)	60.08	(2.2%)	60.71	(2.0%)	59.46	(3.1%)
Average pre-paid handheld revenue per user ($)	17.79	6.1%	18.44	10.6%	17.94	6.3%	18.90	6.2%	19.79	7.3%	19.98	11.4%	21.50	13.8%	21.19	7.1%	21.32	6.7%	21.20	(1.4%)	19.89	(6.1%)	20.40	(4.3%)	21.50	1.4%
Average mobile broadband revenue per user per month ($)	29.75	(8.5%)	29.93	0.3%	29.80	(4.7%)	29.60	(0.5%)	29.20	(2.4%)	29.59	(0.7%)	28.89	(2.4%)	27.84	(4.7%)	28.49	(3.7%)	27.38	(5.2%)	25.02	(10.1%)	26.20	(8.0%)	22.84	(16.6%)
Average machine to machine revenue per user per month ($)	8.66	(9.8%)	8.30	(2.4%)	8.46	(6.9%)	7.69	(11.2%)	7.60	(8.4%)	7.54	(10.9%)	6.93	(9.9%)	6.58	(13.4%)	6.70	(11.1%)	6.15	(11.3%)	6.69	1.7%	6.46	(3.6%)	5.87	(4.6%)
Average satellite revenue per user per month ($)	43.47	(7.6%)	39.46	13.8%	41.32	1.5%	40.43	(7.0%)	40.44	2.5%	39.98	(3.2%)	46.61	15.3%	43.88	8.5%	45.07	12.7%	43.60	(6.5%)	39.86	(9.2%)	41.12	(8.8%)	39.03	(10.5%)
Premium pay TV																										
Foxtel from Telstra (thousands)	507	0.6%	500	(0.2%)	500	(0.2%)	500	(1.4%)	526	5.2%	526	5.2%	560	12.0%	623	18.4%	623	18.4%	660	17.9%	751	20.5%	751	20.5%	748	13.3%
Labour																										
Full time staff equivalents	35,157	15.6%	34,679	14.8%	34,679	14.8%	35,807	1.8%	32,354	(6.7%)	32,354	(6.7%)	31,809	(11.2%)	33,679	4.1%	33,679	4.1%	33,639	5.8%	33,659	(0.1%)	33,659	(0.1%)	32,551	(3.2%)

(i) Fixed voice includes nbn

(ii) Fixed data includes nbn and Belong SIOs