13 February 2020

Office of the Company Secretary

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The Manager

Market Announcements Office
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 2019 – 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 audio webcast live 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.

Authorised for lodgement by:

Sue Laver
Company Secretary

Half year 2020 results

Andrew Penn – Chief Executive Officer

Half year 2020 results | Headlines

Reported Total income $13.4 billion, -2.8%	Reported lease adjusted[2] Total income $13.4 billion, -2.8%	Guidance basis[1,3] Underlying EBITDA $3.9 billion, -6.6%
Reported EBITDA $4.8 billion, +12.1%	Reported lease adjusted[2] EBITDA $4.5 billion, -0.1%	Underlying EBITDA growth ex in-year nbn headwind[3,4]: ~+$90m In-year nbn headwind[4] ~$360 million (LTD ~$2.1b)
Reported NPAT: $1.2 billion, -6.4% EPS: 9.6 cents, -7.7% 1H20 interim dividend: 8 cps[6]	Reported lease adjusted[2] NPAT: $1.2 billion, -4.6%	Guidance basis[1] Capex: $1.4 billion, -42% FCF[5]: $1.0 billion, +36%

1. This guidance assumes wholesale product price stability and no impairments in and to investments or property, plant and equipment and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY20 is broadly in accordance with the nbn Corporate Plan 2020. Guidance is provided on the basis of AASB16 Leases and assumes impacts consistent with management estimates and current interpretation of the standard. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised interest under AASB16 Leases.
2. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
3. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, guidance adjustments including one-off restructuring costs, but includes depreciation of mobile lease right-of-use assets.
4. In-year nbn headwind defined as the net negative recurring EBITDA impact on our business based on management best estimates including key input of the nbn Corporate Plan 2020.
5. FY20 free cashflow defined as operating cash flows less investing cash flows less operating leases (reported in financing cash flows under AASB16 Leases).
6. Interim dividend of 8 cents per share fully franked comprising ordinary dividend of 5 cents per share and special dividend of 3 cents per share.

Building value | Momentum in cost reduction

Building value

- Mobile: EBITDA stabilising. $2-3 increase in transacting minimum monthly commitment in mass market branded
- Fixed: Focus on differentiated customer experiences
- NAS: EBITDA growth +$195m on PCP. EBITDA margin 15.7% - expect to broadly maintain margin in 2H20
- Global connectivity: EBITDA growth +$59m on PCP from improved product mix, productivity and one-offs

Momentum in cost reduction program

$422m or 12.1% underlying fixed cost reduction in 1H20 on PCP.
~$1.6b underlying fixed cost reduction achieved since FY16

Total underlying operating expenses declined 2% as underlying fixed cost reduction exceeded increased nbn™ network payments

Improved customer experience

Episode NPS improvement +6 over the last 12 months and improved +2 over the last 6 months

Strategic NPS unchanged over the last 12 months and declined -1 over the last 6 months

Continuing growth in customers through multi-brand strategy

Mobile service net adds in slowing growth market:
- +137k retail postpaid handheld services including +46k branded, +91k Belong
- +135k retail prepaid handheld unique users
- +173k wholesale MVNO including prepaid, postpaid and IoT services
- +350k retail IoT services

Fixed service net adds:
- +27k retail bundle and data services including -17k branded, +44k Belong
- +359k nbn connections with 47% estimated market share (excluding satellite) as at end of 1H20

T22

Our purpose is to build a connected future so everyone can thrive

Strategic pillars	Radically simplify our product offerings, eliminate customer pain points and create all digital experiences		Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout	Greatly simplify our structure and ways of working to empower our people and serve our customers		Industry leading cost reduction program and portfolio management
Enabled by our up to $3b investment program	New digital platforms					
	Australia's largest, fastest, safest, smartest and most reliable next generation network					
Delivering	Market leading customer experience	Simplified products, business and operating model	Extended network superiority and 5G leadership	Achieve Global High Performance Norm in employee engagement	Net cost productivity of $2.5bn by FY22	Post-nbn ROIC > 10%[1]

1.Post-nbn defined as FY23 and beyond on AASB16 basis

T22 Strategic pillars | Progress to date

Radically simplify our product offerings, eliminate customer pain points and create all digital experiences	Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout	Greatly simplify our structure and ways of working to empower our people and serve our customers	Industry leading cost reduction program and portfolio management
Mass market: ▪ 2.4 million services on in market plans ▪ 1.7 million Smart Modems in homes ▪ Reduced contact centre calls by 32% since FY18 and by over 19 million since FY16 ▪ Increased digital service interactions to 57% and sales to 26% ▪ >1.2 million members of Telstra Plus loyalty program ▪ Launched Xbox All Access from Telstra gaming package **Small business:** Account management for all customers. Launched Mobile Worksuite and Telstra Business Services **Enterprise:** ▪ Telstra Connect available to 8k customers. Active customers increased 32% to ~1.6k ▪ Launched Telstra Purple ▪ Reduced active products by 23% since FY18 to 499	▪ Revised Telstra InfraCo asset base effective from July 2020 ▪ New InfraCo organisation structure and operating model announced ▪ Asset-based approach to maximise long term shareholder value ▪ Building next level SLA's for assets and services provided by InfraCo to Telstra ▪ Commenced process for detailed asset-based financials and reporting	▪ Announced 6.9k direct FTE reduction and ~8k indirect FTE reduction since end of FY18 ▪ Removed on average 3 management layers and >30% management roles ▪ Introduced Agile at scale with training completed by >16k FTE ▪ Launched Innovation and Capability Centre ▪ Improved 1H20 employee engagement score +5 to 72 ▪ New Enterprise Agreement	▪ Total underlying fixed cost reduction achieved since FY16: $1.6 billion vs FY22 target $2.5 billion ▪ ~10% reduction in leased office space and fleet vehicles since end of FY19 ▪ Monetised assets of around $1 billion against target of up to $2 billion

We are making good progress in executing against our T22 strategy

5G leadership

Rolling out 5G in more major and regional Australian cities
- Expanded 5G rollout from 10 to 32 cities across Australia
- On track to extend 5G coverage into at least 35 Australian cities by end FY20
- umlaut (formerly P3) drive survey in 8 cities confirms Telstra's greater 5G coverage and average speed

>100,000 5G devices now connected
- Around one in four Android handsets we have sold since July 2019 are 5G-compatible
- Six 5G devices in market from Telstra including Samsung Galaxy S10 5G, Note 10+, mid-priced A90 5G, Oppo Reno 5G, LG V50 ThinQ and HTC Hub 5G

Leading on 5G innovation with three Australian firsts and one world first
- July 2019: Telstra makes the nation's first end-to-end 5G standalone call
- September 2019: Australia's first live 5G broadcast
- September 2019: First 5G enabled stadium in Australia
- December 2019: Telstra and Ericsson world first on container-based Evolved Packet Core

Founding member of the 5G Future Forum, focused on developing inter-operable 5G specifications

Network leadership and digitisation

Network superiority and reliability

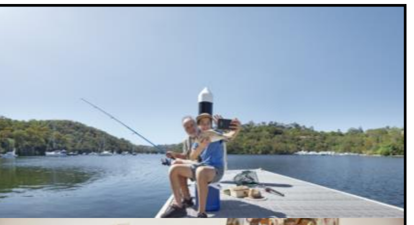
- >1 million sq km more mobile coverage than any other competitor
- Built 237 new mobile sites and completed a further 267 4G capacity upgrades
- Proved technology to expand NB-IoT coverage to almost 4 million sq km with full implementation expected by end February 2020
- Resiliency investments have dropped customer impact hours by nearly two-thirds since 2016

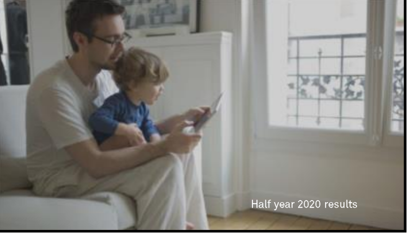
Leading in key industry network performance benchmarks

- Best in Test in umlaut (formerly P3) 2019 Australian Mobile Network Benchmark
- Best for Voice/Data coverage and Best 4G coverage in umlaut 2019 coverage report
- Ranked #1 for Netflix ISP Speed Index for 24 months straight from February 2018 to January 2020

Digital platforms and capabilities

- My Telstra app launch planned for 2H20 (replacing Telstra 24x7 app)
- >5.4k frontline agents using Agent Console – single one stop customer service shop replacing 20+ tools
- Process automation has delivered ~257k labour hours back to the business
- Cumulative 664 IT apps decommissioned or contained (620 to June 2019)





T22 strategy | Scorecard

	Customers	Simplification	Network	Employees	Cost reduction	Balance sheet
Outcomes	Market leading customer experience	Simplified products, business and operating model	Extended network superiority and 5G leadership	Achieve Global High Performance Norm in employee engagement	Net cost productivity of $2.5bn by FY22	Post-nbn ROIC > 10%[1]
Metrics & Measures	🟡 Increase NPS 3 to 6 points pa 🔴 Double active 24x7 app users from 4m to 8m by FY22 – 6m active users by FY20 🟢 24% of Consumer & Small Business sales transactions through the digital channel by FY20 🟢 4,000 active Enterprise customers on Telstra Connect by FY20 🔴 Increase average services per customer 🟢 Eliminate two thirds of mass market servicing calls by FY22 – one third by FY20 🟢 2m Telstra Plus members by FY20	🟡 Build and launch new digital technology stack in FY19 🟡 Complete Digitisation program with key products built on the new stack ✓ Simplify from ~1800 to ~20 active Consumer & Small Business plans 🟢 >3m services on in-market Consumer & Small Business plans by FY20 🟡 Migrate all Consumer & Small Business customers to the new product range on the new digital technology stack by FY21 🟢 Rationalise 50% of Enterprise products by FY21 🟢 Reduce 2 to 4 management layers in the organisation 🟢 700 apps decommissioned or contained by FY20	🟡 Lead in all key industry network performance surveys from FY19 ✓ Network ready for 5G in H1 FY19 🟢 Full commercial deployment of 5G in capital cities, major regional centres and other high demand areas by FY20 🟢 Deliver 5x data growth at flat costs by FY21	🟡 80% of Agile teams at level 3 of Agile Maturity by FY20 ⚪ 1 quartile increase in ease of doing business management practices of Organisational Health Index (OHI) by FY20 🟢 Increase employee engagement score 10 points 🟢 Reduce total FTE by 8,000 net by FY22	🟢 Net cost productivity – more than $1.5bn cumulatively delivered by FY20 🟢 Total costs will be flat or decline in each year from FY18 🟢 Absorb nbn CVC/AVC costs 🟢 Labour cost to sales ratio to decline ~one third by FY22 ⚪ Top quartile cost metrics for full-service telco by FY22	🟡 Underlying ROIC to improve from FY19 to FY22 🟢 Monetise assets of up to $2bn by FY20 ✓ Establish standalone infrastructure business unit with effect from 1 July 2018 ✓ High level SLA's for infrastructure business to be defined by 1 October 2018 and segment reporting by 31/12/18 ✓ Telstra InfraCo fully operational by June 19 ✓ EBITDA benefits of >$500m p.a. from $3bn strategic investment realised by FY21

1.Post-nbn defined as FY23 and beyond on AASB16 basis

✓ Completed ⚪ Early progress/development 🟢 On track for delivery 🟡 Progress but below target metric 🔴 Below target metric

Summary

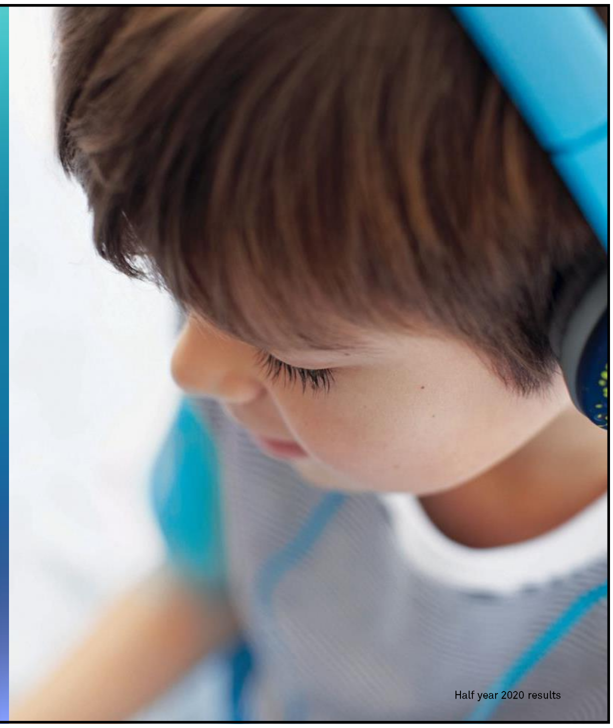
- Results in line with full year guidance
- Executing against T22 strategy
- T22 is beginning to deliver financial momentum
- We are sitting at an incredibly exciting inflection point in technology, telecommunications and for Telstra
- T22 is about positioning us in that world

Half year 2020 results

Vicki Brady – Chief Financial Officer

Agenda

- Group results
- Product performance
- Free cashflow
- Dividends and capital position
- Guidance



Group results: income statement

	Reported basis		Reported lease adjusted[1]		
	1H19	1H20	1H19	1H20	CHANGE
Total income[2]	**$13.8b**	**$13.4b**	**$13.8b**	**$13.4b**	**-2.8%**
Operating expenses	$9.5b	$8.6b	$9.3b	$8.9b	-4.1%
Underlying EBITDA			**$4.1b**	**$3.9b**	**-6.6%**
Net one-off nbn DA less net C2C			$0.8b	$0.8b	4.8%
Restructuring & other guidance			-$0.4b	-$0.2b	NM
EBITDA	**$4.3b**	**$4.8b**	**$4.5b**	**$4.5b**	**-0.1%**
Depreciation and amortisation	$2.1b	$2.7b	$2.4b	$2.4b	2.6%
EBIT	**$2.1b**	**$2.1b**	**$2.1b**	**$2.1b**	**-3.1%**
Net finance costs	$0.3b	$0.4b	$0.4b	$0.4b	6.5%
Income tax expense	$0.6b	$0.5b	$0.6b	$0.5b	-5.9%
NPAT	**$1.2b**	**$1.2b**	**$1.2b**	**$1.2b**	**-4.6%**

Results in line with FY20 guidance[3] and expectations

FY20 guidance reconfirmed

Underlying EBITDA:
- increased ~$90m excluding in-year nbn headwind
- reduced ~$270m including nbn headwind of ~$360m

Fixed cost reduction of $422m or 12.1%

On track for cost-out targets

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
2. Excluding finance income.
3. Refer 'FY20 guidance – reconfirmed' slide for detail.

Group results: income by product[1]

	1H19	CHANGE $m	1H20	CHANGE	
Mobile	$5,291m	17	$5,308m	0.3%	Hardware growth of $202m offset services decline
Fixed excl. one-off nbn C2C[2]	$2,717m	-290	$2,427m	-10.7%	Legacy decline including -$135m standalone voice & -$110m wholesale
Recurring nbn DA	$374m	58	$432m	15.5%	Growth reflects nbn^{TM} network rollout
Data & IP	$1,217m	-153	$1,064m	-12.6%	Accelerated legacy product decline and IPVPN competitive pressure
NAS	$1,596m	-16	$1,580m	-1.0%	2% growth excl. nbn commercial works; Higher annuity product mix
Global connectivity[3]	$803m	43	$846m	5.4%	Flat in constant currency; Mix shift to more profitable products
Other[4]	$807m	-104	$703m	-12.9%	nbn commercial works and media declines
Underlying	**$12,805m**	**-445**	**$12,360m**	**-3.5%**	**Underlying income decline $445m or -3.5%**
One-off nbn DA and connection[2]	$992m	47	$1,039m	4.7%	nbn disconnections increased modestly vs PCP
Adjustments[5]	$1m	13	$14m	NM	
Reported lease adjusted	**$13,798m**	**-385**	**$13,413m**	**-2.8%**	**Reported lease adjusted income decline $385m or -2.8%**

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
2. Fixed excludes one-off nbn connection income 1H20 $39m (1H19 $48m) and includes TUSOPA income 1H20 $78m (1H19 $84m). One-off nbn connection income included in one-off nbn DA and connection.
3. Global connectivity includes other income 1H20 $4m (1H19 $2m).
4. Other includes media, nbn commercial works (sale of assets component), Telstra Health, and miscellaneous.
5. Adjustments in 1H20 include $15m of restructuring income and -$1m M&A guidance adjustments.

Group results: operating expenses[1]

	1H19	CHANGE $m	1H20	CHANGE
Sales costs - nbn payments	$620m	204	$824m	32.9%
Sales costs - other	$3,618m	19	$3,637m	0.5%
Fixed costs - underlying[2]	$3,474m	-422	$3,052m	-12.1%
Fixed costs - other[3]	$945m	25	$970m	2.6%
Underlying	**$8,657m**	**-174**	**$8,483m**	**-2.0%**
One-off nbn DA and nbn C2C	$240m	11	$251m	4.6%
Restructuring	$328m	-130	$198m	NM
Other guidance adjustments[4]	$91m	-91	-	NM
Reported lease adjusted	**$9,316m**	**-384**	**$8,932m**	**-4.1%**

Sales costs increased on pcp due to increase in nbn^{TM} network payments; Other sales costs largely flat

Underlying fixed costs decreased $422m or 12.1% in 1H20 and **on track for $630m FY20 target**

Productivity achieved in 1H20 included:
- **Direct labour** (~2/3 of savings) including full impact of FY19 changes; Plus further 1H20 1.5k direct FTE reduction
- **Indirect labour** (~1/3 of savings) including lower legacy network costs from services transitioning to the nbn
- **Non-labour** continuing to progress productivity in energy and site infrastructure costs, IT and software spend, and logistics

~**$1.6b productivity** achieved since FY16 **and on track for $2.5b** cumulative by FY22

Total underlying operating expenses declined as underlying fixed cost reduction exceeded increased nbn^{TM} network payments

In FY20, we expect total operating expenses **to decline**

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail. Sales and fixed costs exclude costs associated with one-off nbn DA and nbn cost to connect (C2C).
2. Fixed costs - underlying was ~$7.9b in FY16 on a restated basis and targeted to decline by our net cost productivity target of $2.5b by FY22.
3. Fixed costs - other includes items supporting revenue growth including relevant NAS costs, mobile handset lease, and product impairment.
4. Refer to Half-year results and operations review – guidance vs reported results reconciliation schedule (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2019" lodged with the ASX on 13 February 2020).

Group results: EBITDA by product [1]

	1H19	CHANGE $m	1H20	CHANGE	
Mobile	$1,937m	-47	$1,890m	-2.4%	Services revenue decline offset by lower costs; margin stabilising; TMMC +$2-3
Fixed excl. net one-off nbn C2C [2]	$862m	-443	$419m	-51.4%	High margin legacy product decline, growing nbn AVC/CVC payments, partially offset by productivity
Recurring nbn DA	$345m	60	$405m	17.4%	
Data & IP	$808m	-161	$647m	-19.9%	Accelerated decline in higher margin legacy products & pressure in IPVPN
NAS	$53m	195	$248m	367.9%	1H20 margins of 15.7% on lower costs and improved product mix
Global connectivity	$172m	59	$231m	34.3%	14% underlying growth from focus on profitable products
Other [3]	-$28m	63	$35m	+225.0%	Improved media; sale of software business in prior year
Underlying	**$4,149m**	**-274**	**$3,875m**	**-6.6%**	**Underlying decline ~$270m or ~+$90m growth excl. ~$360m nbn headwind**
Net one-off nbn DA less net C2C [2]	$752m	36	$788m	4.8%	Reflects industry migration to nbn™ network
Restructuring [4]	-$328m	145	-$183m	NM	Restructuring costs for T22 initiatives
Other guidance adjustments [5]	-$90m	89	-$1m	NM	
Reported lease adjusted	**$4,483m**	-4	**$4,479m**	**-0.1%**	**Reported lease adjusted EBITDA flat**

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
2. Fixed excludes one-off nbn C2C net of connection income 1H20 $202m (1H19 $178m) represented against net one-off nbn DA less net C2C. This includes one-off nbn connection income 1H20 $39m (1H19 $48m) and one-off nbn cost to connect (C2C) 1H20 $241m (1H19 $226m).
3. Other includes media, nbn commercial works (sale of assets component), Telstra Health, and miscellaneous.
4. Restructuring in 1H20 includes $15m of income and $198m of expenses.
5. Refer to Half-year results and operations review – guidance vs reported results reconciliation schedule (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2019" lodged with the ASX on 13 February 2020).

Group results: free cashflow

	1H19	CHANGE $m	1H20	CHANGE
Reported EBITDA lease adjusted [1]	**$4,483m**	-4	**$4,479m**	**-0.1%**
Working capital movement [2]	-$650m	-825	-$1,475m	NM
Tax paid	-$505m	61	-$444m	-12.1%
Capex (excl. Spectrum & Investment)	-$2,430m	956	-$1,474m	-39.3%
Rent/Other operating lease payments	-$225m	-29	-$254m	12.9%
Other incl. non-cash EBITDA items [3]	$66m	107	$173m	NM
Free cashflow after operating lease [4]	**$739m**	**266**	**$1,005m**	**36.0%**
Spectrum	-$27m	-6	-$33m	22.2%
M&A / Investment	-$85m	85	$0m	NM
Operating lease payments [5]	-	548	$548m	NM
Free cashflow – reported	**$627m**	**893**	**$1,520m**	**NM**

Free cashflow after operating lease[4] increased to $1.0b in 1H20 due to lower capex offsetting working capital impacts

On track for $3.3b to $3.8b FY20 guidance range[6]

Accrued capex of $1,366m[7] or 11.8% capex to sales in 1H20 on guidance basis

On track for $2.9b to $3.3b FY20 guidance range[6]

Working capital movement of -$1.5b in 1H20 largely due to exit of mobile lease plans, inventory and restructuring

2H reduction in working capital will support 2H20 FCF

Free cashflow – reported not like-for-like given lease payments are reported in financing cashflow rather than operating cashflow from 1H20 under AASB16

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
2. Working capital movement from operating activities.
3. Includes net investments, interest received, proceeds from lease assets, proceeds on disposal and non-cash EBITDA items (including impairments and gain on disposal of PP&E).
4. Free cashflow after operating lease payments on a guidance basis.
5. 'Operating lease payments' for guidance includes both principal and interest payments for leases previously classified as operating leases but excludes finance lease payments that were already historically excluded from free cashflow. 'Operating lease payments' for guidance (-$548m in 1H20) calculated as payments for 'the principal portion of lease liabilities' (-$538m) less 'principle portion of finance lease liabilities' (+$39m) plus 'interest expense of lease liabilities' (-$49m). For illustrative purposes and to provide a like-for-like view, 'operating lease payments' included in 'Free cashflow after operating lease' as -$254m for 'rent/other operating lease payments' and -$294m for mobile handset leases which is depreciation of right-of-use assets included in 'Reported EBITDA lease adjusted'.
6. Refer 'FY20 guidance – reconfirmed' slide for definitions.
7. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised leases under AASB16 Leases.

Group results: dividends

	1H19	1H20	CHANGE
Earnings per share			
Basic earnings per share (cents)	10.4	9.6	-7.7%
Underlying basic earnings per share (cents)[1,2]	8.5	6.0	-29.4%
Dividends (fully-franked)			
Ordinary dividend	5.0	5.0	-
Special dividend	3.0	3.0	-
Total dividend	**8.0**	**8.0**	-
Payout Ratios			
Ordinary dividend of underlying earnings[1]	59%	83%	+24pp
Special dividend of net one-off nbn receipts	68%	65%	-3pp
Total dividends of earnings per share	**77%**	**83%**	+6pp

1H20 total interim dividend of 8 cents per share (cps) fully franked, including ordinary dividend of 5cps and special dividend of 3cps

1H20 dividends consistent with 1H19, 2H19 and capital management framework

1H20 ordinary dividend payout of underlying earnings[2] of 83%

64% of cumulative net one-off nbn™ receipts received life to date[3] returned via fully-franked special dividends

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
2. Underlying earnings is defined as NPAT from continuing operations excluding net one-off nbn receipts and guidance adjustments. Guidance adjustments include one-off restructuring costs, impairments in and to investments or property, plant and equipment and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. See 'Underlying earnings for dividend' slide for details.
3. "Life to date" defined as since beginning FY18 with restated earnings based on AASB15.

Capital position

		1H19	FY19	1H20
Gross debt		$16.4b	$15.3b	$18.6b
Cash and cash equivalents		$0.5b	$0.6b	$0.7b
Net debt		$15.8b	$14.7b	$17.9b
Average gross borrowing costs[1]		4.9%	4.9%	4.8%
Average debt maturity (years)[2]		3.7	4.1	3.6
Financial parameters[3]	**Comfort Zones**			
Debt servicing	1.5 - 2.0x	1.7x	1.8x	1.9x
Gearing	50% to 70%	52.2%	50.3%	53.7%
Interest cover	>7x	11.2x	10.5x	11.8x
Ratios				
Capex to sales[4]		19.3%	17.0%	11.7%
ROE[5]		17.0%	14.8%	15.6%
ROIC[6]		9.7%	8.8%	8.5%
Underlying ROIC[6]		8.3%	8.4%	6.0%

Net debt in 1H20 includes $3.6b of lease liabilities which includes recognition of leases under AASB16. Excluding these leases **net debt declined**

Average gross borrowing cost declined

Financial parameters for 1H20 are on a post AASB16 basis

Debt servicing comfort zone has been recalibrated under the new AASB16 reporting framework from 1.3-1.8x previously to 1.5-2.0x. Pre AASB16 debt servicing would be ~1.7x in 1H20

~$700m from sale of a 49% stake in a property trust holding 36 Telstra exchanges included in 1H20 financing cashflow

AASB16 implementation has negatively impacted reported ROIC by ~1ppt

Underlying ROIC not expected to improve in FY20 vs FY19. **Target post-nbn ROIC >10%[7]**

1. Represents gross interest cost on gross borrowings (excludes leases).
2. Excludes leases.
3. Debt servicing calculated as net debt over reported EBITDA. Gearing calculated as net debt over total net debt and equity. Interest cover calculated as reported EBITDA over net interest expense (excluding capitalised interest, revaluation impacts on our borrowings and derivatives and other non-cash accounting impacts).
4. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised leases under AASB16 Leases.
5. ROE is calculated as profit after tax attributable to equity holders of Telstra as a percentage of equity.
6. ROIC calculated as NOPAT as a percentage of total capital (including lease commitments). Underlying ROIC calculated as NOPAT excluding net one-off nbn DA less C2C and guidance adjustments less tax as a percentage of total capital (including lease commitments). Guidance adjustments include one-off restructuring costs, impairments in and to investments or property, plant and equipment and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum.
7. Post-nbn defined as FY23 and beyond on AASB16 basis.

FY20 guidance – reconfirmed

	FY19	1H20	FY20 guidance[1] Based on new accounting standards (Updated 2 Sep 2019)
Total income[2]	$27.8b	$13.4b	$25.3b to $27.3b
Underlying EBITDA[3] - Included in-year nbn headwind[4]	**$8.2b**	**$3.9b** ~$0.4b	**$7.4b to $7.9b** ~-$0.6b to ~-$0.8b
Net one-off nbn DA receipts less nbn net C2C	$1.6b	$0.8b	$1.3b to $1.7b
Restructuring costs	$0.8b	$0.2b	~$0.3b
Capex	**$4.1b**	**$1.4b**	**$2.9b to $3.3b**
Free cashflow after operating lease payments[5,6]	**$3.1b**	**$1.0b**	**$3.3b to $3.8b**

1. This guidance assumes wholesale product price stability and no impairments in and to investments or property, plant and equipment and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn rollout and migration in FY20 is broadly in accordance with the nbn Corporate Plan 2020. Guidance is provided on the basis of AASB16 Leases and assumes impacts consistent with management estimates and current interpretation of the standard. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised leases under AASB16 Leases.
2. Excluding finance income.
3. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, guidance adjustments including one-off restructuring costs, but includes depreciation of mobile lease right-of-use assets.
4. In-year nbn headwind defined as the net negative recurring EBITDA impact on our business based on management best estimates including key input of the nbn Corporate Plan 2020.
5. FY20 free cashflow defined as operating cash flows less investing cash flows less operating leases (reported in financing cash flow under AASB16 Leases).
6. FY20 free cashflow guidance includes ~$1b working capital increase including from exit of mobile lease plans, remaining outflows from restructuring costs announced in May 2019, and an increase in nbn receivables.

Appendix

Telstra at a glance

Telstra is Australia's leading telecommunications and technology company
Our purpose is to build a connected future so everyone can thrive

Size and scale

- 1.2m shareholders
- A$46b market capitalisation
- Public ASX20 company
- #398 on Forbes' Global 2000
- A-/A2 investment grade rating from S&P and Moody's

Customers and people

- 18.5m retail mobile services
- 3.7m retail bundle and data services
- ~350 retail stores around Australia
- We operate in 20+ countries and territories outside of Australia
- We directly employ more than 28,000 people

Leading in sustainability

- Wide ranging support for bushfire relief and recovery efforts
- Committed to achieving net zero GHG emissions by 2050 in line with the Paris Agreement
- One of six Australian companies in CDP's 2019 Climate A List
- Increased focus on customers in vulnerable circumstances

Capital management framework

Fiscal discipline			
Objectives	Maximise returns for shareholders	Maintain financial strength	Retain financial flexibility
Principles	1. Committed to balance sheet settings consistent with an A band credit rating 2. Pay fully-franked ordinary dividend of 70-90% of underlying earnings[1,3] 3. Target capex/sales ratio of ~14% excluding spectrum from FY20[4] 4. Maintain flexibility for portfolio management and strategic investments		

Return in the order of 75% of net one-off nbn receipts to shareholders over time via fully-franked special dividends[2,3]

1. Underlying earnings is defined as NPAT from continuing operations excluding net one-off nbn receipts (as defined in footnote 2) and guidance adjustments. Guidance adjustments include one-off restructuring costs, impairments in and to investments or property, plant and equipment and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum.
2. "net one-off nbn receipts" is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.
3. The dividend is subject to no unexpected material events, and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.
4. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised leases under AASB16 Leases.

T22 strategy | measuring progress

Outcomes		Metrics & Measures	1H20 progress to date
Customers	Market leading customer experience	• Increase NPS 3 to 6 points pa • Double active 24x7 app users from 4m to 8m by FY22 – 6m active users by FY20 • 24% of Consumer & Small Business sales transactions through the digital channel by FY20 • 4,000 active Enterprise customers on Telstra Connect by FY20 • Increase average services per customer • Eliminate two thirds of mass market servicing calls by FY22 – one third by FY20 • 2m Telstra Plus members by FY20	• Episode NPS (3MMA) improvement of +6 points against 1H19 and +2 points against FY19 • Strategic NPS (3MMA) unchanged against 1H19 and -1 point against FY19 • 4m active Telstra 24x7 app users, consistent with FY19 • C&SB digital sales increased to 26% (FY19 16.8%, FY18 6.2%) • C&SB digital service interactions increased to 57.1% (FY19 53.5%, FY18 39.5%) • Telstra Connect platform is available to ~8k Enterprise customers. 1,572 active Enterprise customers in three months to December 2019 (up 32% from 1.2k in three months to June 2019) • Average services per customer 2.6 (consistent with FY19 re-baselined) • Total mass market servicing calls to contact centres 12.1 year to date or 24.2 annualised (down from FY19 28.1m, 1H19 14.6m, FY18 35.8m) • >1.2m members of Telstra Plus loyalty program
Simplification	Simplified products, business and operating model	• Build and launch new digital technology stack in FY19 • Complete Digitisation program with key products built on the new stack • >3m services on in-market Consumer & Small Business plans by FY20 • Simplify from ~1800 to ~20 active Consumer & Small Business plans • Migrate all Consumer & Small Business customers to the new product range on the new digital technology stack by FY21 • Rationalise 50% of Enterprise products by FY21 • Reduce 2 to 4 management layers in the organisation • 700 apps decommissioned or contained by FY20	• 2.4 million services on in market C&SB fixed and postpaid mobile plans • Reduced active Enterprise products by 23% since FY18 to 499 (FY19 517, FY18 651) • Simplified and flattened structure removing on average 3 management layers • Removed more than one in four management and executive roles • Cumulative 664 IT apps decommissioned or contained to December 2019 (620 to June 2019)
Network	Extended network superiority and 5G leadership	• Lead in all key industry network performance surveys from FY19 • Network ready for 5G in H1 FY19 • Full commercial deployment of 5G in capital cities, major regional centres and other high demand areas by FY20 • Deliver 5x data growth at flat costs by FY21	• Best in Test, Best in Voice, and Best in Crowd-Sourced Quality awards in the umlaut (formerly P3) 2019 Australian Mobile Network Benchmark • umlaut (formerly P3) drive survey in 8 cities confirms Telstra's greater 5G coverage and average speed • Ranked #1 for Netflix ISP Speed Index for twenty-four months straight from February 2018 to January 2020 • ACCC Measuring Broadband Australia Report headline metrics under discussion • Added 237 new mobile sites and upgraded 267 • Regional: delivered >640 Blackspots sites (target >780 sites)

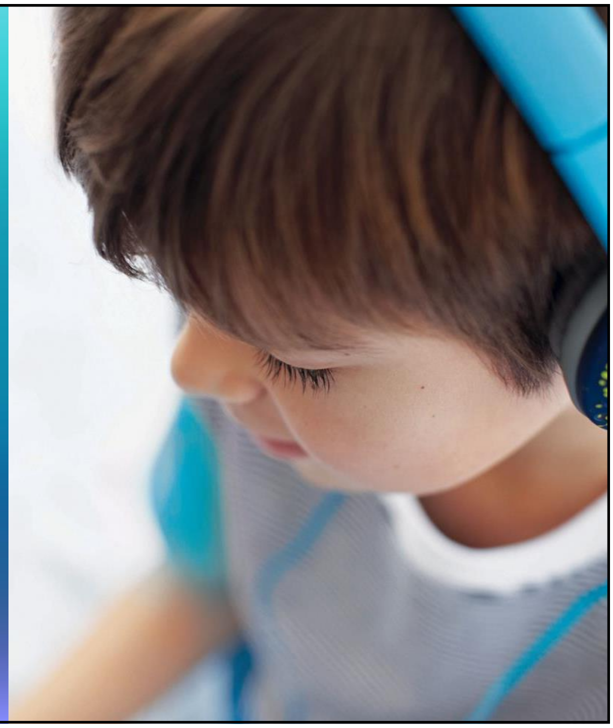
T22 strategy | measuring progress

Outcomes		Metrics & Measures	1H20 progress to date
Employees	Achieve Global High Performance Norm in employee engagement	• 80% of Agile teams at level 3 of Agile Maturity by FY20 • 1 quartile increase in ease of doing business management practices of Organisational Health Index (OHI) by FY20 • Increase employee engagement score 10 points • Reduce total FTE by 8,000 net by FY22	• 37% of Agile teams at level 3 Agile maturity • As at the end of January 2020 we had >11k people in Agile at scale chapter areas • 1H20 employee engagement score improved 5pts to 72 – measured through the Experience Pulse (3 month rolling aggregate) • Reduction of >6.3k direct FTE
Cost reduction	Net cost productivity of $2.5bn by FY22	• Net cost productivity – more than $1.5bn cumulatively delivered by FY20 • Total costs will be flat or decline in each year from FY18 • Absorb nbn CVC/AVC costs • Labour cost to sales ratio to decline ~one third by FY22 • Top quartile cost metrics for full-service telco by FY22	• Total underlying fixed cost reduction achieved since FY16: $1.6b vs FY22 target $2.5b. $422m net reduction in the half • 1H20 total operating expenses $8.7b decreased on a guidance basis and excluding restructuring costs (1H19 $8.9b) • 1H20 nbn AVC/CVC costs increased $204m on PCP to $824m • 1H20 Labour cost to sales ratio 16.5% reduced 2.7pp on PCP
Balance sheet	Post-nbn ROIC > 10%[1]	• Underlying ROIC to improve from FY19 to FY22 • Monetise assets of up to $2bn by FY20 • Establish standalone infrastructure business unit with effect from 1 July 2018 • High level SLA's for infrastructure business to be defined by 1 October 2018 and segment reporting by 31/12/18 • Telstra InfraCo fully operational by June 2019 • EBITDA benefits of >$500m p.a. from $3bn strategic investment realised by FY21	• Monetised assets of around $1b against target of up to $2b • Telstra InfraCo established as a standalone business unit and separate reporting segment • Telstra InfraCo announced asset perimeter effective from 1 July 2020 • EBITDA benefits of >$500m delivered from up to $3b strategic investment by June 19

1.Post-nbn defined as FY23 and beyond on AASB16 basis

Supporting material

- nbn impact
- Telstra InfraCo
- Product detail & operating expenses
- nbn DAs and commercial works
- Segment results
- Reported lease adjusted and Underlying reconciliation schedules



nbn impact on EBITDA

As previously advised, nbn migration creates a **net negative recurring headwind** on our business.

Recurring nbn headwind	FY16 - FY19	1H20	FY20 est.[1]
+ Recurring nbn DA	+$0.4b	+$50m	~+$0.1b
+ Reduction in legacy access network costs	+$0.3b	+$80m	~+$0.1b
− Network payments to nbn	-$1.3b	-$200m	~ -$0.4b
− Wholesale legacy earnings decline	-$0.6b	-$110m	~ -$0.2b
− Retail decline **attributable to nbn** across Fixed and Data & IP	-$0.5b	-$180m	~ -$0.3b
Total recurring nbn headwind	**-$1.7b**	**-$360m**	**~ -$0.6b to -$0.8b**

As at end of 1H20, we estimate we have now absorbed around 60%[1] of the total headwind expected when migration to the nbn is complete. FY21 is expected to be the peak headwind year.

In addition, there are **one-off impacts** of the nbn:

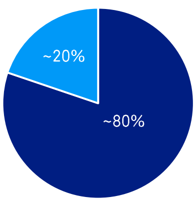
One-off nbn impact	FY13 – FY19	1H20	FY20 est.[1]
+ PSAA and ownership receipts for transitioning to nbn	+$7.0b		
− net one-off costs of migrating to the nbn	-$1.4b		
Total net one-off nbn DA less net C2C	**+$5.6b**	**+$788m**	**$1.3b - $1.7b**

From 1 July 2019 until end of nbn migration, net one-off nbn DA forecast at ~$3b pre-tax.[1]

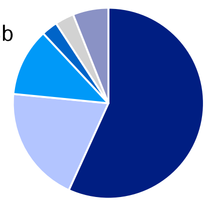
1. Impacts based on management best estimates including key input of the nbn Corporate Plan 2020.

Telstra InfraCo segment[1]

	1H19	1H20	CHANGE
Income	$2,502m	$2,214m	-11.5%
EBITDA by product:			
Recurring nbn DA	$341m	$400m	17.3%
Mobile	$169m	$186m	10.1%
Fixed excl. nbn C2C	$496m	$326m	-34.3%
Data & IP and NAS	$399m	$363m	-9.0%
Global connectivity	$76m	$78m	2.6%
Other[2]	$142m	$53m	-62.7%
EBITDA Contribution	**$1,623m**	**$1,406m**	**-13.4%**



1H20 EBITDA $1.4b
- Long term
- Legacy and nbn network related



1H20 assets $10.5b
- Ducts, pipes and fibre $6.0b
- Exchanges $2.1b
- Subsea cables $1.2b
- Copper and HFC $0.3b
- Data centres $0.3b
- Other $0.6b

1H20 Telstra InfraCo income and EBITDA includes growth from recurring nbn DAs and mobile. This was outweighed by expected declines from Telstra Wholesale fixed legacy revenue, nbn commercial works, and internal access charges due to declines in fixed legacy

Proportion of recurring or long term 1H20 Telstra InfraCo EBITDA ~80% (vs ~70% 1H19)

Telstra InfraCo legacy and nbn network related EBITDA to remain under pressure:
- 1H20 Fixed excl. nbn C2C EBITDA includes ~$0.2b related to legacy copper products
- 1H20 Data & IP and NAS, and Other includes EBITDA related to legacy products and declining nbn commercial works

1H20 Telstra InfraCo $10.5b assets down $0.3b from 30 June 2019 due to ongoing depreciation

1H20 includes $845m income (1H19 $946m) and **$369m EBITDA** (1H19 $436m) **from internal access charges**

New reporting basis on adjusted asset accountabilities announced 27 November 2019 effective 1 July 2020

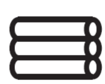
1. Reported basis.
2. Other includes nbn commercial works (sale of assets component) and asset charges to other products including media.

Telstra InfraCo asset base and value drivers – effective 1 July 2020

Telstra InfraCo Assets

250,000km optical fibre
- Copper to fibre migration
- New use cases e.g. IoT and remote ops

8,000 towers, masts, mobile poles
- Increased tenancy ratios
- New towers to serve 5G rollout



360,000 km ducts
- Increased asset utilisation
- New customer groups

5,000 exchanges & 2 data centres
- Property lease arrangements
- New services e.g. edge compute

Access to 400,000km subsea cables
- Continuing demand for international connectivity

160,000 small poles
- Network densification and small cell rollout

Operating and capital efficiency

Product performance: Mobile

	1H19	2H19	1H20	CHANGE vs PCP
Revenue	$5,291m	$5,254m	$5,308m	0.3%
Mobile services	$3,780m	$3,659m	$3,616m	-4.3%
- Postpaid handheld	$2,665m	$2,629m	$2,569m	-3.6%
- Prepaid handheld	$448m	$381m	$388m	-13.4%
- Mobile broadband	$350m	$323m	$325m	-7.1%
- Internet of things (IoT)	$99m	$104m	$102m	3.0%
- Other[1]	$218m	$222m	$232m	6.4%
Hardware & Loyalty[2]	$1,511m	$1,595m	$1,692m	12.0%
EBITDA[3] Margin	$1,937m 36.6%	$1,815m 34.5%	$1,890m 35.6%	-2.4% -1.0pp
Customers – retail[4]	18.0m	18.3m	18.5m	3.0%
Postpaid handheld mobile SIOs	8,105k	8,244k	8,381k	3.4%
Internet of things (IoT) SIOs	2,832k	3,132k	3,482k	23.0%
Postpaid handheld ARPU/mth	$55.62	$53.60	$51.52	-7.4%
Postpaid handheld churn	12.0%	11.9%	12.3%	+0.3pp

Mobile revenue flat with hardware growth offset by services revenue decline. Services revenue decline due to postpaid handheld ARPU, prepaid handheld ARPU and mobile broadband revenue decline

Postpaid handheld net adds of +137k incl. +91k Belong. Mass market churn stable on pcp excl. Belong

Postpaid handheld ARPU declined 7.4% due to FY19 competition washing through base, ~$60m out of bundle decline, modest dilution due to increasing Belong mix, and accounting of new plans
ARPU declines expected to moderate in 2H20 vs PCP

>1.2m members of Telstra Plus Loyalty program

Prepaid handheld unique users increased 6.5% on pcp, however revenue declined due to lower ARPU

Mobile broadband revenue decline on pcp largely due to reduction in prepaid SIOs

Wholesale net adds of +173k and services revenue increased 5% to $104m

Sports live pass users 3.2 million across AFL, NRL, FFA, and Netball

EBITDA decline due to lower services revenue, offset by productivity and improved hardware margin

1. Other includes wholesale, satellite and interconnection.
2. Telstra Loyalty Plus revenue impact in 1H20 -$21m (2H19/1H19 nil).
3. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail..
4. Includes deactivation of 365k $0 revenue mobile broadband SIOs in 1H20.

Product performance: Fixed

	1H19	2H19	1H20	CHANGE vs PCP
Revenue[1]	$2,681m	$2,542m	$2,388m	-10.9%
Retail bundles & standalone data	$1,653m	$1,637m	$1,623m	-1.8%
Retail standalone voice	$477m	$404m	$342m	-28.3%
Other retail fixed[2]	$124m	$123m	$106m	-14.5%
Total retail fixed	$2,254m	$2,164m	$2,071m	-8.1%
Wholesale	$427m	$378m	$317m	-25.8%
Retail Fixed EBITDA (incl. net C2C)[3] Margin	$484m 20.7%	$314m 14.0%	$107m 5.0%	-$377m -15.7pp
Net one-off nbn cost to connect (C2C)	$178m	$185m	$202m	13.5%
nbn™ network payments	$620m	$730m	$824m	32.9%
Bundle & standalone data SIOs	3,663k	3,706k	3,733k	1.9%
Standalone voice SIOs	1,685k	1,412k	1,161k	-31.1%
Bundle & standalone data ARPU/mth	$75.90	$74.05	$72.72	-4.2%

Fixed market continued to be impacted by nbn migration, competition, voice and legacy decline

1H20 retail bundles & data net adds of +27k incl. +44k Belong in a slowing market.

nbn retail active connections grew +359k to 2,964k with 47% total market share (ex-satellite)

Enhanced differentiated experiences incl.
- **Connectivity with Smart Modems** now across 62% of fixed data consumer base (44% FY19)
- **>1.2m members of Telstra Plus Loyalty program**
- **Media with Telstra TV** devices increasing 79k to 1,625k

Bundle & standalone data revenue is now 99% Minimum Monthly Commitment (1H19 97%). ARPU declined due to competition and migration to in market plans

Standalone voice revenue declined with lower SIOs driven by standalone voice line abandonment and migration to bundles

Retail Fixed EBITDA decline includes high margin revenue reduction, growing network payments to nbn co, and nbn migration costs, partially offset by fixed cost reduction

1. Fixed revenue excludes other income from TUSOPA 1H20 $78m (1H19 $84m, 2H19 $75m).
2. Other retail fixed revenue includes hardware, once off revenue (activation fees), Platinum, and fixed interconnect net of Telstra plus loyalty.
3. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.

Product performance: Data & IP

	1H19	2H19	1H20	CHANGE vs PCP
Revenue	$1,217m	$1,141m	$1,064m	-12.6%
IPVPN[1]	$511m	$485m	$473m	-7.4%
ISDN	$206m	$181m	$139m	-32.5%
Other data & calling products[2]	$500m	$475m	$452m	-9.6%
EBITDA[3] Margin	$808m 66.4%	$738m 64.7%	$647m 60.8%	-19.9% -5.6ppt
IPVPN SIOs	126k	127k	126k	0.0%
ISDN SIOs	148k	122k	105k	-29.1%

Data & IP revenue down 12.6% reflecting declining legacy product service volumes and competitive pricing dynamics in IPVPN

IPVPN SIOs flat with growth in fibre and nbn services offset by declining legacy copper services. Competitive pricing pressures in fibre and nbn largely offset SIO growth

ISDN decline accelerated to 32.5% representing service rationalisation, including due to copper-switch off and customer migrations to equivalent voice products within the NAS portfolio

Other data and calling revenue decline of 9.6% includes wholesale decline of 8%

Internet grew 3.4% but was offset by declines in legacy products including inbound calling

EBITDA declined 19.9% reflecting declining revenue on high margin products including ISDN and pricing pressure in IPVPN

1. IP based Virtual Private Network (IPVPN) includes IPMAN/Ethernet MAN, IPWAN, and nbn.
2. Other data & calling products includes wholesale, inbound calling (1300/1800), internet, media solutions, and legacy data (e.g. frame relay).
3. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.

Product performance: NAS

	1H19	2H19	1H20	CHANGE vs PCP
Revenue	$1,596m	$1,881m	$1,580m	-1.0%
Managed network services	$291m	$357m	$271m	-6.9%
Unified communications	$442m	$567m	$501m	13.3%
Cloud services	$202m	$228m	$217m	7.4%
Industry solutions (incl. nbn commercial works)	$573m	$611m	$508m	-11.3%
Integrated services	$88m	$118m	$83m	-5.7%
EBITDA[1] Margin	$53m 3.3%	$307m 16.3%	$248m 15.7%	368% +12.4ppts
NAS revenue by segment				
Telstra Small Business	$147m	$165m	$174m	18.4%
Telstra Enterprise Australia	$1,151m	$1,415m	$1,158m	0.6%
Other (incl. nbn commercial works)	$298m	$301m	$248m	-16.8%

Reported NAS revenue includes lower nbn commercial works, largely offset by growth in unified communications and cloud services

Revenue growth of 2% excluding nbn commercial works, plus improved mix of annuity revenue

Managed network services decline reflects growth in security services offset by declining non-recurring managed data networks revenue

Unified communications growth from calling and collaboration annuity products reflecting new service growth and migration, especially in small business

Cloud includes public cloud annuity revenue growth offset by lower professional services

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

EBITDA margin up 12.4ppts due to cost productivity, improved revenue mix, and PSTN and ISDN migration to unified communications

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.

Product performance: Global connectivity

($ amounts in AUD)	1H19	2H19	1H20	CHANGE vs PCP	CHANGE in constant currency
Revenue[1]	$801m	$899m	$842m	5.1%	0.4%
Fixed	$144m	$202m	$140m	-2.8%	-8.5%
Data & IP	$491m	$512m	$532m	8.4%	3.8%
NAS and other	$166m	$185m	$170m	2.4%	-2.7%
EBITDA[2] Margin	$172m 21.4%	$192m 21.3%	$231m 27.3%	34.3% +5.9ppt	27.5% +4.4ppt

Flat revenue in constant currency with growth in more profitable Data & IP products offset by declining legacy fixed voice revenues

Fixed legacy products decline due to market decline and strategic focus on higher margin products

Data & IP growth of 3.8% in constant currency from existing and new capacity over the period due to capacity investment, higher number of International sporting events (driving increased data usage) and one-off benefits from early customer contract terminations

NAS and other revenue declined 2.7% in constant currency however profitability improved due to reduction in lower margin equipment sales

EBITDA growth of 27.5% or $49m in constant currency includes profitable revenue growth, cost productivity and one-off benefits. On constant currency and excluding one-offs, EBITDA grew 14%.

1. Global connectivity revenue excludes other income 1H20 $4m (1H19 $2m, 2H19 $3m).
2. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail..

Product framework: operating expenses[1]

	1H19	1H20	CHANGE $	CHANGE %
Mobile	$3,354m	$3,418m	$64m	1.9%
Fixed excl. net one-off nbn C2C[2]	$1,855m	$2,008m	$153m	8.2%
Recurring nbn DA	$29m	$27m	-$2m	-6.9%
Data & IP	$409m	$417m	$8m	2.0%
NAS	$1,543m	$1,332m	-$211m	-13.7%
Global connectivity	$631m	$615m	-$16m	-2.5%
Other[3]	$836m	$666m	-$170m	-20.3%
Underlying	**$8,657m**	**$8,483m**	**-$174m**	**-2.0%**
One-off nbn DA and nbn C2C[2]	$240m	$251m	$11m	4.6%
Restructuring	$328m	$198m	-$130m	NM
Other guidance adjustments[4]	$91m	$0m	-$91m	NM
Reported lease adjusted	**$9,316m**	**$8,932m**	**-$384m**	**-4.1%**

Mobile costs increased due to hardware partly offset by productivity

Fixed costs increased largely due to nbn payments partly offset by productivity

NAS costs declined largely due to productivity and nbn commercial works

Other costs declined due to media and sale of software business in 1H19

Underlying operating costs reduced 2.0%, with productivity more than offsetting increased sales costs

In FY20, we expect total operating expenses **to decline**

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
2. Fixed excludes one-off nbn cost to connect (C2C) 1H20 $241m (1H19 $226m). One-off nbn C2C included in one-off nbn DA and nbn C2C.
3. Other includes media, nbn commercial works (sale of assets component), Telstra Health, and miscellaneous.
4. Refer to Half-year results and operations review – guidance vs reported results reconciliation schedule (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2019" lodged with the ASX on 13 February 2020).

nbn DAs and commercial works

	1H19	2H19	1H20	CHANGE vs PCP
Income	**$1,561m**	**$1,661m**	**$1,588m**	**1.7%**
TUSOPA[1]	$84m	$75m	$78m	-7.1%
Recurring ISA: duct, rack and backhaul[2]	$374m	$410m	$432m	15.5%
nbn commercial works – sale of assets component[3]	$159m	$109m	$78m	-50.9%
One-off nbn DAs	**$944m**	**$1,066m**	**$1,000m**	**5.9%**
- ISA: Ownership receipts[4]	$242m	$145m	$55m	-77.3%
- PSAA[5]	$699m	$912m	$942m	34.8%
-Retraining	$3m	$9m	$3m	-
nbn commercial works – products and services[6]	$272m	$277m	$230m	-15.4%

Increase in one-off DAs due to nbn rollout and migration

Recurring ISA revenue growth due to nbn^{TM} network rollout progress

nbn commercial works – sale of assets component income has declined in line with nbn^{TM} network rollout progress

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

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

Segment results

Segment Income	1H19	1H20	CHANGE
Telstra Consumer & Small Business	**$7,217m**	**$7,063m**	**-2.1%**
Telstra Enterprise[1]	**$3,955m**	**$3,882m**	**-1.8%**
- Domestic	$3,026m	$2,869m	-5.1%
- International	$929m	$1,013m	9.0%
Telstra InfraCo[2]	**$2,502m**	**$2,214m**	**-11.5%**
- Internal access charges	$946m	$845m	-10.7%

Consumer and Small Business decline across fixed products including standalone fixed voice, and mobile services revenue. Declines were partly offset by double digit NAS growth

Telstra Enterprise Domestic decline from across Data & IP, Fixed and Mobiles

Telstra Enterprise International includes growth in higher margin Data & IP and has been positively impacted by the depreciation of the Australian Dollar

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

1. Telstra Enterprise split between Domestic and International income is based on location of management operations. Telstra Enterprise includes $149m (1H19: $121m) of inter-segment revenue treated as external expenses in the TC&SB and Telstra InfraCo segments.
2. Telstra InfraCo includes internal access charges.

Underlying earnings for dividend

	Reported basis		Lease adj.[2] Rent/ Other	Lease adj.[2] Mobile handset	Restructuring/ other guidance adjustments[3]		Net one-off nbn receipts[4]		Underlying basis[1]		
	1H19	1H20	1H19	1H20	1H19	1H20	1H19	1H20	1H19	1H20	CHANGE
Total income	**$13,798m**	**$13,413m**	**-**	**-**	**-$1m**	**-$14m**	**-$992m**	**-$1,039m**	**$12,805m**	**$12,360m**	**-3.5%**
Operating expenses	$9,541m	$8,638m	-$225m	$294m	-$419m	-$198m	-$240m	-$251m	$8,657m	$8,483m	-2.0%
EBITDA	**$4,258m**	**$4,773m**	**$225m**	**-$294m**	**$418m**	**$184m**	**-$752m**	**-$788m**	**$4,149m**	**$3,875m**	**-6.6%**
Depreciation and amortisation	$2,141m	$2,722m	$225m	-$294m	-	-	-	-	$2,366m	$2,428m	**2.6%**
EBIT	**$2,117m**	**$2,051m**	**-**	**-**	**$418m**	**$184m**	**-$752m**	**-$788m**	**$1,783m**	**$1,447m**	**-18.8%**
Net finance costs	$320m	$375m	$32m	-	-	-	-	-	$352m	$375m	6.5%
Income tax expense	$569m	$526m	-$10m	-	$98m	$55m	-$226m	-$236m	$431m	$345m	-20.0%
NPAT	**$1,228m**	**$1,150m**	**-$22m**	**-**	**$320m**	**$129m**	**-$526m**	**-$552m**	**$1,000m**	**$727m**	**-27.3%**
Non-controlling interests	-$5m	$11m	-	-	-	-	-	-	-$5m	$11m	NM

1. 'Reported lease adjusted' which includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
2. See 'AASB16 & Reported lease adjusted results' slide for detail.
3. Refer to Half-year results and operations review – guidance vs reported results reconciliation schedule (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2019" lodged with the ASX on 13 February 2020).
4. "net one-off nbn receipts" is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.

AASB16 & Reported lease adjusted results

Given different accounting treatment of leases in 1H20 and 1H19, Reported lease adjusted provides a like-for-like view. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA

	Reported		Lease adjustments Rent/ Other	Lease adjustments Mobile handset	Reported lease adjusted	
	1H19	1H20	1H19	1H20	1H19	1H20
Total income	$13,798m	$13,413m	- 1	- 2	$13,798m	$13,413m
Operating expenses	$9,541m	$8,638m	-$225m	$294m	$9,316m	$8,932m
EBITDA	**$4,258m**	**$4,773m**	**$225m**	**-$294m**	**$4,483m**	**$4,479m**
Depreciation and amortisation	$2,141m	$2,722m	$225m	-$294m	$2,366m	$2,428m
EBIT	**$2,117m**	**$2,051m**	**-**	**-**	**$2,117m**	**$2,051m**
Net finance costs	$320m	$375m	$32m	-	$352m	$375m
Income tax expense	$569m	$526m	-$10m	-	$559m	$526m
NPAT	**$1,228m**	**$1,150m**	**-$22m**	**-**	**$1,206m**	**$1,150m**

AASB16 'Leases' adopted from 1 July 2019[1]

- No restatement of PCP in Reported results
- On balance sheet, right-of-use assets and lease liability recognised (PV of lease payments). 1H20 net debt includes $3.6b lease liability
- Reduction in reported opex in 1H20 as **all** lease costs move below reported EBITDA. Operating lease expense recognised in 1H19 as opex has been 'replaced' below EBITDA in 1H20 by depreciation of right-of-use assets, and interest expense on lease liability
- From 1H20 under AASB16, lease payments are reported in financing cashflow

1 **1H19 adjusted** to move proforma rent/other lease opex to D&A and include tax effected implied interest

2H19 adjustments will be consistent with 1H19

2 **1H20 adjusted** to move depreciation of mobile handset right-of-use assets to operating expenses

Mobile handset lease depreciation expected at ~$490m in FY20, ~$160m in FY21, and negligible in FY22 with roll-off following exit of new sales in June 2019

1. Refer to note 1.4.1 to the half year financial statements for the half year ended 31 December 2019 (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2019" lodged with the ASX on 13 February 2020) for further details regarding AASB16 adoption impacts.

AASB16 & Reported lease adjusted results: Proforma Product EBITDA[1]

	Reported		Lease adjustments Rent/Other		Reported lease adjusted[1]	
	1H19	FY19	1H19	FY19	1H19	FY19
Mobile	$1,851m	$3,579m	$86m	$173m	$1,937m	$3,752m
Fixed excl. net one-off nbn C2C[2,3]	$796m	$1,406m	$66m	$130m	$862m	$1,536m
Recurring nbn DA	$345m	$731m	-	-	$345m	$731m
Data & IP	$782m	$1,493m	$26m	$53m	$808m	$1,546m
NAS	$39m	$331m	$14m	$29m	$53m	$360m
Global connectivity	$155m	$330m	$17m	$34m	$172m	$364m
Other[4]	-$44m	-$117m	$16m	$31m	-$28m	-$86m
Underlying	**$3,924m**	**$7,753m**	**$225m**	**$450m**	**$4,149m**	**$8,203m**
One-off nbn DA and nbn C2C[3]	$752m	$1,613m	-	-	$752m	$1,613m
Restructuring[5]	-$328m	-$801m	-	-	-$328m	-$801m
Other guidance adjustments[5]	-$90m	-$581m	-	-	-$90m	-$581m
Total	**$4,258m**	**$7,984m**	**$225m**	**$450m**	**$4,483m**	**$8,434m**

1. 'Reported lease adjusted' which includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.
2. Fixed includes TUSOPA income FY19 $159m (1H19 $167m).
3. Fixed excludes one-off nbn C2C net of connection income FY19 $362m (1H19 $284m) represented against net one-off nbn DA less net C2C. This includes one-off nbn connection income FY19 $106m (1H19 $113m) and one-off nbn cost to connect (C2C) FY19 $468m (1H19 $397m).
4. Other includes media, nbn commercial works (sale of assets component), Telstra Health and miscellaneous.
5. Refer to FY19 Full year results and operations review – guidance vs reported results reconciliation schedule (set out in our ASX announcement titled "Financial results for the full year ended 30 June 2019" lodged with the ASX on 15 August 2019) and Half-year results and operations review – guidance vs reported results reconciliation schedule (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2019" lodged with the ASX on 13 February 2020).

Disclaimer

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

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results of Telstra to differ materially from those expressed in the statements contained in these presentations including general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in "our material risks" section of our Operating and Financial Review (OFR) which is set out in Telstra's financial results for the year ended 30 June 2019 which was lodged with the ASX on 15 August 2019 and available on Telstra's Investor Centre website www.telstra.com/investor.

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

The assumptions underlying and the basis upon which we have provided our FY20 earnings guidance is set out on slide "FY20 guidance - reconfimed".

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We have adopted AASB16 on a prospective basis and prior year comparatives on a reported basis have not been restated.

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

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

All amounts are in Australian Dollars unless otherwise stated.

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CEO & CFO SPEECH NOTES

TELSTRA HALF YEAR RESULTS

13 FEBRUARY 2020

ANDREW PENN – CEO

Slide 1 – Half year 2020 results

Good morning and welcome to Telstra's results announcement for the half year ended 31 December 2019.

Our results for the half were consistent with our full year guidance. While they reflect the headwinds we continue to face in the migration to the nbn, they also show we are starting to build positive underlying financial momentum as a result of our T22 strategy.

Vicki and I will take you through the details of this in a moment but before we get into the results, I wanted to reflect on some of the comments I made last week in a speech at the American Chamber of Commerce.

The speech highlighted my view that as we enter the 2020s, there has never been a more important time for business to think deeply about the role it plays in society.

Contemporary thinking argues that a greater level of empathy and responsibility is required today from companies in understanding their customers' needs and meeting them fairly.

Society is rightly holding us more accountable than ever before and the expectation from all our stakeholders today is for businesses to act responsibly. And this is happening at a time of great change – great change in technology, change in the climate, change in our customers' expectations of us.

You have heard me talk before about the fourth industrial revolution where a convergence of new technologies including 5G is enabling a rapid evolution of automation and robotics. While this will bring tremendous new opportunities, it also poses challenging questions on issues such as the impact on the workforce and the ethics of AI.

But it's not just technology that is changing our lives and today more than ever businesses must consider their impact on the environment and the climate.

The 2020s have started with devastating bushfires. Lives have been lost, homes have been burned, wildlife destroyed and whole

ecosystems changed forever. We estimate the impact of the bushfires on Telstra will be in the order of $50m, including $10m in assistance packages.

Large teams of Telstra staff and technicians continue to work incredibly hard to support recovery and rebuild efforts in affected communities.

I am very proud of their work and have visited Corryong, Jingellic, Sarsfield, Clifton Creek, and Bairnsdale to see first hand how important this work is.

Climate change will be the defining challenge of the 2020's and the biggest single risk we face is thinking it's someone else's problem to fix.

While it is popular to have an opinion on what others should be doing about climate, including government – what I am focussed on is what we are doing as a company and personally as an individual.

The 2020s will also see new attitudes towards how businesses engage with customers. In my speech, I made the point that this is even more important in a world where the rate and pace of change continues to accelerate and where customers become ever more dependent on the services we provide.

I shared how a deep commitment to our purpose and values drives Telstra's efforts to do the right thing for our customers by delivering the best technology on the best network so our customers can thrive.

However, I know we do not always get it right and last week I shared the details of a difficult issue we are currently addressing and which is the subject of an ACCC investigation regarding possible unconscionable conduct.

In 2017 we became aware of an issue where a small number of our partners had sold mobile devices and plans to customers that they ultimately could not afford and also may not have been appropriate for their needs.

This included sales to Indigenous Australians, some living in remote communities. In some cases, the checks and balances we had in place to ensure this did not happen were not followed by staff in those stores.

For us, the challenges have arisen while expanding our network to provide connectivity to communities that had not previously had it during a time of a dramatic increases in data usage together with the escalating cost of smartphones. We also did not fully understand the customers in those areas and we have let both them and us down, something we regret.

We will obviously respond appropriately to the ACCC. However, what is equally important is where our conduct did not deliver the right outcomes for customers even if it did comply with the law.

We have put in place a significant number of measures to address the core issues including providing support to customers who have found themselves in financial hardship by proactively buying back debt; actively reaching out to customers to ensure they are on the right plan; additional training, strengthened external credit assessments and enhanced performance monitoring tools.

I have also travelled to communities in the Northern Territory and WA to apologise in person to affected customers.

The matter is the subject of a contingent liability note in the accounts released today to which I draw your attention.

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Let me turn now to our half year results.

We finished the half with good momentum and a strong focus on delivering our T22 strategy which, as you know, has been designed to meet Telstra's challenges of today while putting us in the best possible position for tomorrow. Indeed one of the key objectives of our T22 strategy is to radically simplify our products and services to remove customer pain points and minimise exactly the risk highlighted by the matter I have just described.

There are many indicators of our good progress on T22.

Firstly, our leadership in 5G.

I spoke earlier about my pride in our response to the bushfires; we cannot help but also be proud of our position with 5G.

We are not just leading Australia we are a global leader as well.

We also set ourselves a very ambitious target to get down to 20 in-market plans from the more than 1800 we had less than two years ago and we have done that.

In Consumer and Small Business we now have 2.4 million services on those plans.

That ambition to offer fewer, better products and services extends to things like our Smart Modems, and 1.7 million are now in homes around Australia and to our loyalty program Telstra Plus, now with more than 1.2 million members.

Finally, I wanted to call out Telstra InfraCo which is now well-established. It was a pleasure to be able to talk you through the detail of next steps and demonstrate how our optionality is beginning to emerge when we were last together at our Investor Day in November.

Slide 2 – Half year 2020 results – Headlines

In terms of financial headlines, Total Income for the half decreased 2.8 per cent to $13.4 billion on a reported and guidance basis.

EBITDA increased 12.1 per cent to $4.8 billion on a reported basis. After adjusting for lease accounting on a like-for like basis, EBITDA decreased 0.1 per cent to $4.5 billion.

Underlying EBITDA on a guidance basis, which excludes one-off nbn income and restructuring costs, decreased 6.6 per cent to $3.9 billion.

Excluding the in-year nbn headwind, underlying EBITDA grew by approximately $90 million as a result of an ongoing focus on simplification and cost reduction.

NPAT decreased 6.4 per cent to $1.2 billion on a reported basis.

The Board has resolved to pay a fully franked interim dividend of 8 cents per share, in line with the prior year, comprising an interim ordinary dividend of 5 cents per share and an interim special dividend of 3 cents per share.

Slide 3 – Building value | Momentum in cost reduction

Drilling down a little further into the operational drivers this half, we saw mobile EBITDA stabilising with our leading indicator – transacting minimum monthly commitment increasing $2-3.

Postpaid handheld ARPU declined by 7.4% including the impact from competition in prior periods.

In fixed, we remain focussed on differentiated customer experiences including through the Telstra Smart Modem.

Across fixed and data & IP we continue to face headwinds from the migration of customers to the nbn and price competition.

Just on nbn, we were pleased to see NBN recently acknowledge the industry's view that it should not be contracting directly with end customers as a wholesaler.

We will review the detail of these changes as they are implemented.

Returning to our results, we were particularly pleased with our NAS and global connectivity results for the half.

NAS EBITDA grew almost $200 million with an EBITDA margin of 15.6 per cent driven by improved product mix and productivity.

Global Connectivity EBITDA grew by almost $60 million from improved product mix, productivity and one-off benefits including foreign exchange.

On costs, underlying fixed costs were down $422 million or 12.1 per cent bringing our annualised cost reductions achieved since the program began in FY16 to $1.6 billion.

Vicki will provide more detail on our productivity program, however I am very pleased with the progress we have been making.

Turning now to customer experience where the investments we have been making and the initiatives under our T22 strategy continue to have a positive impact for customers.

Episode NPS – which is the measure of individual customer experiences with us for particular processes such as sales, assurance, billing and others - improved six points compared to December 2018, and two points in the half.

Strategic NPS – a more general measure of both Telstra's and non Telstra customers attitude to Telstra - was unchanged over the 12 months to December 2019 but down one point in the half.

Our strategic NPS results included strong performance from mass market customers but disappointing Enterprise results. After restructuring our Enterprise business we have pleasingly seen Enterprise results stabilise at the end of 2019.

An important consideration for any business is its ability to continue to attract new customers and we continue to see a good response to our simplified product offerings and focus on improved customer experience.

Through our multi-brand strategy we added 137,000 net retail postpaid mobile services in the half, including 46,000 branded and 91,000 from Belong.

We added 135,000 net retail prepaid unique users and 173,000 wholesale MVNO mobile services in the half, bringing total wholesale services to over 1.3 million.

In fixed, we added 27,000 net new retail bundle and data services, including growth of 44,000 from Belong.

Belong now has over 600,000 services, including almost 340,000 mobile services and around 300,000 fixed.

One of the features of the half year was increased activity in the price sensitive end of the market with strong performance in Belong and Wholesale when compared to Telstra branded.
This bifurcation in the market strongly supports our multi brand strategy.

We also added 359,000 new nbn connections with an estimated cumulative nbn market share excluding satellite of 47 per cent.

Total nbn connections from Telstra are now almost 3 million.

Slide 4 – T22

Turning to our T22 strategy, where we are approaching the half way point on its implementation.

T22 is about radically simplifying our operations and products, improving customer experience and reducing our cost base.

T22 is built around four key pillars and two critical enablers, building the networks for the future and digitisation.

Slide 5 – T22 Strategic Pillars - progress to date

In Pillar One, the focus is to radically simplify our product offerings, eliminate customer pain points and create all digital experiences.

I mentioned earlier the positive customer response to our new in-market Consumer and Small Business plans and our Smart Modem. We are also seeing strong engagement with our new loyalty program Telstra Plus, where reward redemption rates doubled from the first quarter to the second.

I also wanted to call out that since FY18 we have now seen a 32 per cent reduction in the volume of service calls to our call centres from our Consumer and Small Business customers.

This improved by 10 percentage points in the half or another 2 million less calls on the prior corresponding period.

Since 2016 we have almost halved the annualised number of calls into our call centres, a reduction of more than 19 million calls.

Digital channels now account for more than 57 per cent of service transactions including account management, pre-paid product and billing relating enquiries, up almost 4 percentage points in the half.

At the same time digital sales interactions for Consumer and Small Business customers were up 9 percentage points in the half to 26 per cent.

Online gaming also continues to be a major opportunity for us and in October 2019 we commenced an exclusive Australian telco partnership with Microsoft for its Xbox All Access gaming package.

We also continue to see great opportunities to support small business customers and in July 2019 launched Telstra's Mobile Worksuite providing data, software, devices and 24/7 support.

We also launched Telstra Business Services as a month-to-month subscription service providing access to expertise in tech support, cyber security and digital marketing.

In the Enterprise space we launched Telstra Connect, a single digital channel for business-to-business customer interactions including tracking the status of orders, raising and tracking incidents and checking on network performance.

Also for Enterprise customers is Telstra Purple which has more than 1,500 people working on more than 8,000 projects in professional and technology managed services including network, data centre, security, cloud, augmented reality, workplace and mobility, data and analytics and design services.

Simplification also remained a focus with the number of Enterprise products cut by 23 per cent as we continued to unravel complexity.

In Pillar 2 Telstra InfraCo is fully operational.

InfraCo's revised organisational structure and operating model, which we outlined for you at our November Investor Day, has been announced and is being implemented internally.

In Pillar Three the focus is on simplifying our structure and ways of working to better empower our people to serve our customers.

We have continued to focus on removing hierarchies and siloes and redesigning our organisation from the ground up.

As at 31 December, we had announced 6,900 of the net 8,000 direct workforce role reductions of which 6,300 had left the company and we have also reduced our indirect headcount by approximately 8,000 in the last 18 months.

At the same time we continue to build new capabilities for the future creating 1500 new roles in new areas including cyber security, software engineering, data analytics and AI. 1,300 of these have already been appointed.

We also opened our state-of-the-art Innovation and Capability Centre in Bangalore, India, where we have over 600 Telstra and partner staff working closely with a range of local and international partners and vendors.

Pillar four is focussed on delivering an industry leading cost reduction program and portfolio management.

We have increased the cost program in the first half of FY20 and are on track to reach our target of reducing annual underlying fixed costs by $2.5 billion by FY22.

We have already delivered $1.6 billion and are on track to achieve a reduction in underlying fixed costs this year of $630 million.

The other aspect of Pillar 4 is focussed on actively managing our portfolio to monetise up to $2 billion of assets.

The total value of assets monetised as part of T22 is around $1 billion.

Slide 6 – 5G leadership

T22 is built on the foundation provided by our investment in digitising the business, building the networks for the future, continuing to reinforce our network superiority and launching 5G.

The 5G rollout is ongoing and we have reached 32 cities nationally, and remains on track to reach at least 35 Australian cities and major towns by the end of this financial year.

Over 100,000 5G capable devices are now connected and around one in four Android mobile handsets we have sold since July 2019 have been 5G compatible.

We have six 5G devices available to our customers including the mid-priced Samsung Galaxy A90 5G handset. We will also be launching second generation 5G handsets over the coming weeks.

In addition to leading in 5G we are also continuing to reinforce our network superiority.

Slide 7 – Network leadership and digitisation

Nationally our mobile footprint is more than 2.5 million square kilometres, at least 1 million square kilometres more than any other mobile network in Australia.

This half we built more than 237 new mobile sites and upgraded a further 267.

In the half we also proved the technology to expand our narrowband-IoT coverage to nearly 4 million square kilometres from over 3.5 million.

Our CatM1 IoT coverage is also around 3 million square kilometres.

Service reliability and resilience remain critical factors for our mobile customers and a key network differentiator for Telstra. Since 2016 customer impact hours from outages have reduced by nearly two-thirds as a result of our ongoing network improvements.

Telstra also continues to lead the market in key industry network performance benchmarks.

Independent, third party recognition for the speed and quality of our network this year included winning Best in Test in the renamed P3 now known as umlaut 2019 Australian Mobile Network Benchmark.

We have also ranked #1 for the Netflix ISP Speed Index for the last 24 months in a row.

Turning to digitisation.

Upgrading and digitising our CRM, provisioning, billing, HR and many other systems is a key enabler of the many improved customer experience initiatives we are delivering. We are making strong progress on the customer and agent facing components of this transformation.

Firstly, we expect to launch an entirely redesigned customer facing mobile app, My Telstra, in the second half of this financial year which will replace the Telstra 24x7 app. The new app will offer a range of customer benefits including personalised service and promotional offers and deeply integrate our Telstra Plus loyalty program.

Secondly, we are progressively replacing multiple agent facing systems with a single Salesforce console. We have over 5,000 agents using the console today for a range of customer management transaction types. This single system will allow us to more rapidly process customer transactions and provide more personalised management of customer needs.

This and other process automation improvement have given more than 257,000 labour hours back to the business.

Slide 8 – T22 Strategy scorecard

Before I close, I would like to take you through our T22 scorecard which we use to track our progress. Importantly, the scorecard represents a very transparent view of our progress and is reviewed by our auditors.

Consistent with our full year 2019 results, six key T22 milestones are complete including the key measures to simplify to 20 Consumer & Small Business plans, to be 5G ready and to ensure Telstra InfraCo is fully operational.

Of the remaining 28 measures, 17 are on track and we have made good early progress on a further two which we show in grey as they are too early to measure.

Nine measures are rated either amber or red and I want to take a moment to explain why.

Firstly, NPS. We are on track with Episode NPS. However, given our Strategic NPS results I mentioned earlier we have identified this overall NPS metric as amber.

Secondly, our new technology stacks. We are very well progressed. For Enterprise, the stack is live with our customers experiencing the benefits.

For Consumer and Small Business, as discussed earlier we are strongly progressed with the customer and agent facing components which will largely reach scale in the second half of this financial year through the launch of My Telstra and continued roll-out of Agent Console.

In terms of new product build and customer migration – we have launched several beta trials of products on our new stack which has proved out the benefits of faster activation, easier digital self service and a greatly simplified charging experience for customers.

We are now taking the time to expand the breadth of product capability before commencing migration at scale which we expect to commence in the first half of financial year 2021.

While we are confident we will deliver the remaining functionality, given we are behind where we would like to be on the build, we are therefore behind where we would like to be on the migration of customers to the new stack.

Thirdly, the Telstra 24x7 app. The number of active Telstra 24x7 app users has been steady at 4 million.

While we are targeting an increase in active users, the good news behind the result is that our customers have had fewer reasons to visit the app to check their data consumption due to our simplified mass market plans.

We are expecting to increase customer engagement through the launch of the new My Telstra app I mentioned before.

For average services per customer, the number has been steady but below where we wanted to be. We are targeting increased multi-product holdings including through entertainment, mobile assurance and gaming add-ons.

For key industry network surveys we continue to lead in all of them, with the exception of the ACCC Measuring Broadband Australia Report. This report includes lines that are not capable of achieving the NBN tier speeds due to NBN constraints not RSPs which we have raised with the ACCC because this obviously creates a misleading impression of RSP performance.

Moving to Agile at level three maturity. We have now introduced Agile at scale to the business and trained over 16,000 employees however in the second quarter we were slightly below our maturity target and consequently we have identified this metric as amber.

On costs although we did not reduce total costs in FY19 we reduced total costs in this half and have marked this measure as on track.

Lastly on underlying ROIC. Whilst we expect growth in underlying ROIC from FY20 to FY22, we have identified this metric as amber because we do not expect growth in underlying ROIC in FY20.

Slide 9 – Summary

Let me summarise before I hand over to Vicki.

Our results this half were in line with guidance, reflect the significant changes underway across the sector and show we are starting to build positive underlying financial momentum as a result of our T22 strategy.

As expected, and as previously flagged, our results also reflected current market realities including the impact of nbn and competition.

At the same time, we are also sitting at an incredibly exciting inflection point – the dawn of the 2020's, the dawn of 5G, and we see significant opportunities in technology, in telecommunications and for Telstra.

Society is rightly holding business more accountable than ever for our actions and the expectation from all stakeholders today is for responsible business at a time of great change – great change in technology, change in the climate, change in our customers' expectations of us.

T22 is positioning us for this new world – as a simpler, more digitally enabled business; with the best network; the right economic model; optionality; a strong balance sheet; and the skills, capabilities, culture and ways of working we need to succeed.

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

VICKI BRADY - CFO

SLIDE 10 – TELSTRA HALF YEAR RESULTS

Thanks Andy.

SLIDE 11 – AGENDA

Today's half-year 20 financial results reflect increased momentum from the execution of our T22 strategy. The benefits from the radical simplification of our business and products, and continued focus on reducing our costs, are evident.

We are especially pleased with the scale of cost reductions we are achieving. This is important given product margins will take time to turn.

1H20 shows a significant turnaround from the level of decline in recent years.

As we have stated previously, the clearest view of the future financial performance of our business is provided by underlying EBITDA excluding the nbn headwind.

In 1H20 we achieved growth in this figure of around $90 million, the first time we have achieved growth since FY16.

We estimate that we are now around 60 per cent of the way through the recurring financial impact of the nbn. We expect FY21 to be the peak year of nbn headwind.

As we look forward, 2H20 and into FY21, we expect a stronger contribution from improved product margin trajectory, with mobile gross margin turning positive vs pcp around the end of calendar year 20.

I will discuss the performance of our mobile business in more detail shortly.

Let me now turn to details of our financial performance.

SLIDE 12 - GROUP RESULTS: INCOME STATEMENT

Our half-year results were in line with guidance and market expectations.

The numbers on the left of the slide are our reported statutory results. 1H20 Reported income was $13.4 billion, down 2.8 per cent, and reported NPAT was $1.2 billion, down 6.4 per cent on 1H19.

1H20 is the first result following the implementation of AASB16. This new accounting standard meant that from 1 July 2019 operational lease costs moved onto the balance sheet, and below EBITDA in the P&L.

Given different accounting treatment of leases in 1H20 and 1H19, and our exit of mobile lease plans, the 'Reported Lease adjusted' columns provide a like-for-like view of our results and reflects the view we use when managing the business.

Reported lease adjusted includes all mobile handset leases as operating expenses, and all rent and other leases below EBITDA.

AASB16 also impacts the representation of our cash flow and net debt. Details on AASB16 impacts and adjustments can be found in the slide appendix.

The remainder of this presentation will focus on the reported lease adjusted results.

On a reported lease adjusted basis, EBITDA was broadly flat at $4.5 billion including around $200 million of restructuring costs and around $800 million of net nbn one-off receipts.

Underlying EBITDA, which we provide guidance on, was $3.9 billion, down 6.6 per cent on pcp.

The largest reason for this decline was the nbn, where we absorbed around $360 million of in-year recurring headwind in the period. A breakdown of the component parts of this headwind are outlined in an Appendix slide.

Underlying EBITDA excluding the nbn headwind, grew around $90 million in 1H20 vs pcp.

Included in underlying EBITDA is a reduction of fixed costs of $422 million or 12 per cent on pcp. I will speak more to the drivers of this strong performance shortly.

Depreciation and Amortisation, on a reported lease adjusted basis, increased 2.6 per cent and we expect FY20 D&A to increase modestly on FY19 due to mix shift to shorter asset lives.

We then expect D&A to decline materially in both FY21 and FY22, predominantly due to fixed access assets associated with nbn completion and legacy IT assets fully writing down.

Net finance costs increased marginally, however our real cash borrowing costs declined $30 million.

Tax declined on lower profit before tax, with 1H20 reported lease adjusted NPAT down 4.6 per cent on pcp.

SLIDE 13 – INCOME BY PRODUCT

Looking now at income by product:

Excluding one-offs, underlying income for the period declined $445 million, or 3.5 per cent, year over year.

There is significant detail in the appendix on each of our products, but I will touch on the highlights.

Mobile revenue grew $17 million in 1H20. This was due to hardware growth of $202 million on higher unit device costs, offsetting services decline.

In postpaid handheld, our lead indicators show positive momentum.

- Transacting MMC was up $2-3 across Consumer & Small Business in 1H20 vs 2H of FY19, and we expect continued improvement into 2H20.
  Transacting MMC represents the average minimum monthly commitment excluding hardware, of new and existing customers that have taken up new plans in the period.
- We were pleased with our SIO performance, driven by our multi-brand strategy, in a slowing market.

As outlined at our FY19 result and in line with expectations, reported ARPU decline accelerated to 7.4 per cent in 1H20 with all segments seeing similar levels of ARPU decline.

This was caused by several factors:

- Firstly, we saw the impact from a period of intense price competition in FY19 washing through our customer base.
- Secondly, ~$60 million lower out of bundle revenue as we removed excess data fees consistent with our T22 strategy.
- Thirdly, dilution from a higher mix of Belong customers.
- And finally, accounting for new plans which allocate more revenue to hardware.

Of the 7.4 per cent decline in ARPU, around 40 per cent is due to the first factor.

In 2H20, remaining wash through is expected to be offset by initial benefits from improvement in transacting MMC. We expect TMMC improvement to have a more material impact on ARPU in FY21.

The other three factors will continue to impact ARPU.

In the 2H we expect out of bundle declines to be similar to 1H20.

We also expect a growing accounting impact from increased take up of our new plans.

As a result, ARPU declines are expected to moderate in 2H20 v pcp.

Turning to other mobile categories;

- In prepaid handheld, unique users were up 135,000 with less migration to postpaid, and we have stabilised both average voucher volumes and revenue sequentially, a pleasing result.
- Likewise, mobile broadband is seeing stabilisation in revenue sequentially after several years of decline.
- Our Wholesale MVNO business - a crucial part of our multi-brand strategy - achieved revenue growth of 5 per cent.

We remain focused on growth and building value in mobile and have a clear strategy which includes improving customer experience through T22, growing our network differentiation, executing our multi-brand strategy and leading in 5G.

Now let me turn to our fixed-line business, where revenue continued to be impacted by nbn migration, competition and legacy decline.

We continued to add SIOs in a slowing market, thanks to our multi-brand strategy.

In 1H20 Belong contributed 44,000 net adds, however our branded business was weaker including due to continued competition at the entry level end of the market.

In our branded fixed business, we are still experiencing ARPU dilution as more customers move to our in-market plans. This is expected to be less negative in 2H20.

Our branded fixed business remains focused on differentiated experiences:

- We extended the number of customers using a Telstra Smart Modem to 62 per cent of consumer customers, delivering greater reliability.
- And continue to take a leading position on in-home speed and reliability.

Turning to Data & IP, revenue was down 12.6 per cent.

ISDN decline accelerated in the period, to 32.5 per cent as expected due to factors including copper-switch off and customer migrations to equivalent voice products within the NAS portfolio.

IPVPN in total declined 7.4 per cent.

Within IPVPN, fibre-based services represent around 90 per cent of the revenue, and revenue declined approximately 1 percent.

Copper based services are a smaller part of the portfolio, but very significant declines have had a large impact on reported results.

We expect IPVPN decline to moderate over the next 12-18 months, but it remains a challenging period.

Reported NAS revenue declined modestly, due to the expected reduction in nbn commercial works, and a focus on driving profitability rather than revenue opportunities.

NAS revenue, excluding commercial works, grew 2 per cent and shifted to a higher-quality mix of annuity revenue. We expect these trends to continue in 2H20.

SLIDE 14 – OPERATING EXPENSES

Turning to our operating expenses for 1H20.

In line with our T22 commitment, total operating expenses reduced.

1H20 underlying costs declined 2.0 per cent.

An increase in nbn payments of $204 million was more than offset by our productivity program, which reduced underlying fixed costs by $422 million in the period.

We are delivering very strongly against our $2.5 billion net productivity target, having now achieved a $1.6 billion net reduction in underlying fixed costs since 2016.

We split our fixed costs into three broad categories: direct labour, indirect labour and service contracts, and non-labour.

Around two thirds of our net cost reduction in 1H20 was delivered through direct labour which included the full impact of FY19 reductions, and the impact of a further 1,500 direct FTE reductions in 1H20.

The other third of our 1H20 net cost reduction was from indirect labour and service contracts, which included reductions from customers transitioning on to the nbn network, associated contract optimisation, and reduction of project-related activity. This has also resulted in a reduction of indirect headcount by approximately 8,000 in the last 18 months.

We continue to expect to achieve our full year underlying fixed cost reduction target of $630 million. 2H20 reduction will be smaller than 1H20 due to timing and a much tougher comparative period.

SLIDE 15 – EBITDA

Moving to EBITDA, where our results were in line with expectations.

Underlying EBITDA declined $274 million, with growth in NAS, recurring nbn, Global and other, offset by declines in Fixed, Data & IP and Mobile.

This includes the around $360 million in-year nbn headwind, which is included in Fixed, nbn recurring and Data & IP.

Underlying EBITDA excluding the nbn headwind grew around $90 million.

Looking at the major products:

Mobile is now close to 50 per cent of our underlying EBITDA.

Mobile EBITDA is stabilising, down $47 million in 1H20 vs pcp, after declining $342 million in FY19 and $274 million in FY18.

The decline in 1H20 is due to lower service revenue, partially offset by productivity and improved hardware margin.

Fixed EBITDA, excluding cost to connect, declined by $443 million in 1H20.

This includes an over $290 million revenue reduction, and an over $200 million increase in network payments to nbn co, partially offset by fixed cost reduction.

We continue to focus on items in our control, such as our cost to serve and productivity, and advocate for lower nbn wholesale costs.

Turning to Data & IP.

Accelerated revenue pressure, particularly in high-margin legacy products, especially ISDN, flowed through to EBITDA.

Looking forward, EBITDA is expected to continue to be impacted by legacy decline, competition, and resale of nbn at lower margins. However, we still have opportunities in productivity – this is among our next focus areas in our productivity program.

NAS performed very strongly against a weak pcp, due to productivity, improved revenue mix, and the migration of PSTN and ISDN services to unified communications.

NAS growth offset Data&IP declines at EBITDA in 1H20.

EBITDA margins of 15.7 per cent in 1H20 are consistent with our mid-teens margin outlook. We expect second half NAS margins to be broadly consistent with 1H20.

In Global Connectivity, EBITDA improved by $59 million, the underlying business has delivered continued growth of circa $25 million, reported results were also supported by one-offs and foreign exchange benefits.

Other growth includes Media, software losses dropping out after the sale of Ooyala, and a small improvement in Health.

SLIDE 16 – GROUP RESULTS – FREE CASHFLOW

Turning to free cashflow.

Free cash flow after operating lease on a guidance basis in 1H20 increased 36 per cent vs the pcp.

Improvement was primarily due to our success in lowering capex which was high in the pcp due to timing and our strategic investment program. In 2H20 we will continue to accelerate 5G deployment and we confirm our FY20 capex guidance in the range of $2.9 billion to $3.3 billion.

The working capital movement of negative $1.5 billion in 1H20 was largely due to the exit of mobile lease plans, inventory and restructuring. Our FY20 Free cash guidance included an expected ~$1 billion increase in working capital, which remains unchanged. Therefore, we expect an improvement in the second half.

We recently announced that prior to the end of this financial year we would move to 20-day payment terms for suppliers who invoice us up to $2 million annually. The one off cashflow impact of this change to supplier payment terms is estimated to be $50 million and will be incurred in FY21.

We are on track for our FY20 free cashflow, after operating lease payments, guidance of $3.3 to $3.8 billion.

Also, a reminder that 2H20 will also have an outflow of $386 million, for 5G spectrum, which is excluded from guidance.

SLIDE 17 – GROUP RESULTS – DIVIDENDS

Moving to dividends, the Board has resolved to pay an interim dividend for 1H20, of 8 cents per share fully franked, including an ordinary dividend of 5 cents per share, and a special dividend of 3 cents per share.

The ordinary dividend represents an 83 per cent payout ratio of underlying earnings.

A full reconciliation of reported to underlying earnings on a lease adjusted basis is available in the appendix of this presentation.

SLIDE 18 – CAPITAL POSITION

Turning to our capital position.

Net debt in 1H20 includes $3.6 billion of lease liabilities. Excluding recognition of operating lease commitments in our debt under AASB16, net debt declined.

We remain within our comfort ranges for all our credit metrics. The debt servicing comfort zone has been recalibrated for FY20 under the new AASB16 reporting framework from 1.3-1.8x previously to 1.5-2.0x.

In 1H20 we also received $698 million from the sale of a 49 per cent stake in a property trust, this is included in financing cash flow.

We have achieved around $1 billion in asset monetisation since the announcement of our T22 strategy.

Our reported and underlying return on invested capital, were 8.5 per cent, and 6.0 per cent respectively. This includes an around 1 percentage point impact from the implementation of AASB16.

SLIDE 19 – GUIDANCE

Turning now to guidance. We reconfirm our FY20 guidance.

Our FY20 guidance ranges, along with the assumptions and conditions upon which we have provided them, are shown on the slide.

Our FY20 guidance remains for up to $500 million growth in Underlying EBITDA excluding the in-year nbn headwind.

Let me summarise.

Today's 1H20 financial results reflect the momentum of T22 execution.

Underlying trajectory has improved, and we are navigating nbn and other headwinds.

We anticipate mobile gross margin turning positive vs pcp around the end of this calendar year.

We are delivering our T22 strategy, building value, improving productivity while giving customers better experiences, and creating opportunities for growth.

Finally, I would like to take this opportunity to recognise and thank our dedicated teams right across Telstra.

I also look forward to meeting many of our investors over the coming weeks.

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

[END]

Half year results and operations review

Summary financial results	1H20 $m	1H19 $m	Change %
Revenue (excluding finance income)	**12,164**	12,586	(3.4)
Total income (excluding finance income)	**13,413**	13,798	(2.8)
Operating expenses	**8,638**	9,541	(9.5)
Share of net profit/(loss) from equity accounted entities	**(2)**	1	n/m
EBITDA	**4,773**	4,258	12.1
Depreciation and amortisation	**2,722**	2,141	27.1
EBIT	**2,051**	2,117	(3.1)
Net finance costs	**375**	320	17.2
Income tax expense	**526**	569	(7.6)
Profit for the period	**1,150**	1,228	(6.4)
Profit attributable to equity holders of Telstra	**1,139**	1,233	(7.6)
Capex[1]	**1,366**	2,340	(41.6)
Free cashflow	**1,520**	627	142.4
Earnings per share (cents)	**9.6**	10.4	(7.7)

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

Reported results

Telstra delivered 1H20 results in line with guidance and expectations showing strong progress against our T22 strategy and cost reduction, and continued customer growth thanks to our multi-brand strategy and 5G leadership.

On a reported basis, total income declined 2.8 per cent and NPAT declined 6.4 per cent.

Underlying EBITDA[1] declined 6.6 per cent. Underlying EBITDA excluding the in-year nbn headwind[2] increased by approximately $90 million, the first time this figure has grown since FY16.

The results show that the T22 strategy is building value and delivering positive financial momentum. We have 2.4 million services on our new, radically simplified plans and more than 1.2 million customers are now able to enjoy the benefits of being a Telstra Plus member. More customers are choosing to interact with us online with digital service interactions rising to 57 per cent and the volume of calls to our call centres continuing to fall.

Progress on T22, combined with ongoing efforts to simplify the business, helped reduce underlying fixed costs by $422 million or 12.1 per cent. This brought the total underlying fixed cost reductions to around $1.6 billion since FY16.

Our multi-brand strategy continued to deliver growth in customer numbers, particularly in mobile. During the half the business added 137,000 retail postpaid mobile services, including 91,000 from Belong, 135,000 retail prepaid mobile services, and 151,000 pre and postpaid Wholesale services. Customers are also enjoying access to Telstra's world-leading 5G mobile network and a growing range of 5G-enabled devices. We now have 5G coverage in selected areas in 32 cities and regional areas and are on track for our target of 35 by the end of FY20.

The Telstra Board resolved to pay a fully franked interim dividend of 8 cents per share, comprising an interim ordinary dividend of 5 cents and an interim special dividend of 3 cents. Guidance for FY20 is reconfirmed.

Other information

The new accounting standard AASB16 Leases ("AASB16") was adopted from 1 July 2019.

Consistent with information presented for internal management reporting purposes, the result of each segment is measured based on its EBITDA contribution which differs from our statutory EBITDA. Refer to Note 2.1.1 in the Financial Report for further detail.

First half performance against our FY20 Executive Variable Remuneration Plan (EVP) metrics is included on page 12. For additional detail on these EVP metrics and targets, refer to pages 66-68 of our 2019 Annual Report available at https://www.telstra.com.au/aboutus/investors/financial-information/reports

[1] Underlying EBITDA excludes net one-off nbn DA receipts less nbn net cost to connect, guidance adjustments including one-off restructuring costs, but includes depreciation of mobile lease right-of-use assets.
[2] In-year nbn headwind defined as the net negative recurring EBITDA impact on our business based on management best estimates including key input of the nbn Corporate Plan 2020. As at 31 December 2019, the in-year nbn headwind was ~$360 million.

Responsible business

Telstra recognises the fundamental importance of doing business responsibly. A critical aspect of this is recognising the importance of continuously striving to improve outcomes for our customers and taking action if we don't meet the standards we set for ourselves. This reflects the business environment in which we operate, and the heightened expectations of the community, of regulators, and of our shareholders, as well as the expectation that regulators will investigate and take action if they believe that misconduct has occurred.

Telstra is subject to a range of laws and regulations in Australia and overseas, including in the areas of telecommunications, corporate law, consumer and competition law and occupational health and safety. Telstra is also subject to investigations and reviews from time to time by regulators. In Australia, the principal regulators that Telstra interacts with are the Australian Competition and Consumer Commission (**ACCC**), the Australian Communications and Media Authority (**ACMA**), the Australian Securities and Investments Commission and the Australian Securities Exchange. Any regulatory investigations and reviews may result in enforcement action, litigation (including class action proceedings) or civil or criminal penalties. Telstra assesses each investigation and review that it is subject to for the purposes of preparing its financial statements in accordance with the accounting standards.

The ACCC is undertaking an investigation, launched in March 2019, into our sales, complaint handling and debt collection practices, to determine whether Telstra has engaged in misleading or deceptive conduct, unconscionable conduct, or made false or misleading representations, in breach of the *Competition and Consumer Act* 2010 (**Act**). The investigation has a specific focus on conduct towards Indigenous Australians, including in particular locations in the NT, WA, QLD, NSW and SA. It is also examining our conduct more broadly, including our sales, complaints handling and debt collection procedures, as they have been applied to our customers generally, and particularly vulnerable customers. We are cooperating with the ACCC's investigation, which involves extensive information and document requests. The investigation is ongoing, and its scope may change and broaden.

The ACCC's investigation follows investigations by both the Telecommunications Industry Ombudsman, one commencing in December 2016 and one in October 2018, and the ACMA, which commenced in June 2018, during which issues were raised and concerns were expressed about our sales practices, including in relation to Indigenous Australians. These investigations concluded in 2018 and did not result in enforcement action by these bodies.

Any enforcement action arising from the ACCC investigation may involve significant financial penalties, which are set out in the Act and are applicable to each act or omission found to have breached the Act. Maximum penalties set out in the Act are not automatically applied and are assessed by a court on a case by case basis.

Given that the ultimate scope and outcome of the investigation is uncertain, including the extent of any court proceedings or the scope and extent of any penalties or other remedies sought as part of those proceedings, arriving at an estimate of any financial impact would involve significant assumptions. Accordingly, we cannot estimate this with sufficient reliability. As required by accounting standards, no provision has been made to cover liabilities that may arise from this investigation as at 31 December 2019.

In the ordinary course of our business, we identify, and may continue to identify, issues that have the potential to impact our customers and reputation, or which do not meet our standards. There have been instances, which are among those the ACCC is investigating, where we have failed to meet the standards we set for ourselves. These include instances where our sales processes were not followed, and where our complaint and debt recovery procedures were applied in a way that did not deliver good customer outcomes. While we have taken steps to respond to these issues, and will continue to do so, contingent liabilities may exist in respect of actual or potential claims, compensation payments and/or refunds arising from issues which we identify and instances such as these. Where we identify these issues, we make disclosures in accordance with accounting standards, or our other legal disclosure obligations, or provide for such liabilities as required.

Results on a guidance basis[1]	1H20	FY20 Guidance[2]
Total income[3]	**$13.4b**	$25.3b to $27.3b
Underlying EBITDA[4]	**$3.9b**	$7.4b to $7.9b
Net one-off nbn DA receipts less nbn net cost to connect	**$0.8b**	$1.3b to $1.7b
Restructuring costs	**$0.2b**	~$0.3b
Capex	**$1.4b**	$2.9b to $3.3b
Free cashflow after operating lease payments	**$1.0b**	$3.3b to $3.8b

Guidance versus reported results[1]	1H20	1H20	1H20	1H19
	Reported results $m	Adjustments $m	Guidance basis $m	Guidance basis $m
Total income	**13,413**	1	13,414	13,797
Underlying EBITDA[4]	**4,773**	(898)	3,875	4,149
Free cashflow	**1,520**	(515)	1,005	739

1. This guidance assumes wholesale product price stability and no impairments in and to investments or property, plant and equipment and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn rollout and migration in FY20 is broadly in accordance with the nbn Corporate Plan 2020. Guidance is provided on the basis of AASB16 Leases and assumes impacts consistent with management estimates and current interpretation of the standard. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised leases under AASB16 Leases. Refer to the *Guidance versus reported results* schedule. The adjustments within the tables in this schedule have been reviewed by our auditors.
2. FY20 guidance revised on 2 September 2019 after nbn co released the nbn Corporate Plan 2020.
3. Total income excludes finance income.
4. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net cost to connect, guidance adjustments including one-off restructuring costs, but includes depreciation of mobile lease right-of-use assets.

On 13 February 2020, the Directors of Telstra Corporation Limited resolved to pay a fully franked interim dividend of 8 cents per share, comprising an interim ordinary dividend of 5 cents and an interim special dividend of 3 cents. Shares will trade excluding entitlement to the dividends from 26 February 2020 with payment on 27 March 2020.

The interim ordinary dividend represents an 83 per cent payout ratio on 1H20 underlying earnings[1] while the interim special dividend represents a 65 per cent payout ratio of 1H20 net one-off nbn receipts[2]. Our 1H20 underlying earnings were $727 million while net one-off nbn receipts were $552 million.

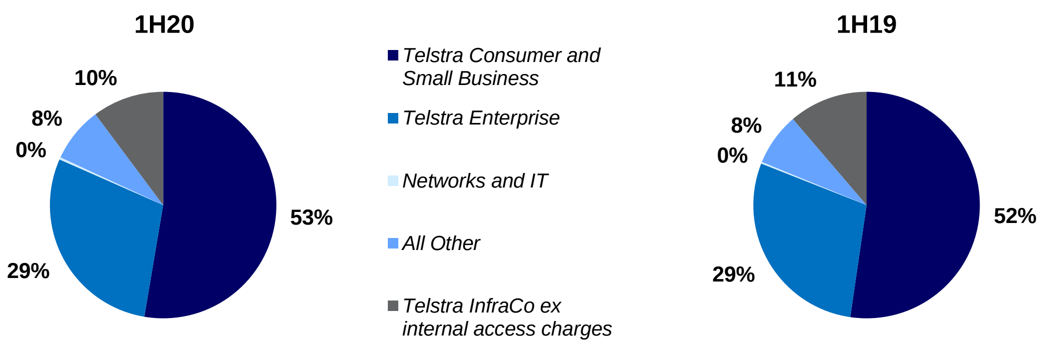
1. "underlying earnings" is defined as net profit after tax from continuing operations excluding net one-off nbn receipts (as defined in footnote 2) and guidance adjustments (as defined in footnote 3).
2. "net one-off nbn receipts" is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.
3. Guidance adjustments include one-off restructuring costs, impairments in and to investments or property, plant and equipment and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum.

Segment performance

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

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

Segment total income



Total external income	1H20 $m	1H19 $m	Change %
Telstra Consumer and Small Business	**7,063**	7,217	(2.1)
Telstra Enterprise	**3,882**	3,955	(1.8)
Networks and IT	**44**	34	29.4
All Other	**1,055**	1,036	1.8
Telstra InfraCo including internal access charges	**2,214**	2,502	(11.5)
Internal access charges	**(845)**	(946)	10.7
Total	**13,413**	13,798	(2.8)

Telstra Consumer and Small Business
Telstra Consumer and Small Business provides telecommunication products, services and solutions across mobiles, fixed and mobile broadband, telephony and Pay TV/IPTV and digital content to consumer and small business customers in Australia.

Income in this segment decreased by 2.1 per cent to $7,063 million, impacted by a 7.4 per cent decline in fixed as a result of ongoing standalone fixed voice decline and a 5.7 per cent decline in mobile services revenue as declining Average Revenue Per User (ARPU) more than offset customer net additions. Network Applications and Services (NAS) revenue continued to grow, increasing by 18.4 per cent, primarily due to growth in unified communications.

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

Income for Telstra Enterprise decreased by 1.8 per cent to $3,882 million as growth in international was more than offset by a decline in domestic. Telstra Enterprise domestic income decreased by 5.1 per cent due to declines in Data & IP including IP based Virtual Private Network (IPVPN) and Integrated Services Digital Network (ISDN). Telstra Enterprise international income grew by 9.0 per cent mainly due to growth in higher margin Data & IP and a positive impact from the depreciation of the Australian dollar (AUD).

Networks and IT
Networks and IT is responsible for the overall planning, design, engineering architecture and construction of Telstra networks, technology and information technology solutions. It primarily supports the revenue generating activities of other segments. Networks and IT income increased by 29.4 per cent to $44 million.

Telstra InfraCo
Telstra InfraCo is now fully operational as a standalone infrastructure business unit within Telstra. It is responsible for key network assets including data centres and exchanges, most of our fibre network, the copper and hybrid fibre coaxial networks, international subsea cables, poles, ducts and pipes.

From 1 July 2020, Telstra InfraCo's asset accountabilities will also include our whole fibre network (including mobile backhaul) and mobile towers, but exclude PSTN and legacy fixed, and satellites.

Telstra InfraCo income excluding internal access charges decreased by 12.0 per cent to $1,369 million due to expected declines from Telstra Wholesale fixed legacy and nbn commercial works, partly offset by increased recurring nbn DA receipts. Including internal access charges, income decreased by 11.5 per cent to $2,214 million.

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 Product and Technology Group, Global Business Services (GBS) and New Business (including Telstra Health). Income increased by 1.8 per cent mainly due to an increase in Per Subscriber Address Amount (PSAA) receipts in line with the nbn™ network rollout.

Product performance

Product revenue breakdown

Key product revenue	1H20 $m	1H19 $m	Change %
Mobile	**5,308**	5,291	0.3
Fixed	**2,388**	2,681	(10.9)
Data & IP	**1,064**	1,217	(12.6)
NAS	**1,580**	1,596	(1.0)
Global connectivity	**842**	801	5.1

EBITDA contribution margins[1]	1H20 %	2H19 %	1H19 %	FY19 %
Mobile	**35.6**	34.6	36.6	35.6
Retail Fixed (including nbn cost to connect)	**5.0**	14.0	20.7	17.4
Data & IP	**60.8**	64.8	66.4	65.6
NAS	**15.7**	16.4	3.3	10.4
Global connectivity	**27.3**	21.3	21.4	21.3

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

On a reported basis, total income (excluding finance income) declined by 2.8 per cent to $13,413 million. On a guidance basis, total income (excluding finance income) was $13,414 million, in line with guidance. Competitive pressure, declines in legacy products and services, and the nbn™ network rollout continue to negatively impact income. The decline has been partly offset by growth in mobile and fixed customer services.

More details on each of the products are outlined below.

Mobile

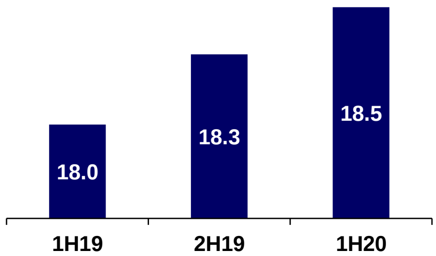
Mobile revenue increased by 0.3 per cent to $5,308 million with growth in hardware partly offset by postpaid handheld, prepaid handheld and mobile broadband declines.

Retail customer services increased by 159,000 in the half, bringing the total to 18.5 million. We now have 8.4 million postpaid handheld retail customer services, an increase of 137,000 in the half including 91,000 from Belong.

Postpaid handheld revenue decreased by 3.6 per cent to $2,569 million as net adds were offset by 7.4 per cent ARPU decline from $55.62 to $51.52 due to FY19 competition washing through the base, lower out of bundle revenue, modest dilution due to an increase in Belong customer mix, and accounting of new plans.

Prepaid handheld revenue declined by 13.4 per cent to $388 million as a 146,000 increase in unique users over the past 12 months (135,000 increase in the half) was more than offset by lower ARPU.

Domestic mobile retail customer services (millions)



Mobile broadband revenue decreased by 7.1 per cent to $325 million as an increase in ARPU was offset by a 543,000 reduction in customer services over the past 12 months (447,000 decline in the half). Customer services decline includes deactivation of 365,000 $0 services in the half.

Internet of Things (IoT) revenue grew by 3.0 per cent to $102 million increasing customer services by 350,000 in the half. We launched our consumer Telstra Locator Cat-M1 Tag which uses our LTE network, continued to invest in IoT solutions for water utilities, and won recognition for our Track and Monitor and water management solutions.

Wholesale services revenue increased 5.1 per cent to $104 million. Wholesale customer services including IoT increased by 173,000 in the half, bringing the total to 1.4 million.

Mobile hardware revenue increased by 13.4 per cent to $1,713 million largely due to devices sold at a higher price per unit.

Mobile EBITDA contribution margin declined by 1.0 percentage point to 35.6 per cent due to lower services revenue, partly offset by productivity and improved hardware margins.

Fixed

Fixed revenue declined by 10.9 per cent to $2,388 million, impacted by nbn migration, competition and ongoing legacy decline.

Retail bundles and standalone data revenue declined by 1.8 per cent to $1,623 million due to a 4.2 per cent ARPU decline from $75.90 to $72.72 caused by competition and migration to in-market plans. Bundle and standalone data revenue now comprise 99 per cent Minimum Monthly Commitment (MMC). There were 27,000 retail bundles and standalone data net subscriber additions including 44,000 additions from Belong in the half, bringing total bundles and standalone data customers to 3.7 million.

Retail standalone voice revenue decreased by 28.3 per cent to $342 million with lower customer services due to standalone voice line abandonment and migration to bundles. ARPU increased by 1.3 per cent from $43.70 to $44.26. There were 524,000 retail standalone voice net subscriber losses over the past 12 months taking total standalone voice customers to 1.2 million.

We continue to lead the nbn market with a total of 2,964,000 nbn connections, an increase of 359,000 in the half. Our nbn market share is now 47 per cent (excluding satellite). The Telstra Smart Modem is now being utilised by 62 per cent of our fixed data consumer base, providing a better experience on the nbn and improved churn outcomes.

Other retail fixed revenue, which includes hardware, once off revenue (activation fees), Platinum, and fixed interconnect net of Telstra Plus Loyalty, decreased by 14.5 per cent to $106 million.

Retail Fixed (including nbn cost to connect) EBITDA contribution margin declined by 15.7 percentage points to 5.0 per cent due to high margin revenue reduction, growing network payments to nbn co and nbn migration costs, partly offset by fixed cost reduction.

Data & IP
Data & IP revenue decreased by 12.6 per cent to $1,064 million reflecting legacy product declines especially within ISDN, competitive pricing pressures and technology shifts.

IPVPN revenue, which includes IPMAN/Ethernet MAN, IPWAN and nbn, declined by 7.4 per cent to $473 million as growth in fibre and nbn access customer services was broadly flat, outweighed by declines in legacy copper services and competitive pricing pressures.

ISDN revenue decline accelerated, down 32.5 per cent to $139 million including due to service rationalisation including copper switch-off and customer migration to equivalent voice products within the NAS portfolio.

Other data and calling products revenue decreased by 9.6 per cent to $452 million including an 8.0 per cent decline in wholesale. Enterprise internet revenue growth of 3.4 per cent was more than offset by declines in legacy inbound calling and other data products revenue.

Data & IP EBITDA contribution margin declined by 5.6 percentage points to 60.8 per cent reflecting declining revenue on high margin legacy products including ISDN, and pricing pressure in IPVPN. Margins will be impacted by these trends and increasingly by the resale of nbn access at lower margins.

Network Applications and Services (NAS)
NAS revenue declined by 1.0 per cent to $1,580 million impacted by lower nbn commercial works. Excluding nbn commercial works, revenue increased by 2.0 per cent. NAS had 18.4 per cent revenue growth in Small Business and 0.6 per cent growth in domestic Enterprise due to a higher mix of annuity revenue including higher access and usage revenue.

Managed network services revenue decreased by 6.9 per cent to $271 million reflecting a decline in non-recurring revenue within managed data networks, partly offset by growth in security services.

Unified communications revenue increased by 13.3 per cent to $501 million due to increased calling and collaboration annuity revenue reflecting new service growth and fixed migration.

Cloud services revenue growth of 7.4 per cent to $217 million includes increased annuity revenue from public cloud services partly offset by lower professional services.

Industry solutions revenue declined by 11.3 per cent to $508 million largely due to a reduction in nbn commercial works.

Integrated services revenue declined by 5.7 per cent to $83 million mainly from a decline in managed IT services and other service management, partly offset by increased consulting and project management.

NAS EBITDA contribution margin increased by 12.4 percentage points to 15.7 per cent due to cost productivity, improved revenue mix, and PSTN and ISDN migration to unified communications.

Global connectivity
Global connectivity represents the international business of Telstra Enterprise. Revenue grew by 0.4 per cent in constant currency (CC) terms with growth in more profitable Data & IP products offset by declining legacy voice revenues.

Fixed revenue decreased by 8.5 per cent (CC) as fixed legacy products declined due to market decline and strategic focus on profitable revenue. Data & IP revenue grew by 3.8 per cent (CC) from existing and new capacity due to capacity investment, increased data usage and one-off benefits from early customer contract terminations. NAS and other revenue decreased by 2.7 per cent (CC) but with improved profitability due to reduction in lower margin equipment sales.

Global connectivity EBITDA contribution margin increased by 5.9 percentage points to 27.3 per cent reflecting continued profitable revenue growth, cost productivity and one-off benefits.

Media
Media revenue excluding cable decreased by 7.1 per cent to $382 million mainly due to the performance of Foxtel from Telstra. Foxtel from Telstra declined by 5.0 per cent to $323 million and had 94,000 subscriber exits over the past 12 months (52,000 decline in the half), reflecting a broader industry transition from Broadcast to IPTV. There are now 1,625,000 Telstra TV devices in the market, an increase of 213,000 over the past 12 months (79,000 increase in the half). Sports Live Pass users increased by 602,000 over the past 12 months (136,000 increase in the half) to 3,194,000 across AFL, NRL, Netball and FFA, with most users receiving the service as part of their mobile subscription.

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

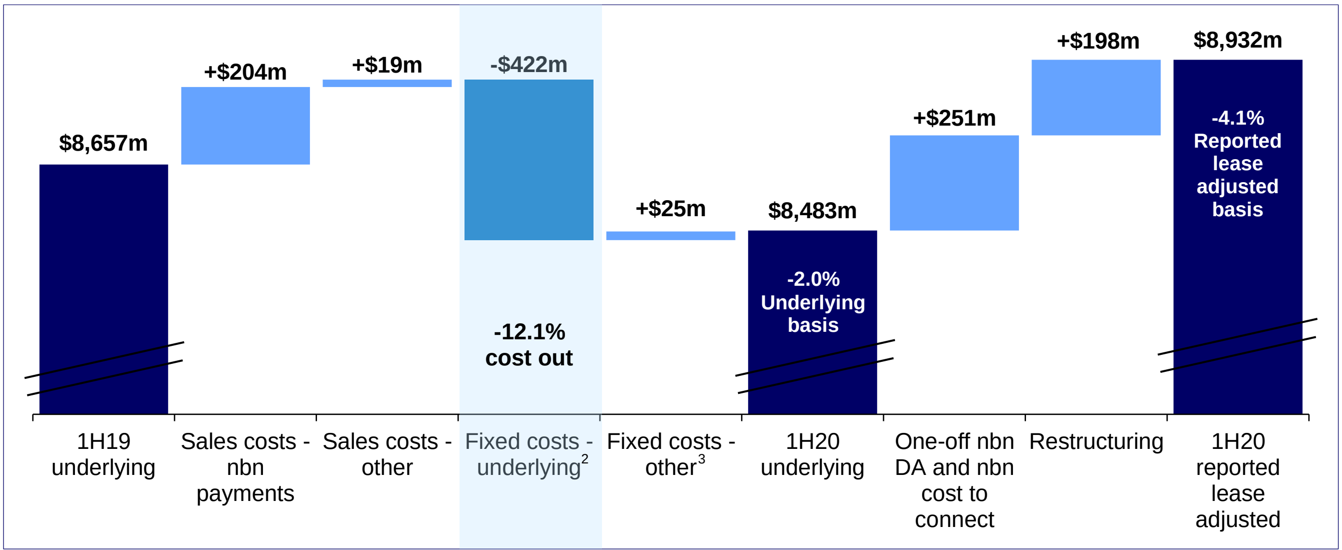
Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn DAs), income from government grants under the Telstra Universal Service Obligation Performance Agreement (TUSOPA), income from nbn™ network disconnection fees (PSAA), subsidies and other miscellaneous items. The increase in other income of 3.1 per cent is largely due to an increase in one-off PSAA which grew by 34.8 per cent to $942 million. The increase in PSAA receipts from the nbn reflects nbn migrations in the period.

Expense performance

In June 2018, we announced we would target a $2.5 billion annual reduction in underlying fixed costs by FY22. This compared with restated underlying fixed costs of ~$7.9 billion in base year FY16. We have delivered against our cost ambitions for the half and are in line with the run rate required for our net productivity target with underlying fixed costs declining by 12.1 per cent or $422 million. We have now achieved around $1.6 billion of annual cost out since FY16 and are on track to achieve our $2.5 billion target by FY22.

In FY20, we expect total operating expenses to decline with reductions in underlying fixed costs to offset increased nbn access payments.

Operating expenses[1]	1H20 $m	1H19 $m	Change $m	Change %
Sales costs	***4,461***	*4,238*	*223*	*5.3*
- nbn payments	**824**	620	204	32.9
- other	**3,637**	3,618	19	0.5
Fixed costs	***4,022***	*4,419*	*(397)*	*(9.0)*
- underlying[2]	**3,052**	3,474	(422)	(12.1)
- other[3]	**970**	945	25	2.6
Underlying	**8,483**	**8,657**	**(174)**	**(2.0)**
One-off nbn DA and nbn cost to connect	**251**	240	11	4.6
Restructuring	**198**	328	(130)	n/m
Other guidance adjustments	**-**	91	(91)	n/m
Reported lease adjusted[4]	**8,932**	**9,316**	**(384)**	**(4.1)**
Lease adjustments[5]	(294)	225	(519)	n/m
Reported	**8,638**	**9,541**	**(903)**	**(9.5)**



1. Sales and fixed costs exclude costs associated with one-off nbn DA and nbn cost to connect.
2. Fixed costs - underlying was ~$7.9b in FY16 on a restated basis and targeted to decline by our net cost productivity target of $2.5b by FY22. Underlying fixed costs are costs excluding other fixed costs (as defined in footnote 3).
3. Fixed costs - other includes items supporting revenue growth including relevant NAS costs, mobile lease, and product impairment.
4. 'Reported lease adjusted' includes all mobile swap leases as operating expenses, and all rent/other leases below EBITDA.
5. Refer to note 3 of the *Guidance versus reported results* schedule.

Total operating expenses (reported lease adjusted) decreased by 4.1 per cent to $8,932 million largely due to the $422 million reduction in underlying fixed costs from our productivity program and a $130 million decrease in restructuring costs associated with T22 initiatives. Sales costs, which are direct costs associated with revenue and customer growth, increased by 5.3 per cent to $4,461 million due to a $204 million increase in nbn access payments and a $19 million increase in other sales costs. Other fixed costs increased by 2.6 per cent while one-off nbn DA and nbn cost to connect grew 4.6 per cent in line with the progress of the nbn™ network rollout. On an underlying basis, total operating expenses declined by 2.0 per cent.

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

Operating expenses on a reported basis	1H20	1H19	Change
	$m	$m	%
Labour	**2,170**	2,722	(20.3)
Goods and services purchased	**4,622**	4,382	5.5
Net impairment losses on financial assets	**80**	88	(9.1)
Other expenses	**1,766**	2,349	(24.8)
Total	**8,638**	9,541	(9.5)

Labour
Total labour expenses decreased by 20.3 per cent or $552 million to $2,170 million. Salary and associated costs declined by $300 million due to lower headcount and reduced labour substitution while redundancy costs decreased by $140 million due to the level of redundancies in 1H19.

Total full time staff and equivalents (FTE) decreased by 10.0 per cent or 3,149 to 28,270.

Goods and services purchased
Total goods and services purchased increased by 5.5 per cent or $240 million to $4,622 million.

Cost of goods sold, which includes mobile handsets and accessories, tablets, cellular Wi-Fi, broadband modems and other fixed hardware, increased by 5.1 per cent or $90 million to $1,868 million due to higher postpaid handset prices and higher volume of accessories sold.

Network payments increased by 16.6 per cent or $217 million to $1,527 million, including a $204 million increase in nbn access payments as customers migrate across to nbn services. Offshore network payments were $18 million higher mainly due to higher offshore network traffic.

Other goods and services purchased declined by 5.2 per cent or $67 million to $1,227 million.

Other expenses
Total other expenses decreased by 24.8 per cent or $583 million to $1,766 million. Service contracts and other agreements expenses declined by 8.4 per cent or $63 million due to productivity and cost reduction programs, while other expenses decreased by 34.1 per cent or $529 million primarily due to a decline in leasing costs following changes in lease accounting under AASB16.

Depreciation and amortisation
Depreciation and amortisation increased by 27.1 per cent or $581 million to $2,722 million largely due to a $549 million increase in depreciation of right-of-use assets following the adoption of AASB16. Review of asset service lives during 1H20 resulted in an $18 million decrease in depreciation expense and a $42 million decrease in amortisation expense.

Foreign currency impacts
For the purposes of reporting our consolidated results, the translation of foreign operations denominated in foreign currency to AUD increased our expenses by $47 million across labour, goods and services purchased, and other expenses. This foreign exchange impact was offset by a $52 million sales revenue increase resulting in a favourable EBITDA contribution of $5 million.

Net finance costs
Net finance costs increased by 17.2 per cent or $55 million to $375 million mainly due to a $49 million increase including lease interest expense from the adoption of AASB16 from 1 July 2019 which required interest cost previously classified within operating lease payments to be recognised as a finance cost in the income statement, and a $23 million reduction in interest capitalised due to a decrease in capital expenditure. Non-cash impacts and a decline in interest revenue also contributed to the increase in net finance costs. This was partly offset by a $30 million decrease in interest on borrowings due to a reduction in our gross borrowing cost from 4.9% to 4.8% and lower debt on issue.

Summary statement of cash flows	1H20	1H19	Change
	$m	$m	%
Net cash provided by operating activities	**2,733**	2,817	(3.0)
Net cash used in investing activities	**(1,213)**	(2,190)	44.6
- Capital expenditure (before investments)	**(1,507)**	(2,457)	38.7
- Other investing cash flows	**294**	267	10.1
Free cashflow	**1,520**	627	142.4
Net cash used in financing activities	**(1,389)**	(709)	(95.9)
Net increase/(decrease) in cash and cash equivalents	**131**	(82)	n/m

Cash and cash equivalents at the beginning of the period	**604**	620	(2.6)
Effects of exchange rate changes on cash and cash equivalents	**2**	3	n/m
Cash and cash equivalents at the end of the period	**737**	541	36.2

Financial position

Capital expenditure and cash flow

Free cashflow generated from operating and investing activities was $1,520 million representing an increase of $893 million or 142.4 per cent, positively impacted by a $956 million decline in capital expenditure and a $548 million benefit from operating leases being reclassified as financing cashflow following the adoption of AASB16. This was partly offset by an $825 million increase in working capital investment largely due to the exit of mobile lease plans, inventory and restructuring.

Net cash provided by operating activities decreased by 3.0 per cent or $84 million to $2,733 million mainly due to an increase in payments to suppliers and employees. This was partly offset by an increase in one-off nbn receipts in line with the progress of the nbn™ network rollout and a reduction in income taxes paid.

Net cash used in investing activities decreased by 44.6 per cent or $977 million to $1,213 million primarily reflecting lower capital expenditure for the period.

Net cash used in financing activities increased by 95.9 per cent or $680 million to $1,389 million. This was largely due to a $1,883 million decline in proceeds from borrowings and a $538 million increase in payments for the principal portion of lease liabilities following the adoption of AASB16, partly offset by a $698 million increase in proceeds from the sale of exchanges in a controlled trust, a $689 million decrease in repayment of borrowings, and a $357 million decline in dividends paid.

Our accrued capital expenditure for the year on a guidance basis was $1,366 million or 11.7 per cent of sales revenue.

On a guidance basis free cashflow after operating lease payments was $1,005 million. Performance against guidance has been adjusted for free cashflow associated with operating lease payments (-$548 million) and spectrum ($33 million).

Financial settings	1H20 Actual	FY20 Comfort zone
Debt servicing[1]	1.9x	1.5x to 2.0x
Gearing[2]	53.7%	50% to 70%
Interest cover[3]	11.8x	>7x

1. Debt servicing ratio is calculated as net debt/EBITDA (comfort zone recalibrated in 1H20 to reflect adoption of AASB16).
2. Gearing ratio is calculated as net debt/total net debt plus equity.
3. Interest cover is calculated as EBITDA/net interest on borrowings.

Debt position

Our gross debt position was $18,635 million comprising borrowings of $16,724 million, lease liabilities of $3,592 million less net derivative assets of $1,681 million. Gross debt increased by 21.6 per cent or $3,304 million since 30 June 2019 due to the adoption of AASB16 from 1 July 2019 which resulted in our leases previously classified as operating leases (Telstra as a lessee) being included in gross debt. The net increase in debt from lease liabilities was $3,301 million comprising $3,644 million on transition to AASB16 and $195 million non-cash additions offset by $538 million lease payments shown as a financing cash outflow. Gross debt excluding all lease liabilities was relatively flat, increasing by $3 million.

Financing cash flows resulted in a net reduction in borrowings of $159 million comprising repayment of term debt of $510 million offset by short term debt issuance of $348 million and $3 million in other loans. This cash reduction in debt was offset by a $145 million non-cash increase in other loans and revaluation impacts on our borrowings and derivatives and a $17 million bank overdraft.

Debt issuance	$m
Short term commercial paper and revolving bank facilities (net)	348
Other loans	3
Total	**351**

Debt repayments	$m
1 year AUD floating rate note	(300)
Bilateral loan facility	(200)
AUD private placements	(10)
Total	**(510)**

Net debt increased by 21.4 per cent or $3,154 million to $17,881 million, comprising the increase in gross debt and a $150 million increase in cash and cash equivalents.

Financial settings reflect the implementation of AASB16. The comfort zone for debt servicing has been recalibrated to reflect the capitalisation of operating leases onto the statement of financial position and the increase in EBITDA under this new reporting framework. We remain within our comfort zones for our credit metrics on a post AASB16 basis. Our debt servicing is 1.9 times (30 June 2019: 1.8 times), gearing ratio is at 53.7 per cent (30 June 2019: 50.3 per cent) and interest cover is 11.8 times (30 June 2019: 10.5 times).

Summary statement of financial position	31 Dec 2019	30 Jun 2019	Change
	$m	$m	%
Current assets	**7,474**	7,303	2.3
Non-current assets	**38,082**	35,286	7.9
Total assets	**45,556**	42,589	7.0
Current liabilities	**10,060**	9,553	5.3
Non-current liabilities	**20,103**	18,506	8.6
Total liabilities	**30,163**	28,059	7.5
Net assets	**15,393**	14,530	5.9
Total equity	**15,393**	14,530	5.9
Return on average assets (%)	**9.1**	8.8	0.3pp
Return on average equity (%)	**15.6**	14.8	0.8pp

Statement of financial position

Our balance sheet remains in a strong position with net assets of $15,393 million.

Current assets increased by 2.3 per cent to $7,474 million. Inventories increased by $297 million primarily due to a seasonal increase in mobility inventories to meet higher demand and higher mobility unit costs, while cash and cash equivalents increased by $150 million. This was partly offset by a $144 million reduction in prepayments, of which $161 million was due to the adoption of AASB16, and a $103 million decline in trade and other receivables and contract assets.

Non-current assets increased by 7.9 per cent to $38,082 million. Right-of-use assets increased by $3,387 million due to the adoption of AASB16 while trade and other receivables and contract assets increased by $420 million. This was partly offset by a $509 million decline in intangible assets mainly due to lower software additions, and a $321 million decrease in property, plant and equipment.

Current liabilities increased by 5.3 per cent to $10,060 million. Lease liabilities increased by $847 million due to the adoption of AASB16 which resulted in the recognition of operating leases onto the statement of financial position. Borrowings increased by $607 million primarily from an increase in term debt maturing within 12 months and an increase in short term borrowings. This was partly offset by a $771 million decline in trade and other payables.

Non-current liabilities increased by 8.6 per cent to $20,103 million. Lease liabilities increased by $2,745 million due to the adoption of AASB16. This was partly offset by a $1,136 million decline in borrowings largely from reclassification to current liabilities of debt maturing within the next 12 months, reclassification of lease liabilities under previous lease accounting, foreign currency and other valuation impacts.

Guidance versus reported results

This schedule details adjustments made to the reported results for the current and comparative periods to reflect the performance of the business on the basis on which we provided guidance to the market, which is EBITDA on an underlying basis and assuming wholesale product price stability and no impairments in and to investments or property, plant and equipment and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn rollout and migration in FY20 is broadly in accordance with the nbn Corporate Plan 2020. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, guidance adjustments including one-off restructuring costs, and includes amortisation of mobile operating lease costs.
The following adjustments provide a detailed reconciliation from reported to guidance results for each guidance measure:

	Total Income			Underlying EBITDA			Free Cashflow	
	1H19 $m	1H20 $m		1H19 $m	1H20 $m		1H19 $m	1H20 $m
Reported[1] Total Income	**13,798**	**13,413**	**Reported[1] EBITDA**	**4,258**	**4,773**	**Reported[1] Free Cashflow**	**627**	**1,520**
Adjustments								
M&A adjustment[2]	(1)	1	M&A adjustment[2]	90	1	M&A adjustment[2]	85	0
Lease adjustment[3]	n/a	n/a	Lease adjustment[3]	225	(294)	Lease adjustment[3]	n/a	(548)
Restructuring costs[4]	n/a	n/a	Restructuring costs[4]	328	183	Restructuring costs[4]	n/a	n/a
Net one-off NBN receipts[5]	n/a	n/a	Net one-off NBN receipts[5]	(752)	(788)	Net one-off NBN receipts[5]	n/a	n/a
Spectrum payments[6]	n/a	n/a	Spectrum payments[6]	n/a	n/a	Spectrum payments[6]	27	33
Guidance Total Income	**13,797**	**13,414**	**Guidance Underlying EBITDA**	**4,149**	**3,875**	**Guidance Free Cashflow**	**739**	**1,005**

The adjustments set out in the above tables have been reviewed by our auditor for consistency with the guidance basis as set out on this page.

Note:

1 From 1 July 2019 we have adopted AASB16: 'Leases' on a prospective basis, i.e. no restatement of the comparative period. As a result, Reported EBITDA and Reported Free Cashflow for 1H20 exclude impact of leases classified as operating leases in 1H19 where Telstra was a lessee. The operating lease expense recognised in 'other expenses' (part of EBITDA) and the operating lease payments included in cash outflows from operating activities for 1H19 have been 'replaced' by depreciation of right-of-use assets (below EBITDA) and payments of lease liabilities in cash outflows from financing activities for 1H20 respectively. Refer to note 1.4.1 to the half-year financial statements for further details regarding AASB16 adoption impacts.

2 Adjustments relating to acquisition and disposals of controlled entities, joint ventures, associates and other investments and any associated net gains or losses and contingent consideration. During 1H20 we disposed of our investment in Chief Entertainment Pty Ltd. 1H19 includes additional investments in our interest in the Telstra Ventures Fund II, L.P., the disposal of our investment in Ooyala Inc, Ooyala AB and their controlled entities and Orion Health Group Ltd, and deferred consideration we received from our disposal of 1300 Australia Pty Ltd and from the sell down of our interest in the Telstra Ventures Fund II L.P.

3 Given different accounting treatment of leases in 1H20 compared to 1H19 (refer footnote 1) 'Lease adjustment' provides a like-for-like view of our mobile handset leases (Telstra as a lessee) which for management reporting purposes continue to be treated as part of operating performance results. In particular 1H20 has been adjusted to include the reported depreciation of mobile handsets right-of-use assets in EBITDA and for illustrative purposes 1H19 has been adjusted to exclude proforma operating lease expense of all but mobile handset leases from EBITDA. 1H20 Free Cashflow has been adjusted to include total operating lease payments (principal and interest), which are accounted for as a financing cashflow in 1H20 under AASB16.

4 Adjustments for the strategic focus (T22 program) to improve customer experience, simplify structure and cut costs, in addition to our normal business as usual redundancies for the period.

5 Adjustments for net one-off nbn receipts which is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.

6 Adjustment relating to the impact on free cashflow associated with our spectrum purchases and renewals for the period including:
- $28m for renewal of spectrum licences in the 900 MHz band, and
- payments for spectrum and apparatus licences in various spectrum bands.

n/a Adjustment is not relevant to the respective guidance measure

Executive Variable Remuneration Plan (EVP) Metric Additional Detail

First half performance against FY20 EVP Performance Measures and Targets:

	Performance Measure		Metric	Weighting	FY19 Baseline^	FY20 Gateway	FY20 Target	FY20 Max	1H20 Actual
Financial+ 60% of total weighting	Total Income		Telstra External Income (excluding finance income)	15%	$27,807m	Above bottom end of Market Guidance*	Approx. Midpoint of Market Guidance*	At or above top end of Market Guidance*	On track for Market Guidance
	Underlying EBITDA		Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, excludes net one-off nbn DA receipts less nbn net C2C, guidance adjustments and includes amortisation of mobile operating lease costs	15%	$8,203m				On track for Market Guidance
	Free Cash Flow (FCF)		Free Cashflow excluding spectrum plus operating lease payments (reported in financing cash flow under AASB 16)	15%	$3,068m				On track for Market Guidance
	Net Opex Reduction		Reduction in operating non-Direct Variable Cost (DVC) expenses#	15%	$456m	$595m#	$630m#	$730m#	$422m#
Strategic, Customer & Transformation 40% of total weighting	Episode NPS		Improvement in our Episode NPS	10%	+25	+27	+29	+32	+27
	Product Portfolio Simplification	TE Plans	TE Number of Active Plans, the target provides progress toward our T22 reduction of 50% by FY21	5%	517	461	441	400	499
		Services on in market plans	Services on in-market plans	5%	0.4m	2.5m	3m	4m	2.4m
	Digital Engagement	Digital Delivery	Requires the build of digital first capability. The 24% target of the average of Q4 FY20 not an average measure for the year	5%	16.8%	22.5%	24.0%	29.0%	26%
		Telstra Connect	Active Telstra Enterprise customers on Telstra Connect in the last 3 months of FY20	5%	1,269	3,500	4,000	5,000	1,572
	People Capability & Engagement		Increase employee engagement outcome by 9 points (from FY19 baseline)	10%	67	72	76	78	72

^ For FY20 targets, the baseline refers to FY19 results calculated on the same basis as the metric definition and includes restatement for AASB 16: *Leases* where applicable.
+ The gateway, target and maximum for each financial performance measure has been revised consistently with the updates to Telstra's FY20 guidance as set out in Telstra's ASX announcement dated 2 September 2019.
* Market Guidance means guidance for FY20 as set out in Telstra's ASX announcement dated 2 September 2019.
# Referred to as underlying fixed costs in the *Half year results and operations review*. The 1H20 Actual result has not been adjusted for the purposes of the EVP.

Results of operations

	Half-year ended 31 December				Lease adjustments [i] Half-year ended 31 December		Reported lease adjusted [i] Half-year ended 31 December			
	2019	2018	Change	Change	**2019**	2018	**2019**	2018	Change	Change
	$M	$M	$M	%	**$M**	$M	**$M**	$M	$M	%
Revenue (excluding finance income)	**12,164**	12,586	(422)	(3.4)	**-**	-	**12,164**	12,586	(422)	(3.4)
Other income [ii]	**1,249**	1,212	37	3.1	**-**	-	**1,249**	1,212	37	3.1
Total income (excluding finance income)	**13,413**	13,798	(385)	(2.8)	**-**	-	**13,413**	13,798	(385)	(2.8)
Labour	**2,170**	2,722	(552)	(20.3)	**-**	-	**2,170**	2,722	(552)	(20.3)
Goods and services purchased	**4,622**	4,382	240	5.5	**-**	-	**4,622**	4,382	240	5.5
Net impairment losses on financial assets	**80**	88	(8)	(9.1)	**-**	-	**80**	88	(8)	(9.1)
Other expenses	**1,766**	2,349	(583)	(24.8)	**294**	(225)	**2,060**	2,124	(64)	(3.0)
Operating expenses	**8,638**	9,541	(903)	(9.5)	**294**	(225)	**8,932**	9,316	(384)	(4.1)
Share of net profit/(loss) from equity accounted entities	**(2)**	1	(3)	n/m	**-**	-	**(2)**	1	(3)	n/m
	8,640	9,540	(900)	(9.4)	**294**	(225)	**8,934**	9,315	(381)	(4.1)
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	**4,773**	4,258	515	12.1	**(294)**	225	**4,479**	4,483	(4)	(0.1)
Depreciation and amortisation	**2,722**	2,141	581	27.1	**(294)**	225	**2,428**	2,366	62	2.6
Earnings before interest and income tax expense (EBIT)	**2,051**	2,117	(66)	(3.1)	**-**	-	**2,051**	2,117	(66)	(3.1)
Finance income	**108**	99	9	9.1	**-**	-	**108**	99	9	9.1
Finance costs	**483**	419	64	15.3	**-**	32	**483**	451	32	7.1
Net finance costs	**375**	320	55	17.2	**-**	32	**375**	352	23	6.5
Profit before income tax expense	**1,676**	1,797	(121)	(6.7)	**-**	(32)	**1,676**	1,765	(89)	(5.0)
Income tax expense	**526**	569	(43)	(7.6)	**-**	(10)	**526**	559	(33)	(5.9)
Profit for the period	**1,150**	1,228	(78)	(6.4)	**-**	(22)	**1,150**	1,206	(56)	(4.6)

Attributable to:				
Equity holders of Telstra Entity	**1,139**	1,233	(94)	(7.6)
Non-controlling interests	**11**	(5)	16	n/m
	1,150	1,228	(78)	(6.4)
Effective tax rate on operations	**31.4%**	31.7%		(0.3) pp
EBITDA margin on revenue	**39.2%**	33.8%		5.4 pp
EBIT margin on revenue	**16.9%**	16.8%		0.1 pp
	cents	cents	Change cents	Change %
Earnings per share (cents per share)				
Basic [iii]	9.6	10.4	(0.8)	(7.7)
Diluted [iii]	9.6	10.4	(0.8)	(7.7)

(i) From 1 July 2019 we have adopted AASB 16: 'Leases' on a prospective basis, i.e. no restatement of the comparative period. As a result, Reported 1H20 excludes impact of leases classified as operating leases in 1H19 where Telstra was a lessee. The operating lease expense recognised in 'other expenses' (part of EBITDA) for 1H19 have been 'replaced' by depreciation of right-of-use assets (below EBITDA). Refer to note 1.4.1 to the half-year financial statements for further details regarding AASB 16 adoption impacts.
Given different accounting treatment of leases in 1H20 compared to 1H19, 'Reported Lease adjusted' provides a like-for-like view of our mobile handset leases (Telstra as a lessee) which for management reporting purposes continue to be treated as part of operating performance results. In particular 1H20 has been adjusted to include the reported depreciation of mobile handsets right-of-use assets in EBITDA, and for illustrative purposes 1H19 has been adjusted to exclude proforma operating lease expense and implied interest in the capitalised lease liability of all but mobile handset leases from operating expenses, D&A, finance costs and income tax expense.
(ii) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, Mobile Blackspot Government program and other individually immaterial contracts, income from nbn™ network disconnection fees, subsidies and other miscellaneous items.
(iii) Basic and diluted earnings per share are impacted by the effect of shares held in trust by Telstra Growthshare Trust (Growthshare) and by the Telstra Employee Share Ownership Plan Trust II (TESOP99).
n/m = not meaningful

Total income

	Half-year ended 31 December			
	2019 $M	2018 $M	Change $M	Change %
Fixed products				
Retail bundles and standalone data	**1,623**	1,653	(30)	(1.8)
Retail standalone voice	**342**	477	(135)	(28.3)
Telstra Plus loyalty	**(9)**	-	(9)	n/m
Other retail fixed (i)	**115**	124	(9)	(7.3)
Total retail fixed revenue	**2,071**	2,254	(183)	(8.1)
Wholesale fixed	**317**	427	(110)	(25.8)
Total fixed revenue	**2,388**	2,681	(293)	(10.9)
Mobiles				
Postpaid handheld	**2,569**	2,665	(96)	(3.6)
Prepaid handheld	**388**	448	(60)	(13.4)
Mobile broadband	**325**	350	(25)	(7.1)
Internet of Things (IoT)	**102**	99	3	3.0
Satellite	**8**	7	1	14.3
Mobile interconnection	**120**	112	8	7.1
Mobile services revenue - wholesale resale	**104**	99	5	5.1
Total mobile services revenue	**3,616**	3,780	(164)	(4.3)
Mobiles hardware	**1,713**	1,511	202	13.4
Telstra Plus loyalty	**(21)**	-	(21)	n/m
Total mobile revenue	**5,308**	5,291	17	0.3
Data & IP				
IPVPN products (ii)	**473**	511	(38)	(7.4)
ISDN products	**139**	206	(67)	(32.5)
Other data and calling products (iii)	**452**	500	(48)	(9.6)
Total data & IP revenue	**1,064**	1,217	(153)	(12.6)
Network applications and services				
Managed network services	**271**	291	(20)	(6.9)
Unified communciations	**501**	442	59	13.3
Cloud services	**217**	202	15	7.4
Industry solutions	**508**	573	(65)	(11.3)
Integrated services	**83**	88	(5)	(5.7)
Total network applications & services revenue	**1,580**	1,596	(16)	(1.0)
Media				
Foxtel from Telstra	**323**	340	(17)	(5.0)
IPTV	**26**	26	-	-
Mobility and other	**33**	45	(12)	(26.7)
Cable	**24**	30	(6)	(20.0)
Total media revenue	**406**	441	(35)	(7.9)
Global connectivity revenue	**842**	801	41	5.1
Other products and services				
Recurring nbn DA	**432**	374	58	15.5
Other products (iv)	**144**	185	(41)	(22.2)
Total other products and services	**576**	559	17	3.0
Total external revenue	**12,164**	12,586	(422)	(3.4)
Other income (v)	**1,249**	1,212	37	3.1
Total income (excluding finance income)	**13,413**	13,798	(385)	(2.8)

(i) Other retail fixed revenue includes hardware, once off revenue (activation fees), Platinum, and fixed interconnect.
(ii) IP based Virtual Private Network (IPVPN) includes IPMAN/Ethernet MAN, IPWAN, and nbn.
(iii) Other data and calling products includes wholesale, inbound calling (1300/1800), internet, media solutions, and legacy data (e.g. frame relay).
(iv) Other products and services revenue relates to nbn co accessing our infrastructure and miscellaneous revenue. It also includes revenue from Telstra Health business unit.
(v) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, Mobile Blackspot Government program and other individually immaterial contracts, income from nbn™ network disconnection fees, subsidies and other miscellaneous items.
n/m = not meaningful

Total expenses

	Half-year ended 31 December			
	2019 $M	2018 $M	Change $M	Change %
Salary and associated costs	**1,590**	1,890	(300)	(15.9)
Other labour expenses	**108**	144	(36)	(25.0)
Labour substitution	**341**	417	(76)	(18.2)
Redundancy	**131**	271	(140)	(51.7)
Total labour	**2,170**	2,722	(552)	(20.3)
Cost of goods sold	**1,868**	1,778	90	5.1
Network payments	**1,527**	1,310	217	16.6
Other	**1,227**	1,294	(67)	(5.2)
Total goods and services purchased	**4,622**	4,382	240	5.5
Net impairment losses on financial assets	**80**	88	(8)	(9.1)
Service contracts and other agreements	**688**	751	(63)	(8.4)
Other impairment expenses	**55**	46	9	19.6
Other	**1,023**	1,552	(529)	(34.1)
Total other expenses	**1,766**	2,349	(583)	(24.8)
Total operating expenses	**8,638**	9,541	(903)	(9.5)
Depreciation	**1,946**	1,354	592	43.7
Amortisation	**776**	787	(11)	(1.4)
Total depreciation and amortisation	**2,722**	2,141	581	27.1

Statement of Cash Flows

	Half-year ended 31 December			
	2019	2018	Change	Change
	$M	$M	$M	**%**
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax (GST))	**15,101**	14,975	126	0.8
Payments to suppliers and employees (inclusive of GST)	**(12,067)**	(11,797)	(270)	(2.3)
Government grants received for operating activities	**143**	144	(1)	(0.7)
Net cash generated by operations	**3,177**	3,322	(145)	(4.4)
Income taxes paid	**(444)**	(505)	61	12.1
Net cash provided by operating activities	**2,733**	2,817	(84)	(3.0)
Cash flows from investing activities				
Payments for property, plant and equipment	**(1,178)**	(1,822)	644	35.3
Payments for intangible assets	**(329)**	(635)	306	48.2
Capital expenditure (before investments)	**(1,507)**	(2,457)	950	38.7
Payments for business and shares in controlled entities (net of cash acquired)	**(1)**	(114)	113	99.1
Payments for joint ventures and associated entities	**(19)**	(17)	(2)	(11.8)
Total capital expenditure (including investments)	**(1,527)**	(2,588)	1,061	41.0
Government grants received for investing activities	**15**	34	(19)	(55.9)
Proceeds from sale of property, plant and equipment	**181**	249	(68)	(27.3)
Proceeds from sale of shares in controlled entities (net of cash disposed)	**-**	42	(42)	n/m
Proceeds from sale of other investments	**20**	4	16	n/m
Distributions received from joint ventures and associated entities	**40**	1	39	n/m
Interest received	**14**	18	(4)	(22.2)
Receipts of the principal portion of finance lease receivables	**44**	50	(6)	(12.0)
Net cash used in investing activities	**(1,213)**	(2,190)	977	44.6
Operating cash flows less investing cash flows	**1,520**	627	893	142.4
Cash flows from financing activities				
Proceeds from borrowings	**1,059**	2,942	(1,883)	(64.0)
Repayment of borrowings	**(1,218)**	(1,907)	689	36.1
Payments for the principal portion of lease liabilities	**(538)**	-	(538)	n/m
Payments for the principal portion of finance lease liabilities	**-**	(39)	39	n/m
Purchase of shares for employee share plans	**(22)**	-	(22)	n/m
Finance costs paid	**(413)**	(397)	(16)	(4.0)
Proceeds from the sale of units in a controlled trust	**698**	-	698	n/m
Dividends paid to non-controlling interests	**(7)**	-	(7)	n/m
Dividends paid to equity holders of Telstra Entity	**(951)**	(1,308)	357	27.3
Other	**3**	-	3	n/m
Net cash used in financing activities	**(1,389)**	(709)	(680)	(95.9)
Net increase/(decrease) in cash and cash equivalents	**131**	(82)	213	n/m
Cash and cash equivalents at the beginning of the period	**604**	620	(16)	(2.6)
Effects of exchange rate changes on cash and cash equivalents	**2**	3	(1)	n/m
Cash and cash equivalents at the end of the period	**737**	541	196	36.2

n/m = not meaningful

Statement of Financial Position

	As at 31 Dec 19	30 Jun 19	Change	Change
	$M	$M	$M	%
Current assets				
Cash and cash equivalents	**754**	604	150	24.8
Trade and other receivables and contract assets	**5,289**	5,392	(103)	(1.9)
Deferred contract costs	**75**	95	(20)	(21.1)
Inventories	**745**	448	297	66.3
Derivative financial assets	**131**	179	(48)	(26.8)
Current tax receivables	**15**	7	8	n/m
Prepayments	**313**	457	(144)	(31.5)
Assets classified as held for sale	**152**	121	31	25.6
Total current assets	**7,474**	7,303	171	2.3
Non-current assets				
Trade and other receivables and contract assets	**1,200**	780	420	53.8
Deferred contract costs	**1,292**	1,232	60	4.9
Inventories	**45**	35	10	28.6
Investments - accounted for using the equity method	**1,306**	1,298	8	0.6
Investments - other	**26**	25	1	4.0
Property, plant and equipment	**21,515**	21,836	(321)	(1.5)
Right-of-use assets	**3,387**	-	3,387	n/m
Intangible assets	**7,197**	7,706	(509)	(6.6)
Derivative financial assets	**1,874**	2,083	(209)	(10.0)
Deferred tax assets	**56**	59	(3)	(5.1)
Defined benefit asset	**184**	232	(48)	(20.7)
Total non-current assets	**38,082**	35,286	2,796	7.9
Total assets	**45,556**	42,589	2,967	7.0
Current liabilities				
Trade and other payables	**3,757**	4,528	(771)	(17.0)
Employee benefits	**720**	804	(84)	(10.4)
Other provisions	**70**	103	(33)	(32.0)
Lease liabilities	**847**	-	847	n/m
Borrowings	**2,829**	2,222	607	27.3
Derivative financial liabilities	**38**	57	(19)	(33.3)
Current tax payables	**22**	103	(81)	(78.6)
Contract liabilities and other revenue received in advance	**1,663**	1,657	6	0.4
Liabilities classified as held for sale	**114**	79	35	44.3
Total current liabilities	**10,060**	9,553	507	5.3
Non-current liabilities				
Other payables	**4**	68	(64)	(94.1)
Employee benefits	**150**	158	(8)	(5.1)
Other provisions	**140**	158	(18)	(11.4)
Lease liabilities	**2,745**	-	2,745	n/m
Borrowings	**13,895**	15,031	(1,136)	(7.6)
Derivative financial liabilities	**286**	283	3	1.1
Deferred tax liabilities	**1,681**	1,529	152	9.9
Defined benefit liabilities	**7**	8	(1)	(12.5)
Contract liabilities and other revenue received in advance	**1,195**	1,271	(76)	(6.0)
Total non-current liabilities	**20,103**	18,506	1,597	8.6
Total liabilities	**30,163**	28,059	2,104	7.5
Net assets	**15,393**	14,530	863	5.9
Equity				
Share capital	**4,439**	4,447	(8)	(0.2)
Reserves	**(49)**	(58)	9	15.5
Retained profits	**10,320**	10,160	160	1.6
Equity available to Telstra Entity shareholders	**14,710**	14,549	161	1.1
Non-controlling interests	**683**	(19)	702	n/m
Total equity	**15,393**	14,530	863	5.9
Gross debt	**18,635**	15,331	3,304	21.6
Net debt	**17,881**	14,727	3,154	21.4
EBITDA interest cover (times) [(i)]	**11.8**	10.5	1.3	12.7
Net debt to EBITDA	**1.9**	1.7	0.1	7.4
ROA - Return on average assets	**9.1%**	8.8%		0.3 pp
ROE - Return on average equity	**15.6%**	14.8%		0.8 pp
ROI - Return on average investment	**12.5%**	12.6%		(0.1) pp
ROIC - Return on invested capital	**8.5%**	8.8%		(0.3) pp
Gearing ratio (net debt to capitalisation)	**53.7%**	50.3%		3.4 pp

(i) EBITDA interest cover equals EBITDA to net interest.
n/m = not meaningful

Segment information from operations

	Total external income Half-year ended 31 December 2019 $M	2018 $M	Change %	EBITDA contribution Half-year ended 31 December 2019 $M	2018 $M	Change %
Telstra Consumer and Small Business	**7,063**	7,217	(2.1)	**2,563**	2,974	(13.8)
Telstra Enterprise	**3,882**	3,955	(1.8)	**1,617**	1,613	0.2
Networks and IT	**44**	34	29.4	**(845)**	(867)	2.5
All Other	**1,055**	1,036	1.8	**107**	(424)	125.2
Telstra excluding Telstra InfraCo	**12,044**	12,242	(1.6)	**3,442**	3,296	4.4
Telstra InfraCo	**2,214**	2,502	(11.5)	**1,406**	1,623	(13.4)
Internal access charges	**(845)**	(946)	10.7	**(369)**	(436)	15.4
Total Telstra segments	**13,413**	13,798	(2.8)	**4,479**	4,483	(0.1)
Operating lease expenses for all but mobile handset leases				**-**	(225)	n/m
Depreciation of mobile handsets right-of-use assets				**294**	-	n/m
Telstra Group EBITDA lease adjusted				**4,773**	4,258	12.1

n/m = not meaningful

Revenue by business segment

	Half-year ended 31 December 2019 $M	2018 $M	Change %
Telstra Consumer and Small Business			
Fixed	**1,953**	2,108	(7.4)
Mobile services revenue	**2,802**	2,971	(5.7)
Network applications and services (NAS)	**174**	147	18.4
Telstra Enterprise Australia			
Mobile services revenue	**687**	709	(3.1)
Data & IP	**800**	907	(11.8)
Network applications and services (NAS)	**1,158**	1,151	0.6

Product profitability - EBITDA margins %

	Half-year ended 31 Dec 2019	2018
Mobile	**36%**	37%
Retail Fixed	**5%**	21%
Data & IP	**61%**	66%
Network applications and services (NAS)	**16%**	3%
Global Connectivity	**27%**	21%

Note: Product margins represent management's best estimates and are based on lease adjusted figures

Product profitability - EBITDA ($M)

	Half-year ended 31 Dec 2019	2018
Mobile	**1,890**	1,937
Retail Fixed	**107**	484
Data & IP	**647**	808
Network applications and services (NAS)	**248**	53
Global Connectivity	**231**	172

Note: Product margins represent management's best estimates and are based on lease adjusted figures

Average Revenue per Unit (ARPU) ($)

	Half-year ended			Dec 19 vs Dec 18		Dec 19 vs Jun 19	
	Dec 2019	Jun 2019	Dec 2018	**Change**	Change	**Change**	Change
	$	**$**	**$**	**$**	**%**	**$**	**%**
Fixed retail bundles and standalone data	**72.72**	74.05	75.90	(3.18)	(4.2)	(1.33)	(1.8)
Fixed retail standalone voice	**44.26**	43.48	43.70	0.56	1.3	0.78	1.8
Postpaid handheld	**51.52**	53.60	55.62	(4.10)	(7.4)	(2.08)	(3.9)
Prepaid handheld	**19.20**	19.38	22.54	(3.34)	(14.8)	(0.18)	(0.9)
Mobile broadband	**16.81**	14.65	15.32	1.49	9.7	2.16	14.7

Services in operation (000s)

	Half-year ended			Dec 19 vs Dec 18		Dec 19 vs Jun 19	
	Dec 2019	Jun 2019	Dec 2018	**Change**	Change	**Change**	Change
	000s	000s	000s	**000s**	%	**000s**	%
Fixed services in operation (SIOs)							
Retail bundles and standalone data [(i)]	**3,733**	3,706	3,663	70	1.9	27	0.7
Retail standalone voice	**1,161**	1,412	1,685	(524)	(31.1)	(251)	(17.8)
Wholesale basic access [(ii)]	**369**	502	662	(293)	(44.3)	(133)	(26.5)
Wholesale data [(iii)]	**240**	310	400	(160)	(40.0)	(70)	(22.6)
ISDN access (basic line equivalents)	**614**	736	804	(190)	(23.6)	(122)	(16.6)
Unconditioned local loop (ULL)	**521**	756	987	(466)	(47.2)	(235)	(31.1)
Wholesale Line spectrum sharing services (LSS)	**110**	167	229	(119)	(52.0)	(57)	(34.1)
Mobiles services in operation (SIOs)							
Postpaid handheld retail [(iv)]	**8,381**	8,244	8,105	276	3.4	137	1.7
Prepaid handheld retail	**3,426**	3,303	3,264	162	5.0	123	3.7
Mobile broadband (data cards)	**3,180**	3,627	3,723	(543)	(14.6)	(447)	(12.3)
Internet of Things (IoT)	**3,482**	3,132	2,832	650	23.0	350	11.2
Satellite	**28**	32	32	(4)	(12.5)	(4)	(12.5)
Total retail mobile	**18,497**	18,338	17,956	541	3.0	159	0.9
Total wholesale mobile	**1,376**	1,203	1,098	278	25.3	173	14.4
Prepaid handheld retail unique users [(v)]	**2,380**	2,245	2,234	146	6.5	135	6.0
Foxtel from Telstra (SIOs)	**678**	730	772	(94)	(12.2)	(52)	(7.1)

(i) Includes Belong fixed data SIOs.
(ii) Excludes nbn SIOs.
(iii) Includes nbn SIOs.
(iv) Includes Belong mobile SIOs.
(v) Prepaid unique users defined as the three month rolling average of monthly active prepaid users.
Note: Statistical data represents management's best estimates.

Workforce

	Half-year ended			Dec 19 vs Dec 18		Dec 19 vs Jun 19	
	Dec 2019	Jun 2019	Dec 2018	**Change**	Change %	**Change**	Change %
Employee data							
Full time staff equivalents incl. contractor/agency labour	**28,270**	29,769	31,419	(3,149)	(10.0)	(1,499)	(5.0)

Note: Statistical data represents management's best estimates.

Telstra Corporation Limited
Half-year comparison - Reported lease adjusted (i)
Half-year ended 31 December 2019

Summary reported half-yearly data ($ Millions)	Half 1 Dec-17	Half 2 Jun-18	Full year Jun-18	Half 1 Dec-18	PCP Growth	Half 2 Jun-19	PCP Growth	Full year Jun-19	PCP Growth	Half 1 Dec-19	PCP Growth
Total income											
Fixed products											
Retail bundles and standalone data	1,660	1,640	3,300	1,653	(0.4%)	1,637	(0.2%)	3,290	(0.3%)	1,623	(1.8%)
Retail standalone voice	633	553	1,186	477	(24.6%)	404	(26.9%)	881	(25.7%)	342	(28.3%)
Telstra Plus loyalty	-	-	-	-	n/m	-	n/m	-	n/m	(9)	n/m
Other retail fixed (ii)	136	133	269	124	(8.8%)	123	(7.5%)	247	(8.2%)	115	(7.3%)
Total retail fixed revenue	**2,429**	**2,326**	**4,755**	**2,254**	**(7.2%)**	**2,164**	**(7.0%)**	**4,418**	**(7.1%)**	**2,071**	**(8.1%)**
Wholesale fixed	528	482	1,010	427	(19.1%)	378	(21.6%)	805	(20.3%)	317	(25.8%)
Total fixed revenue	**2,957**	**2,808**	**5,765**	**2,681**	**(9.3%)**	**2,542**	**(9.5%)**	**5,223**	**(9.4%)**	**2,388**	**(10.9%)**
Mobiles											
Postpaid handheld	2,609	2,624	5,233	2,665	2.1%	2,629	0.2%	5,294	1.2%	2,569	(3.6%)
Prepaid handheld	493	465	958	448	(9.1%)	381	(18.1%)	829	(13.5%)	388	(13.4%)
Mobile broadband	416	367	783	350	(15.9%)	323	(12.0%)	673	(14.0%)	325	(7.1%)
Internet of Things (IoT)	73	97	170	99	35.6%	104	7.2%	203	19.4%	102	3.0%
Satellite	6	6	12	7	16.7%	8	33.3%	15	25.0%	8	14.3%
Mobile interconnection	106	106	212	112	5.7%	112	5.7%	224	5.7%	120	7.1%
Mobile services revenue - wholesale resale	90	99	189	99	10.0%	102	3.0%	201	6.3%	104	5.1%
Total mobile services revenue	**3,793**	**3,764**	**7,557**	**3,780**	**(0.3%)**	**3,659**	**(2.8%)**	**7,439**	**(1.6%)**	**3,616**	**(4.3%)**
Mobiles hardware	1,376	1,447	2,823	1,511	9.8%	1,595	10.2%	3,106	10.0%	1,713	13.4%
Telstra Plus loyalty	-	-	-	-	n/m	-	n/m	-	n/m	(21)	n/m
Total mobile revenue	**5,169**	**5,211**	**10,380**	**5,291**	**2.4%**	**5,254**	**0.8%**	**10,545**	**1.6%**	**5,308**	**0.3%**
Data & IP											
IPVPN products (iii)	539	525	1,064	511	(5.2%)	485	(7.6%)	996	(6.4%)	473	(7.4%)
ISDN products	245	226	471	206	(15.9%)	181	(19.9%)	387	(17.8%)	139	(32.5%)
Other data and calling products (iv)	514	507	1,021	500	(2.7%)	475	(6.3%)	975	(4.5%)	452	(9.6%)
Total data & IP revenue	**1,298**	**1,258**	**2,556**	**1,217**	**(6.2%)**	**1,141**	**(9.3%)**	**2,358**	**(7.7%)**	**1,064**	**(12.6%)**
Network applications and services revenue											
Managed network services	306	369	675	291	(4.9%)	357	(3.3%)	648	(4.0%)	271	(6.9%)
Unified communications	403	482	885	442	9.7%	567	17.6%	1,009	14.0%	501	13.3%
Cloud services	180	248	428	202	12.2%	228	(8.1%)	430	0.5%	217	7.4%
Industry solutions	681	693	1,374	573	(15.9%)	611	(11.8%)	1,184	(13.8%)	508	(11.3%)
Integrated services	94	171	265	88	(6.4%)	118	(31.0%)	206	(22.3%)	83	(5.7%)
Total network applications and services revenue	**1,664**	**1,963**	**3,627**	**1,596**	**(4.1%)**	**1,881**	**(4.2%)**	**3,477**	**(4.1%)**	**1,580**	**(1.0%)**
Media											
Foxtel from Telstra	357	345	702	340	(4.8%)	324	(6.1%)	664	(5.4%)	323	(5.0%)
IPTV	31	31	62	26	(16.1%)	23	(25.8%)	49	(21.0%)	26	0.0%
Mobility and other	50	45	95	45	(10.0%)	39	(13.3%)	84	(11.6%)	33	(26.7%)
Cable	30	30	60	30	0.0%	5	(83.3%)	35	(41.7%)	24	(20.0%)
Total media revenue	**468**	**451**	**919**	**441**	**(5.8%)**	**391**	**(13.3%)**	**832**	**(9.5%)**	**406**	**(7.9%)**
Global connectivity											
Global connectivity - fixed	151	167	318	144	(4.6%)	202	21.0%	346	8.8%	140	(2.8%)
Global connectivity - data & IP	452	471	923	491	8.6%	512	8.7%	1,003	8.7%	532	8.4%
Global connectivity - other	161	167	328	166	3.1%	185	10.8%	351	7.0%	170	2.4%
Total global connectivity revenue	**764**	**805**	**1,569**	**801**	**4.8%**	**899**	**11.7%**	**1,700**	**8.3%**	**842**	**5.1%**
Other products and services											
Recurring nbn DA (v)	304	338	642	374	23.0%	410	21.3%	784	22.1%	432	15.5%
Other products (v)	185	205	390	185	-	155	(24.4%)	340	(12.8%)	144	(22.2%)
Total other products and services revenue	**489**	**543**	**1,032**	**559**	**14.3%**	**565**	**4.1%**	**1,124**	**8.9%**	**576**	**3.0%**
Total external revenue	**12,809**	**13,039**	**25,848**	**12,586**	**(1.7%)**	**12,673**	**(2.8%)**	**25,259**	**(2.3%)**	**12,164**	**(3.4%)**
Other income (vi)	1,582	1,411	2,993	1,212	(23.4%)	1,336	(5.3%)	2,548	(14.9%)	1,249	3.1%
Total income (excluding finance income)	**14,391**	**14,450**	**28,841**	**13,798**	**(4.1%)**	**14,009**	**(3.1%)**	**27,807**	**(3.6%)**	**13,413**	**(2.8%)**
Total expenses											
Labour	2,699	2,508	5,207	2,722	0.9%	2,557	2.0%	5,279	1.4%	2,170	(20.3%)
Goods and services purchased	3,989	4,349	8,338	4,382	9.9%	4,756	9.4%	9,138	9.6%	4,622	5.5%
Net impairment losses on financial assets	103	87	190	88	(14.6%)	96	10.3%	184	(3.2%)	80	(9.1%)
Other expenses	2,473	2,414	4,887	2,124	(14.1%)	2,660	10.2%	4,784	(2.1%)	2,060	(3.0%)
Operating expenses	**9,264**	**9,358**	**18,622**	**9,316**	**0.6%**	**10,069**	**7.6%**	**19,385**	**4.1%**	**8,932**	**(4.1%)**
Share of net profit/(loss) from equity accounted entities	(31)	9	(22)	1	103.2%	11	22.2%	12	154.5%	(2)	n/m
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	**5,096**	**5,101**	**10,197**	**4,483**	**(12.0%)**	**3,951**	**(22.5%)**	**8,434**	**(17.3%)**	**4,479**	**(0.1%)**
Depreciation and amortisation	2,219	2,251	4,470	2,366	6.6%	2,366	5.1%	4,732	5.9%	2,428	2.6%
Earnings before interest and income tax expense (EBIT)	**2,877**	**2,850**	**5,727**	**2,117**	**(26.4%)**	**1,585**	**(44.4%)**	**3,702**	**(35.4%)**	**2,051**	**(3.1%)**
Net finance costs	296	292	588	352	18.9%	342	17.1%	694	18.0%	375	6.5%
Profit before income tax expense	**2,581**	**2,558**	**5,139**	**1,765**	**(31.6%)**	**1,243**	**(51.4%)**	**3,008**	**(41.5%)**	**1,676**	**(5.0%)**
Income tax expense	889	693	1,582	559	(37.1%)	344	(50.4%)	903	(42.9%)	526	(5.9%)
Profit for the period	**1,692**	**1,865**	**3,557**	**1,206**	**(28.7%)**	**899**	**(51.8%)**	**2,105**	**(40.8%)**	**1,150**	**(4.6%)**

(i) From 1 July 2019 we have adopted AASB 16: 'Leases' on a prospective basis, i.e. no restatement of the comparative period. As a result, Reported 1H20 excludes impact of leases classified as operating leases in 1H19 where Telstra was a lessee. The operating lease expense recognised in 'other expenses' (part of EBITDA) for 1H19 have been 'replaced' by depreciation of right-of-use assets (below EBITDA). Refer to note 1.4.1 to the half-year financial statements for further details regarding AASB 16 adoption impacts.
Given different accounting treatment of leases in 1H20 compared to 1H19, 'Reported Lease adjusted' provides a like-for-like view of our mobile handset leases (Telstra as a lessee) which for management reporting purposes continue to be treated as part of operating performance results. In particular 1H20 has been adjusted to include the reported depreciation of mobile handsets right-of-use assets in EBITDA, and for illustrative purposes 1H19 has been adjusted to exclude proforma operating lease expense and implied interest in the capitalised lease liability of all but mobile handset leases from operating expenses, D&A, finance costs and income tax expense.
(ii) Other retail fixed revenue includes platinum, once off revenue (hardware and professional installation fees), payphones, directory assistance, fixed interconnect.
(iii) IP based Virtual Private Network (IPVPN) includes IPMAN/Ethernet MAN, IPWAN, and nbn.
(iv) Other data and calling products includes wholesale, inbound calling (1300/1800), internet, media solutions, and legacy data (e.g. frame relay).
(v) Other products and services revenue relates to nbn co accessing our infrastructure and miscellaneous revenue. It also includes revenue from Telstra Health business unit.
(vi) Other income includes gains and losses on asset and investment sales (including assets transferred under the nbn Definitive Agreements), income from government grants under the Telstra Universal Service Obligation Performance Agreement, Mobile Blackspot Government program and other individually immaterial contracts, income from nbn™ network disconnection fees, subsidies and other miscellaneous items.

n/m = not meaningful

Telstra Corporation Limited
Half-year comparison
Half-year ended 31 December 2019

Summary reported half-yearly data	Half 1 Dec-17	PCP Growth	Half 2 Jun-18	PCP Growth	Full Year Jun-18	PCP Growth	Half 1 Dec-18	PCP Growth	Half 2 Jun-19	PCP Growth	Full Year Jun-19	PCP Growth	Half 1 Dec-19	PCP Growth
Selected statistical data														
Fixed														
Retail bundles and standalone data SIOs (thousands) [i]	3,532	1.8%	3,599	2.5%	3,599	2.5%	3,663	3.7%	3,706	3.0%	3,706	3.0%	3,733	1.9%
Retail standalone voice SIOs (thousands)	2,230	(20.4%)	1,954	(22.6%)	1,954	(22.6%)	1,685	(24.4%)	1,412	(27.7%)	1,412	(27.7%)	1,161	(31.1%)
Wholesale basic access lines in service (thousands) [ii]	955	(23.7%)	805	(28.4%)	805	(28.4%)	662	(30.7%)	502	(37.6%)	502	(37.6%)	369	(44.3%)
Wholesale data SIOs (thousands) [iii]	579	(26.3%)	486	(29.8%)	486	(29.8%)	400	(30.9%)	310	(36.2%)	310	(36.2%)	240	(40.0%)
Unconditioned local loop (ULL) SIOs (thousands)	1,234	(17.5%)	1,118	(19.6%)	1,118	(19.6%)	987	(20.0%)	756	(32.4%)	756	(32.4%)	521	(47.2%)
Wholesale line spectrum site sharing (LSS) SIOs (thousands)	326	(25.4%)	277	(27.9%)	277	(27.9%)	229	(29.8%)	167	(39.7%)	167	(39.7%)	110	(52.0%)
Average retail bundle and standalone data revenue per user per month ($) [iv]	78.56	n/m	76.69	n/m	77.37	n/m	75.90	(3.4%)	74.05	(3.4%)	75.07	(3.0%)	72.72	(4.2%)
Average retail standalone fixed voice revenue per user per month ($) [iv]	44.40	n/m	44.07	n/m	44.16	n/m	43.70	(1.6%)	43.48	(1.3%)	43.62	(1.2%)	44.26	1.3%
Belong fixed data SIOs (thousands)	180	46.3%	203	31.0%	203	31.0%	225	25.0%	254	25.1%	254	25.1%	298	32.4%
nbn™ premise connections														
Bundle connections (thousands)	1,304	105.0%	1,573	65.2%	1,573	65.2%	1,844	41.4%	2,149	36.6%	2,149	36.6%	2,452	33.0%
Belong (thousands)	92	76.9%	110	48.6%	110	48.6%	132	43.5%	176	60.0%	176	60.0%	240	81.8%
Voice only connections (thousands)	234	120.8%	263	73.5%	263	73.5%	278	18.8%	280	6.5%	280	6.5%	272	(2.2%)
Total nbn™ premise connections	1,630	105.3%	1,946	65.5%	1,946	65.5%	2,254	38.3%	2,605	33.9%	2,605	33.9%	2,964	31.5%
Data & IP														
ISDN access SIOs (thousands)	173	(10.4%)	164	(11.4%)	164	(11.4%)	148	(14.5%)	122	(25.6%)	122	(25.6%)	105	(29.1%)
IPVPN access SIOs (thousands)	114	8.5%	119	5.1%	119	5.1%	126	10.5%	127	6.7%	127	6.7%	126	0.0%
Mobiles														
Total retail mobile SIOs (thousands)	17,609	1.1%	17,716	2.0%	17,716	2.0%	17,956	2.0%	18,338	3.5%	18,338	3.5%	18,497	3.0%
Postpaid handheld mobile SIOs (thousands)	7,692	2.8%	7,866	4.0%	7,866	4.0%	8,105	5.4%	8,244	4.8%	8,244	4.8%	8,381	3.4%
Belong postpaid handheld mobile SIOs (thousands) [iv]	21	n/m	67	n/m	67	n/m	182	n/m	248	n/m	248	n/m	339	86.3%
Mobile broadband (data cards) SIOs (thousands)	3,964	(0.3%)	3,893	(0.9%)	3,893	(0.9%)	3,723	(6.1%)	3,627	(6.8%)	3,627	(6.8%)	3,180	(14.6%)
Prepaid mobile handheld unique users (thousands) [vi]	2,432	(7.0%)	2,294	(8.2%)	2,294	(8.2%)	2,234	(8.1%)	2,245	(2.1%)	2,245	(2.1%)	2,380	6.5%
Internet of Things (IoT) SIOs (thousands)	2,346	14.3%	2,571	17.5%	2,571	17.5%	2,832	20.7%	3,132	21.8%	3,132	21.8%	3,482	23.0%
Satellite SIOs (thousands)	32	3.2%	32	-	32	-	32	-	32	-	32	-	28	(12.5%)
Total wholesale mobile SIOs (thousands)	862	35.3%	973	30.8%	973	30.8%	1,098	27.4%	1,203	23.6%	1,203	23.6%	1,376	25.3%
Average postpaid handheld revenue per user per month ($)	57.00	n/m	56.22	n/m	56.53	n/m	55.62	(2.4%)	53.60	(4.7%)	54.77	(3.1%)	51.52	(7.4%)
Average prepaid handheld revenue per user per month ($)	22.70	n/m	22.36	n/m	22.75	n/m	22.54	(0.7%)	19.38	(13.3%)	20.76	(8.7%)	19.20	(14.8%)
Average mobile broadband revenue per user per month ($)	17.58	n/m	15.58	n/m	16.69	n/m	15.32	(12.8%)	14.65	(6.0%)	14.92	(10.6%)	16.81	9.7%
Premium pay TV														
Foxtel from Telstra (thousands)	799	6.8%	790	(2.2%)	790	(2.2%)	772	(3.4%)	730	(7.6%)	730	(7.6%)	678	(12.2%)
Labour														
Full time staff equivalents incl. contractor/agency labour	34,115	(6.4%)	34,624	(1.7%)	34,624	(1.7%)	31,419	(7.9%)	29,769	(14.0%)	29,769	(14.0%)	28,270	(10.0%)

(i) Includes Belong fixed data SIOs.

(ii) Excludes nbn SIOs.

(iii) Includes nbn SIOs.

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

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

n/m = not meaningful