11 February 2021

Office of the Company Secretary

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

General Enquiries 03 8647 4838
Facsimile 03 9650 0989
companysecretary@team.telstra.com

Investor Relations
Tel: 1800 880 679
investor.relations@team.telstra.com

The Manager

Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Corporation Limited - Financial results for the half-year ended 31 December 2020 – 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 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 2021 results

Andrew Penn – Chief Executive Officer

1

Financial headlines

Reported	Guidance basis[1]
Total income: $12.0 billion, -10.4%	**Underlying EBITDA[3]:** $3.3 billion, -14.2%
EBITDA: $4.1 billion, -14.7% **EBITDA lease adjusted[2]:** $4.0 billion, -11.7%	**Underlying EBITDA decline ex in-year nbn headwind[3]:** ~$180 million which includes an estimated ~$170 million COVID impact[4] **In-year nbn headwind[3]:** ~$370 million (LTD ~$3.0 billion)
NPAT: $1.1 billion, -2.2% **EPS:** 9.2 cents, -4.2% **1H21 interim dividend:** 8 cps[5] (consistent with PCP) Board expects the total dividend for FY21 to be 16 cps[6]	**Capex[3]:** $1.4 billion, +4.0% **FCF[3]:** $1.9 billion, +88%

1. This guidance assumes no impairments in and to investments or non-current tangible and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excludes the impacts of Pitt St exchange sale and leaseback. The guidance is based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance. Refer to Half-year results and operations review – guidance vs reported results reconciliation (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2020" lodged with the ASX on 11 February 2021).
2. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.
3. Refer to definition in the Glossary.
4. COVID impact in FY21 includes estimates across international roaming declines, delayed cost-out, customer support and deferred NAS professional services.
5. Interim dividend of 8 cents per share fully franked comprising ordinary dividend of 5 cents per share and total special dividend of 3 cents per share.
6. Any return is subject to no unexpected material events, Board discretion having regard to financial and market conditions and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.

2

Operating highlights

Mobile strategy continuing to deliver growth

Mobile service net adds

- +80k retail postpaid handheld services including +58k branded, +22k Belong
- +46k retail prepaid handheld unique users
- +163k wholesale MVNO including prepaid, postpaid and IoT services
- +456k retail IoT services

Fixed service net adds

- -53k retail fixed bundle and data services including +11k Belong
- +196k nbn connections with 46% estimated market share (ex-satellite) as at end of 1H21

Building value

- Mobile: +$3 TMMC growth in mass market branded
- Fixed – C&SB: Bundle and standalone ARPU stabilising
- Fixed – Enterprise: Positioning for growth with Adaptive Networks
- Telstra Health: Income growth 17% and EBITDA improvement on PCP

Improved customer experience

- Episode NPS improved +3 last six months and declined -1 last 12 months
- Strategic NPS improved +5 last six months and +11 last 12 months

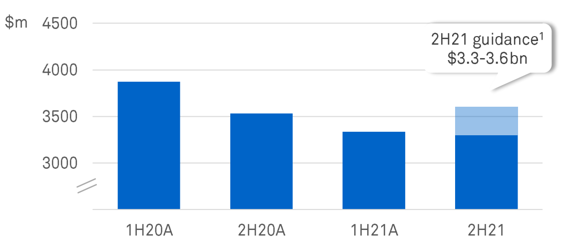
Increased cost reduction ambition

- $201m or 6.6% underlying fixed cost reduction in 1H21
- $876m or 9.8% decline in 1H21 total operating expenses[1]
- ~$2.0bn underlying fixed cost reduction since FY16
- Cost out target increased to $2.7bn by FY22

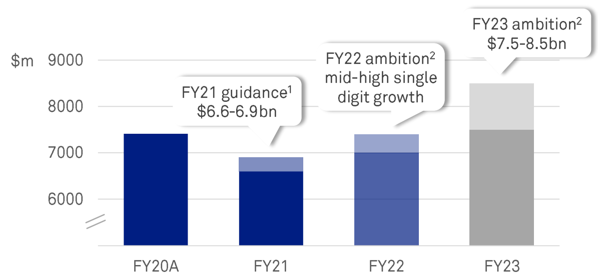
1.'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.

Underlying EBITDA growth ambition

Underlying EBITDA - halves



Underlying EBITDA – full year

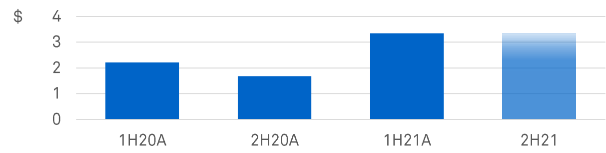


1.This guidance assumes no impairments in and to investments or non-current tangible and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excludes the impacts of Pitt St exchange sale and leaseback. The guidance is based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance.

2.While we do not provide financial guidance beyond the current financial year, our Board and management team understands the importance of achieving EBITDA in this range and the actions required to deliver it. Telstra's ambition for its Underlying EBITDA in FY22 and FY23 is not guidance and there are greater risks and uncertainties in connection with this ambition.

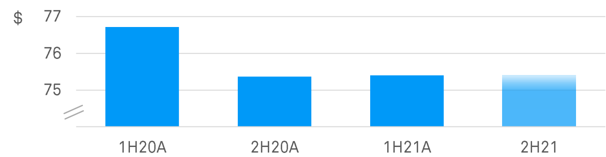
Underlying EBITDA growth drivers

TMMC growth on PCP in postpaid handheld mass market branded



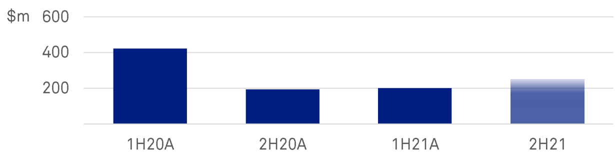
- 1H21 TMMC +$3 growth on PCP
- 2H21 TMMC expected +$3 growth on PCP
- Postpaid handheld ARPU expected to return to growth in 2H21

C&SB fixed bundle and standalone data ARPU



- 1H21 ARPU stable sequentially
- 2H21 ARPU expected to be stable due to focus on building value

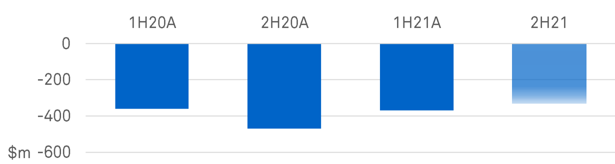
Underlying fixed cost out on PCP



- 1H21 cost out $201m
- 2H21 cost out expected ~$250m
- Cost out target increased to $2.7bn by FY22 with opportunity beyond

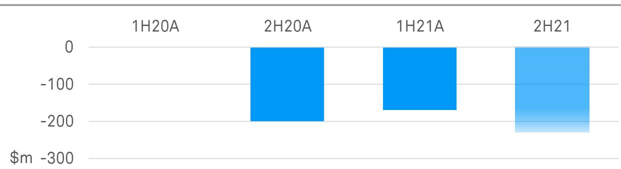
Underlying EBITDA – reducing headwinds

In-year nbn headwind[1]



- In-year nbn headwind reducing from 2H20 peak
- FY22 in-year nbn headwind expected to reduce further

Estimated COVID impact[2]

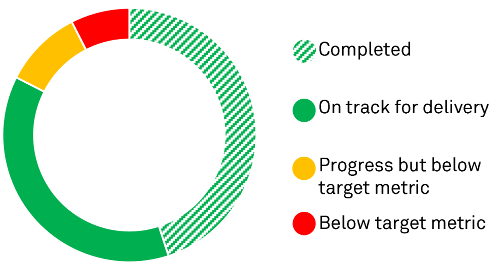


- 1H21 estimated COVID impact ~$170m
- 2H21 expected ~$230m
- Expected to largely to reverse over time

1.Refer to definition in the Glossary.
2.COVID impact in FY21 includes estimates across international roaming declines, delayed cost-out, customer support and deferred NAS professional services.

T22 strategy – Progress

T22 Scorecard metrics – as at 1H21



>80% metrics now completed or on track for delivery

T22 | Pillar One

Consumer & Small Business

- ~7.6 million services on in market plans
- ~2.8 million Telstra Plus members
- Digital sales increased +10pp to 40% (FY20 30%) and digital service interactions >70%
- Reduced annual contact centre calls by ~70% since FY18 and by nearly 33 million since FY16
- New propositions – including targeted fixed wireless access and gaming

Telstra Enterprise

- Reduced Enterprise active products by 45% since FY18 to 341
- Active Telstra Connect Enterprise customers ~6k
- Launched Adaptive Networks and Adaptive Mobility

T22 strategy – Progress (cont.)

T22 | Pillar Two - Telstra InfraCo

T22 progress

- Telstra InfraCo fully operational business function with separate reporting
- Finalising intercompany agreement between ServeCo and InfraCo Towers
- Commenced integration of a market leading towers asset management system – completion end of 2021

Key operational highlights

- 1H21: Total passive income $1.3bn up +2.3% v 1H20, EBITDAaL $904 million at 68% margin
- Fibre: Our new dark fibre product has been well received by customers with more >20 services ordered/complete
- Towers: Won two significant Government contracts for towers services (Tasmania and NSW) and actively building new towers for ServeCo
- E&I: Completed sale of Pitt St exchange and plans for two new energy efficiency initiatives
- New vendor arrangements for field infrastructure maintenance, reducing vendors from 20+ to 5 and driving operational efficiencies, with all agreements expected to be signed soon

Group legal restructure

- Key advisors appointed
- Consultation under way with Government departments and regulators
- Constructive engagement with nbn Co on the restructure
- Further progress update will be provided in March 2021
- Target completion end calendar year 2021

InfraCo towers

- InfraCo Towers is attracting strong market interest for its services
- Strong progress on asset due diligence, property leases and customer contract verification – targeting completion end of 2Q calendar year 2021
- Timetable set for monetisation – initial offers 3Q calendar year 2021, binding offers 4Q calendar year 2021

T22 strategy – Progress (cont.)

T22 | Pillar Three

- Headcount reduction ~6k direct and ~16k indirect since FY18
- Including Feb-2021 proposed changes, we expect to be >90% through the committed FTE reductions by the end of FY21
- Removed on average >4 layers of management
- ~11k working in Agile and 25k working from home
- Employee engagement at 80 and near all time high

T22 | Pillar Four

- Delivered productivity of ~$2 billion. Target increased to $2.7 billion by FY22
- Exceeded target of monetising assets of up to $2 billion. Strong Balance Sheet

T22 | Network leadership

- Clear leadership on 5G
  - Expanded 5G rollout to selected areas within 100+ cities and towns across Australia
  - Our 5G network covers more than 50% of the Australian population and we intend to extend that to 75% of the population by June 2021
  - >750k active 5G devices connected to the Telstra network (~1m active 5G devices as at Feb 2021)
  - National average combined 4G and 5G mobile speeds are faster than our competitors
  - Achieved world first record of >5Gbps 5G peak download speed on a commercial network using mmWave spectrum
  - Activated mmWave 5G on our network in selected areas of the five major capital cities
- #1 in 2020 umlaut Australian mobile benchmark, including best in test, best in voice, best in data and best in crowd-sourced quality

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 $2.7bn by FY22[1]	ROIC ~8% by FY23[1]
Metrics & Measures	Increase NPS 3 to 6 points p.a. Double active app users from 4m to 8m by FY22 – 6m active users by FY20 Consumer & Small Business sales transactions through the digital channel: 24% by FY20 45% by FY22 Active Enterprise customers on Telstra Connect: 4,000 by FY20 7,100 by FY21 Increase average services per customer Eliminate two thirds of mass market servicing calls by FY22 – one third by FY20 Telstra Plus members: 2m by FY20 5m by FY22	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 Services on in-market Consumer & Small Business plans: >3m by FY20 >10m by FY22 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 Australia's largest 5G network Deliver 5x data growth at flat costs by FY21	Agile teams at level 3 of Agile Maturity: 80% by FY20 >90% by FY22 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 SLAs for infrastructure business to be defined by 1 October 2018 and segment reporting by 31 December 2018 Telstra InfraCo fully operational by June 19 EBITDA benefits of >$500m p.a. from $3bn strategic investment realised by FY21

1. Net cost productivity targeted outcome increased from $2.5bn in February 2021. ROIC targeted outcome reduced from >10% in August 2020.

Completed | Completed after due date | On track for delivery | Progress but below target metric | Below target metric | Early progress /development

2021 priorities

- Driving key operating metrics to deliver financial turnaround
- Completing T22
- Delivering our group restructure and monetise Towers
- Further extending our leadership in 5G
- Bringing our retail experience in-house and onshore

11

Half year 2021 results

Vicki Brady – Chief Financial Officer

12

Income statement

	Reported basis		Reported lease adjusted[1]		
	1H20	1H21	1H20	1H21	CHANGE
Total income[2]	**$13.4b**	**$12.0b**	**$13.4b**	**$12.0b**	**-10.4%**
Operating expenses	$8.6b	$7.9b	$8.9b	$8.1b	-9.8%
Underlying EBITDA[2]			**$3.9b**	**$3.3b**	**-14.2%**
Net one-off nbn DA less net C2C			$0.8b	$0.5b	-34.0%
Restructuring & other guidance adj.[3]			-$0.2b	$0.1b	NM
EBITDA	**$4.8b**	**$4.1b**	**$4.5b**	**$4.0b**	**-11.7%**
Depreciation and amortisation	$2.7b	$2.4b	$2.4b	$2.3b	-4.6%
EBIT	**$2.1b**	**$1.6b**	**$2.1b**	**$1.6b**	**-20.0%**
Net finance costs	$0.4b	$0.3b	$0.4b	$0.3b	-18.1%
Income tax expense	$0.5b	$0.2b	$0.5b	$0.2b	-60.3%
NPAT	**$1.2b**	**$1.1b**	**$1.2b**	**$1.1b**	**-2.2%**

Underlying EBITDA:

- **In line with our 1H21 expectations and FY21 guidance**
- **Reduced ~$550m including in-year nbn headwind[2] of ~$370m**
- **Includes COVID-19 estimated negative impact of ~$170m in 1H21[4]**
- **Broadly flat if in-year nbn headwind and estimated COVID-19 impacts were excluded**
- **Expected to be in range of $3.3b to $3.6b in 2H21[5],** on narrowed FY21 guidance

Underlying fixed cost reduction of $201m or 6.6%

Total costs declined 9.8%

Low effective tax rate due to one-off M&A transactions

NPAT declined 2.2%

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. 1H21 adjusted to include $113m (1H20 $294m) of reported depreciation of mobile handsets right-of-use assets in EBITDA. Mobile handset reported depreciation expected at ~$200m in FY21, and a small amount in FY22 following exit of new sales in June 2019.
2. Refer to definition in the Glossary.
3. Refer to half-year results and operations review – guidance vs reported results reconciliation which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY21 (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2020" lodged with the ASX on 11 Feb 2021).
4. COVID impact in FY21 includes estimates across international roaming declines, delayed cost-out, customer support and deferred NAS professional services.
5. Refer 'FY21 guidance (updated)' slide for definitions.

Income by product[1]

	1H20	CHANGE $m	1H21	CHANGE	
Mobile	$5,355m	-645	$4,710m	-12.0%	Hardware revenue -$499m; Service revenue flat ex-intl. roaming decline
Fixed - CS&B	$2,623m	-197	$2,426m	-7.5%	Margin focus; Bundles & data revenue -0.6%; decline in legacy voice
Fixed - Enterprise	$1,978m	-126	$1,852m	-6.4%	Legacy decline, market disruption; Cloud/managed services growth
Fixed - Wholesale	$952m	-182	$770m	-19.1%	nbn headwinds, legacy calling and commercial works decline
Global	$846m	-91	$755m	-10.8%	Shift away from low-margin revenue & one-off transaction in PCP
Recurring NBN DA	$432m	20	$452m	4.6%	Reflects nbn™ network rollout
Other [2]	$174m	11	$185m	6.3%	Includes Health +17%
Underlying	**$12,360m**	**-1,210**	**$11,150m**	**-9.8%**	**~-6.5% excl. nbn headwind & intl. roaming**
One-off NBN DA & connection [3]	$1,039m	-381	$658m	-36.7%	Reflects nbn rollout and migration timing
M&A and Pitt St [4]	$14m	193	$207m	NM	Gain on sale from Pitt St sale and M&A transactions
Reported	**$13,413m**	**-1,398**	**$12,015m**	**-10.4%**	**Reported income decline ~$1.4b or -10.4%**

1. Refer to half-year results 2.1.2 Segment results and disaggregated revenue Table B for schedule of product revenue from contracts with customers, revenue from other sources and other income.
2. Other includes miscellaneous and Telstra Health.
3. Includes $660m (1H20 $942m) of nbn disconnection fees (Per Subscriber Address Amount (PSAA)) and -$20m (1H20 $55m) of ISA ownership receipts for assets transferred under the nbn Definitive Agreements.
4. Includes $105m (1H20 -$1m) for M&A, $102m for Pitt St gain on sale. 1H20 also includes $15m of restructuring income.

Operating expenses[1]

	1H20	CHANGE $m	1H21	CHANGE
Sales costs - nbn payments	$824m	136	$960m	16.5%
Sales costs - other	$3,637m	-463	$3,174m	-12.7%
Fixed costs - underlying	$3,052m	**-201**	$2,851m	-6.6%
Fixed costs - other[2]	$970m	-131	$839m	-13.5%
Underlying	**$8,483m**	**-659**	**$7,824m**	**-7.8%**
One-off nbn DA and nbn C2C	$251m	-113	$138m	-45.0%
Restructuring	$198m	-138	$60m	-69.7%
Other guidance adjustments	-	34	$34m	NM
Reported lease adjusted	**$8,932m**	**-876**	**$8,056m**	**-9.8%**

nbn™ network payments increased on higher services
Other sales costs declined including lower hardware costs

Underlying fixed costs decreased $201m or 7% in 1H21.
Tracking to ~$450m reduction in FY21 vs ~$400m target

- **Productivity achieved in 1H21** predominantly enabled by simplification and adoption of digital channels, ongoing focus on vendor costs and increased workforce efficiency
- Job reductions, paused until Feb-21, will deliver run-rate reduction into FY22

~**$2.0b productivity** achieved since FY16

Increased productivity target by $200m to cumulative $2.7b from $2.5b by FY22. Plus, further opportunity beyond FY22

Total underlying operating expenses declined with reduction in all lines except nbn™ network payments

In FY21, 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. Sales and fixed costs exclude costs associated with one-off nbn DA and nbn cost to connect (C2C).
2. Includes items supporting revenue growth including relevant NAS costs, mobile handset lease, and product impairment.

EBITDA by product[1]

	1H20	CHANGE $m	1H21	CHANGE	
Mobile	$1,870m	-127	$1,743m	-6.8%	Flat excluding intl. roaming declines; +ve lead indictors (1H21 TMMC +~$3)
Fixed - CS&B	$385m	-230	$155m	-59.7%	High margin legacy decline, higher nbn payments, partially offset by productivity
Fixed - Enterprise	$550m	-120	$430m	-21.8%	Market disruption, calling & legacy decline > managed services & cloud growth
Fixed - Wholesale	$431m	-58	$373m	-13.5%	nbn headwinds, legacy and commercial works declines offset by productivity
Global	$181m	-17	$164m	-9.4%	~2% growth in constant currency & excluding one-off transactions in PCP
Recurring NBN DA	$405m	23	$428m	5.7%	Reflects nbn™ network rollout
Other[2]	$53m	-22	$31m	-41.5%	Decline due to corporate adjustment related to bond rate movements
Underlying	**$3,875m**	**-551**	**$3,324m**	**-14.2%**	**Underlying decline ~$550m or ~Flat excl. nbn headwind and COVID-19 impact**
Net one-off nbn	$788m	-268	$520m	-34.0%	Reflects nbn rollout and migration timing
Restructuring[3]	-$183m	123	-$60m	-67.2%	Restructuring costs for T22 initiatives reduced vs PCP
Other guidance adj.[4]	-$1m	174	$173m	NM	Gain on sale including Pitt St and M&A
Reported lease adjusted	**$4,479m**	**-522**	**$3,957m**	**-11.7%**	**Reported lease adjusted -$522m**

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.
2. Other includes miscellaneous and Telstra Health.
3. Restructuring in 1H20 includes $15m of income and $198m of expenses.
4. Refer to half-year results and operations review – guidance vs reported results reconciliation which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY21 (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2020" lodged with the ASX on 11 Feb 2021).

Free cashflow

	1H20	CHANGE $m	1H21	CHANGE
Reported EBITDA lease adjusted[1]	$4,479m	-522	$3,957m	-11.7%
Working capital movement[2]	-$1,475m	1,379	-$96m	NM
Tax paid	-$444m	-12	-$456m	2.7%
Capex (excl. Spectrum & Investment)	-$1,474m	-108	-$1,582m	7.3%
Rent/Other operating lease payments	-$254m	-29	-$283m	11.4%
Other incl. non-cash EBITDA items[3]	$173m	180	$353m	104.0%
Free cashflow after operating lease[4]	**$1,005m**	**888**	**$1,893m**	**88.4%**
Spectrum	-$33m	2	-$31m	-6.1%
M&A / asset sale	-	408	$408m	NM
Operating lease payments[6]	$548m	-152	$396m	-27.7%
Reported operating cashflow less investing cashflow	**$1,520m**	**1,146**	**$2,666m**	**75.4%**

Free cashflow after operating lease[4] increased 88% to $1.9b in 1H21 largely due to working capital improvement more than offsetting lower EBITDA

FY21 guidance increased to $3.3b to $3.7b[4] from previous $2.8b to $3.3b on working capital improvement

Accrued capex[5] of $1,421m or 13.3% capex to sales in 1H21 on guidance basis

On track for $2.8b to $3.2b FY21 guidance

Working capital movement of -$0.1b in 1H21. Improved $1.4b on 1H20 including due to reduced handset receivables, improved inventory, creditors positions and timing

Upcoming spectrum mmWave auction in April and low-band auction in late CY21

+$408m cash flow includes M&A and Pitt St exchange sale

Reported operating cashflow less investing cashflow includes lease payments reported in financing cashflow

1. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.
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. Refer 'FY21 guidance (updated)' slide for definitions.
5. Refer to definition in the Glossary.
6. '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 estimated at -$396m (-$548m in 1H20) and for illustrative purposes included in 'Free cashflow after operating lease' as -$283m (-$254m in 1H20) for 'rent/other operating lease payments' and –$113m (-$294m in 1H20) for mobile handset leases which is depreciation of right-of-use assets included in 'Reported EBITDA lease adjusted'.

Dividends

	1H20	1H21	CHANGE
Earnings per share			
Basic earnings per share (cents)	9.6	9.2	-4.2%
Underlying earnings[1] per share (cents)	6.0	4.0	-33.3%
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]	**83%**	**125%**	**+42pp**
Special dividend as % of net one-off nbn receipts	65%	97%	+32pp
Total dividends as % of earnings per share	83%	87%	+4pp
Total dividends as % of Free cashflow[2]	160%	60%	-100pp

1H21 total interim dividend of 8 cents per share (cps) fully franked, including ordinary dividend of 5cps and special dividend of 3cps

1H21 dividend consistent with 1H20

1H21 ordinary dividend payout of underlying earnings[1] of ~125% but supported by cash flow which is higher than accounting earnings

1H total interim dividend represents 60% payout of Free cash flow after operating lease payments[1] less net finance costs paid

The Board expects to pay a total fully franked FY21 dividend of 16cps[3]

68% of cumulative net one-off nbn receipts received life to date[4] returned via fully-franked special dividends

1. Refer to definition in the Glossary.
2. Free cash flow after operating lease payments[1] less net finance costs paid.
3. Any return is subject to no unexpected material events, Board discretion having regard to financial and market conditions and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.
4. Life to date defined as since beginning FY18.

Capital position

	1H20	FY20	1H21
Gross debt	$18.6b	$17.3b	$17.4b
Cash and cash equivalents	$0.7b	$0.5b	$1.3b
Net debt	$17.9b	$16.8b	$16.1b
Average gross borrowing costs[1]	4.8%	4.6%	3.8%
Average debt maturity (years)[1]	3.6	3.9	3.7
Cash and unused bank facilities	$3.7b	$4.3b	$4.8b

Financial parameters[2]	Comfort Zones	1H20	FY20	1H21
Debt servicing	1.5 - 2.0x	1.9x	1.9x	2.0x
Gearing	50% to 70%	53.7%	52.7%	51.5%
Interest cover	>7x	11.8x	11.7x	13.6x

Ratios	1H20	FY20	1H21
Capex[3] to sales	11.7%	14.2%	13.3%
ROE[3]	15.6%	12.5%	15.2%
ROIC[3]	8.5%	7.6%	8.7%
Underlying ROIC[3]	6.0%	5.4%	4.5%

Net debt declined ~$0.7b in 1H21 with higher cash & equivalents. ~$3.4b in Lease liabilities included in gross debt

Average gross borrowing costs to continue to decline

Access to diverse and efficient sources of funding

Debt maturities well spread (see maturity profile in Appendix)

Strong liquidity. $1.3b of cash and now more normalised $2.4 billion of unused committed bank facilities as post-balance sheet date we entered into a new facility extending maturity profile and reducing total available facilities

Balance sheet strength and flexibility. Financial parameters remain within comfort zones

>$2b in total asset sales under T22 to support balance sheet. This includes Pitt St exchange and Velocity network in 1H21

Telstra Ventures portfolio had a look through value for Telstra shareholders of US$350 - US$400m at end 1H21

Target FY23 underlying ROIC of ~8%. Underlying ROIC expected to grow with earnings from 2H21

1. Excludes leases.
2. 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).
3. Refer to definition in the Glossary.

FY21 guidance (Updated)

	FY20	1H21	FY21 guidance Updated[1]
Total income	$26.1b	$11.8b	$22.6b to $23.2b
Underlying EBITDA[2,3] - Included in-year nbn headwind[4]	**$7.4b**	**$3.3b**	**$6.6b to $6.9b** ~$0.7b
Net one-off nbn DA receipts less nbn net C2C	$1.5b	$0.5b	$0.7b to $1.0b
Capex[5]	**$3.2b**	**$1.4b**	**$2.8b to $3.2b**
Free cashflow after operating lease payments[6]	**$3.4b**	**$1.9b**	**$3.3b to $3.7b**

1. This guidance assumes no impairments in and to investments or non-current tangible and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excludes the impacts of Pitt St exchange sale and leaseback. The guidance is based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance.
2. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments but includes depreciation of mobile lease right-of-use assets.
3. Guidance for FY21 underlying EBITDA assumes an estimated negative impact from the COVID-19 pandemic in FY21 of approximately $400 million. This estimate is approximately $200 million greater than the estimated negative impact from the COVID-19 pandemic for FY20 underlying EBITDA.
4. In-year nbn headwind defined as the net negative recurring EBITDA impact on our business.
5. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.
6. Free cashflow defined as 'operating cash flows' less 'investing cash flows' less 'payments for operating lease liabilities', and excludes spectrum and guidance adjustments.

Appendix

21

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$37b market capitalisation
- Public ASX20 company
- A$26b total income FY20
- #453 on Forbes' Global 2000
- A-/A2 investment grade rating from S&P and Moody's

Customers and people

- 19.0m retail mobile services
- 1.7m wholesale mobile services
- 3.7m Consumer & Small Business bundle and data services
- 195k Enterprise data and connectivity services
- ~340 retail stores in Australia
- We operate in 20+ countries and territories outside of Australia
- Employee engagement score 80

Leading in sustainability

- Certified as carbon neutral in our operations July 2020
- Helped ~2.6m customers to stay connected through COVID-19 support packages (FY20)
- Provided ~$150m of value through our social and community investment (FY20)

22

Capital management framework – as at 1H21

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 ~12% excluding spectrum from FY23[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), one-off restructuring costs and guidance adjustments. Guidance adjustments include impairments in and to investments or non-current tangible 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 spectrum and guidance adjustments, externally funded capex, and capitalised leases.

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 $2.7bn by FY22[1] / ROIC ~8% by FY23[1]

1. Net cost productivity targeted outcome increased from $2.5bn in February 2021. ROIC targeted outcome reduced from >10% in August 2020.

T22 outcomes – Progress

Outcomes		Metrics & Measures	1H21 progress to date
Customers	Market leading customer experience	▪ Increase NPS 3 to 6 points p.a. ▪ Double active app users from 4m to 8m by FY22 – 6m active users by FY20 ▪ Consumer & Small Business sales transactions through the digital channel: 24% by FY20, 45% by FY22 ▪ Active Enterprise customers on Telstra Connect: 4,000 by FY20, 7,100 by FY21 ▪ Increase average services per customer ▪ Eliminate two thirds of mass market servicing calls by FY22 – one third by FY20 ▪ Telstra Plus members: 2m by FY20, 5m by FY22	▪ Episode NPS (3MMA) increased 3 points against FY20 and decreased 1 point against 1H20 ▪ Strategic NPS (3MMA) improved 5 points against FY20 and 11 points against 1H20 with the highest group and segment scores since the survey began ▪ 4.42m active My Telstra and Telstra 24x7 app users, (FY20 4.36m, FY19 3.98m) ▪ C&SB digital sales increased to 39.8% (FY20 30.3%, FY19 16.8%, FY18 6.2%) ▪ C&SB digital service interactions maintained at 70.3% (FY20 71.3%, FY19 53.5%, FY18 39.5%) ▪ Telstra Connect is available to all 18k eligible customers. ~6k active customers in three months to December 2020 (FY20 6.6k active customers) ▪ Average services per customer 2.75 (FY18 re-baselined 2.62) ▪ Total mass market servicing calls to contact centres 5.3m year to date (down from FY18 35.8m) ▪ ~2.8m members of Telstra Plus loyalty program
Simpli-fication	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 ▪ Simplify from ~1800 to ~20 active Consumer & Small Business plans ▪ Services on in-market Consumer & Small Business plans: >3m by FY20, >10m by FY22 ▪ 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	▪ 7.58 million services on in market C&SB fixed and postpaid mobile plans ▪ Reduced active Enterprise products by 45% since FY18 to 341 ▪ Simplified and flattened structure removing on average >4 management layers ▪ Removed more than one in four management and executive roles (~30% reduction)

T22 outcomes – Progress (cont.)

Outcomes		Metrics & Measures	1H21 progress to date
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 ▪ Australia's largest 5G network ▪ Deliver 5x data growth at flat costs by FY21	▪ >1 million sq. km more mobile coverage than any other competitor ▪ Both our LTE-M and NB-IoT are now formally recognised as 5G technologies, enabling a head start to lead in IoT through the fifth-generation of mobile network development ▪ Resiliency investments reduced customer impact hours by nearly three-quarters since 2016 ▪ Regional: delivered 92 new blackspots sites in 1H21 to bring our total to date deployed under the federal government's blackspot program to 819 ▪ Ranked #1 for Ookla half-yearly (Q3 and Q4 2020) mobile speed-score results ▪ Ranked #1 for Netflix ISP Speed Index from February 2018 to December 2020 ▪ Telstra was 2nd in the December ACCC Measuring Broadband Australia Report for download speeds during busiest hour when underperforming/impaired lines are removed. In parallel there are ongoing discussions with the ACCC regarding survey methodology ▪ Our network experience monitoring shows our NBN download speeds during busy hours are 50.5Mbps for 50/20 plans and 100.5Mbps for 100/40 & 100/20 plans (12 week-rolling average) ▪ In 1H21 we built 53 new mobile sites, 1,111 5G sites (taking the total to 2,661) and completed 508 4G capacity augmentations ▪ We now have expanded 5G rollout to selected areas within 100+ cities and towns across Australia, with over 2,000 suburbs more than 50% covered with 5G ▪ Selected sites are low-band 5G ready and once recently secured device/chipset manufacturer support delivers commercial devices these will be activated to deliver better 5G coverage continuity and reach, both outdoors and indoors
Employees	Achieve Global High Performance Norm in employee engagement	▪ Agile teams at level 3 of Agile Maturity: 80% by FY20, >90% by FY22 ▪ 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	▪ >90% of Agile teams at level 3 Agile Maturity ▪ As at the end of December 2020 we had ~11k people in Agile at scale chapter areas ▪ Achieved 1 quartile increase in ease of doing business Organisational Health Index (OHI) ▪ Employee engagement score at 80 for Q2 (November) – measured through the Experience Pulse conducted quarterly for all eligible employees ▪ Reported ~6k net direct FTE reduction and ~16k net indirect FTE reduction since end of FY18 including some additional direct hires in response to COVID-19 to mitigate workforce offshore capacity issues. Including Feb-2021 proposed changes, we expect to be >90% through the committed FTE reductions by the end of FY21

T22 outcomes – Progress (cont.)

Outcomes		Metrics & Measures	1H21 progress to date
Cost reduction	Net cost productivity of $2.7bn by FY22[1]	▪ 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: ~$2.0bn vs updated FY22 target $2.7bn. $201m net reduction in 1H21 ▪ 1H21 total operating expenses (reported lease adjusted) decreased 9.8% to $8.1bn (1H21 $8.9bn) ▪ 1H21 nbn AVC/CVC costs increased $136m on PCP to $960m (1H20 $824m) ▪ 1H21 Labour cost to sales ratio 17.7% (1H20 16.5%, FY20 16.1%) ▪ We have improved our cost benchmarking position, moving from the bottom quartile in FY18 to the third quartile
Balance sheet	ROIC ~8% by FY23[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	▪ Underlying ROIC behind original target at launch of T22 with 1H21 4.5% (1H20 6.0%, FY20 5.4%). Revised ROIC target of ~8% by FY23 ▪ Exceeded target of monetising assets of up to ~$2bn including the sale of the Clayton data centre, the Sydney Pitt Street exchange and the Velocity and South Brisbane Fibre networks ▪ Announced intention to move to new company structure (InfraCo Fixed, InfraCo Towers, ServeCo) to improve the returns from our assets and to create optionality. Targeting to complete by end of calendar year 2021 ▪ EBITDA benefits of >$500m delivered from up to $3bn strategic investment by June 19

1.Net cost productivity targeted outcome increased from $2.5bn in February 2021. ROIC targeted outcome reduced from >10% in August 2020.

27

Supporting material

Building momentum and confidence

nbn impact

Telstra InfraCo

Product detail & operating expenses

Segment fully-allocated Income & EBITDA

Underlying earnings reconciliation

Telstra long-term debt maturity

Glossary

28

Building momentum and confidence

Ambition is to achieve mid-to-high single digit underlying EBITDA growth in FY22 and $7.5b - $8.5b of underlying EBITDA by FY23[1]

	Mobile	Fixed – Wholesale	Fixed – C&SB	Fixed – Enterprise: Data & connectivity	Fixed – Enterprise: NAS	Other	Productivity
FY21 indicator	▪TMMC lifting ~$3 in FY21 ▪ARPU & EBITDA growth in 2H21		▪nbn headwind tracking as expected, and to be largely complete by FY22	▪Mid-single digit revenue decline in FY21	▪Broadly flat 2H EBITDA vs PCP	▪COVID-19 impacts remain within our expectations ▪International growth	▪Tracking to ~$450m cost-out
Medium - term ambition[1]	▪Further EBITDA growth; early stage of monetising 5G growth cycle	▪Maintain EBITDA of ~$350m pa before returns to growth	▪Mid-teens nbn resale EBITDA % margin by FY23 ▪Accelerate on-net solutions	▪Return to growth by FY24	▪EBITDA growth & mid-teens margins from FY22	▪InfraCo unlocking value from efficiencies, growth and corporate restructure ▪New growth from adjacencies incl. Health & Energy	▪$2.7b by FY22 – up from $2.5b ▪Further opportunity beyond FY22
				▪Enterprise back to revenue & EBITDA growth by FY22 (mobile, fixed & International as a whole)			
		▪Less than $100m pa of losses in legacy					

Lower capex to sales of ~12%[2] to support free cash flow and ROIC target of ~8% by FY23

1. Telstra's ambition for its Underlying EBITDA in FY22 and FY23 is not guidance and there are greater risks and uncertainties in connection with this ambition. Further, the information on this slide across Mobile, Fixed, Other and Productivity is not guidance and is provided to illustrate some of the outcomes which management is focused on delivering as part of this ambition. Each is subject to a range of assumptions and contingencies including the actions of third parties.
2. Refer to definition in the Glossary.

nbn impact on EBITDA

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

Recurring nbn headwind	FY16 – FY20	1H21	FY21 est.[1]
+ Recurring nbn DA	+$0.5b	+$20m	~+$0.05b
+ Reduction in legacy access network costs	+$0.4b	+$40m	~+$0.1b
– Network payments to nbn	-$1.7b	-$140m	~ -$0.3b
– Wholesale legacy earnings decline	-$0.8b	-$100m	~ -$0.2b
– Retail decline **attributable to nbn** across Fixed-C&SB and Data & connectivity	-$0.9b	-$190m	~ -$0.3b
Total recurring nbn headwind	**-$2.6b**	**-$370m**	**~ -$0.7b**

As at end of 1H21, we estimate we have now absorbed around 85%[1] of the total headwind expected when migration to the nbn is complete

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

One-off nbn impact	FY13 – FY20	1H21	FY21 est.[1]
+ PSAA and ownership receipts for transitioning to nbn	+$8.9b	$0.6b	
– net one-off costs of migrating to the nbn	-$1.8b	-$0.1b	
Total Net one-off nbn DA receipts less nbn net C2C	**+$7.1b**	**$0.5b**	**$0.7b - $1.0b**

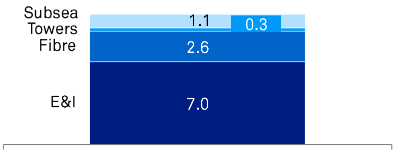
From 1 July 2020 until end of nbn migration, net one-off nbn DA receipts less nbn net C2C forecast at ~$1.2b pre-tax[1]

1. Based on management best estimates including key input of the nbn Corporate Plan.

Telstra Total InfraCo - Income

	1H20P[1]	1H21	CHANGE vs PCP
Total InfraCo Income[1]	**$2,176m**	**$2,042m**	**-6.2%**
Total Passive Assets Income[1]	**$1,301m**	**$1,331m**	**2.3%**
TowerCo / InfraCo Towers	$153m	$163m	6.5%
FibreCo	$404m	$406m	0.5%
Exchanges & Infrastructure (E&I)[2]	$744m	$762m	2.4%
Sub-sea cables	$80m	$81m	1.3%
Eliminations	-$80m	-$81m	-1.3%
Active wholesale fixed & mobile Income	**$875m**	**$711m**	**-18.6%**

1H21 Net book value of Passive assets $11b



Total InfraCo 1H21 Passive Asset Income of $1,331m includes:
- $686m internal revenue from Telstra ServeCo
- $448m from nbnCo
- $197m from other external customers

Towers revenue growth from continued demand including new builds and 5G coverage expansion from Telstra ServeCo, back billing, and other services

Fibre Co revenue largely flat across customers. In the half we entered the dark fibre for data centre interconnect and nbn POI sales and we see strong market demand

E&I revenue growth includes continued growth in Duct revenue and largely flat exchange access revenue. New 5-year deal with major telco for duct and exchange space and 10-year supply deal with Uniti as part of Velocity sale

Active wholesale fixed & mobile see 'Fixed – Wholesale' and 'Mobile' slides

1H21 Telstra InfraCo $11.0b assets down $0.3b from FY20P due to asset sales and ongoing depreciation

1. 1H20P Internal revenue and EBITDA presented on proforma like-for like view with 1H21 pricing methodology (as apposed to actuals reported in segment results).
2. Exchanges and Infrastructure represent the aggregation of Ducts, Data Centres, Exchanges and fixed network supporting infrastructure.

Telstra Total InfraCo - EBITDAaL[1]

1H21	Income	EBITDAaL[1]	EBITDAaL Margin	Indicative EBITDAaL margin range at full-cost run-rate[1]
Total InfraCo	**$2,042m**	**$1,387m**	**68%**	
Total Passive Assets	**$1,331m**	**$904m**	**68%**	
InfraCo Towers	$163m	$115m	71%	**63% to 70%**
FibreCo	$406m	$285m	70%	**64% to 68%**
Exchanges & Infrastructure (E&I)[2]	$762m	$458m	60%	**57% to 60%**
Sub-sea cables[3]	$81m	$49m	60%	**64% to 68%**
Eliminations	-$81m	-$3m		
Active wholesale fixed & mobile[4]	**$711m**	**$483m**	**68%**	

Total InfraCo 1H21 Passive assets **EBITDAaL includes** $424m from nbnCo

Passive assets deliver recurring, predictable, indexed earnings growth supported by **long-term contracts with nbn and Telstra ServeCo**

Asset Co standalone financial and proforma EBITDAaL margins expectations remain unchanged from November 2020 investor day

1H21 InfraCo EBITDAaL does not reflect full cost run-rate of costs given build out of business model

Full-cost run-rate to include higher labour, IT and lifecycle maintenance support costs.

Any cost increases in InfraCo will be offset with reductions at the total Telstra level, and included in group net cost reduction targets

1. EBITDAaL defined as Earnings Before Interest, Taxes, Depreciation, Amortization and after Leases. Includes $63m lease expense as operating expense for Total InfraCo and Total Passive assets.
2. Exchanges and Infrastructure represent the aggregation of Ducts, Data Centres, Exchanges and fixed network supporting infrastructure.
3. Sub-sea passive EBITDAaL margins aligned to domestic FibreCo access margins pending refinement.
4. InfraCo EBITDAaL excludes support costs incurred by other BUs which support the active wholesale fixed and mobile customer base.

Product performance: Mobile

	1H20	2H20	1H21	CHANGE vs PCP
Mobile Income	**$5,355m**	**$4,775m**	**$4,710m**	**-12.0%**
Mobile services	**$3,449m**	**$3,333m**	**$3,326m**	**-3.6%**
- Postpaid handheld	$2,508m	$2,405m	$2,352m	-6.2%
- Prepaid handheld	$388m	$385m	$404m	4.1%
- Mobile broadband	$325m	$315m	$316m	-2.8%
- Internet of things (IoT) & other	$124m	$111m	$127m	2.4%
- Wholesale	$104m	$117m	$127m	22.1%
Hardware, interconnect & Other[1]	**$1,906m**	**$1,442m**	**$1,384m**	**-27.4%**
EBITDA[2] Margin	$1,870m 34.9%	$1,607m 33.7%	$1,743m 37.0%	-6.8% +2.1pp
Customers – retail	18.5m	18.8m	19.0m	2.9%
Postpaid handheld mobile SIOs	8,381k	8,484k	8,564k	2.2%
Internet of things (IoT) SIOs	3,482k	3,784k	4,240k	21.8%
Postpaid handheld ARPU/mth	50.31	47.53	45.99	-8.6%
Postpaid handheld churn	12.3%	11.2%	10.7%	-1.6pp

Mobile income decline due to hardware on lower volumes and international roaming declines

Postpaid handheld 1H21 net adds of +80k incl. +22k Belong

Postpaid handheld ARPU declined 8.6% in 1H21, or 3.2% excluding international roaming. 3.2% decline due to:
- Increase from FY20/1H21 TMMC (+~$3) improvement and pricing changes flowing through, more than offset by accounting of new plans, out of bundle decline and dilution from Belong mix

Reported ARPU to return to growth in 2H21 vs PCP

Our 5G covers over 50% population with >750k 5G devices on our network. Customers on average consume 2x data on 5G. Average combined 4G and 5G mobile speeds faster than our competitors

Prepaid handheld revenue grew 4.1% with **+46k unique users** and average voucher size stable

Mobile broadband -2.8% revenue decline mainly due to reduction in prepaid SIOs, but revenue stabilised 1H21 vs 2H20

IoT growth in carriage offset by managed services decline
Wholesale net adds of +163k and revenue increased 22.1%

EBITDA grew sequentially but declined on PCP due to lower services revenue impacted by loss of international roaming. EBITDA to grow in 2H21 sequentially. We also expect full year FY21 growth on a PCP basis

1. Other includes media, Telstra Plus loyalty, Satellite & Other.
2. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.

33

Product performance: Fixed – C&SB

	1H20	2H20	1H21	CHANGE vs PCP
Fixed – C&SB Income[1]	**$2,623m**	**$2,460m**	**$2,426m**	**-7.5%**
On-net fixed	$837m	$616m	$462m	-44.8%
Off-net fixed	$1,244m	$1,351m	$1,470m	18.2%
Consumer content & services	$381m	$346m	$342m	-10.2%
Business apps & services	$99m	$94m	$94m	-5.1%
Intercon., payphones, E000	$62m	$53m	$58m	-6.5%
EBITDA Margin	$385m 14.7%	$182m 7.4%	$155m 6.4%	-59.7% -8.3p
C&SB Bundles & data SIOs	3,654k	3,709k	3,656k	0.1%
C&SB Bundles & data ARPU	$76.72	$75.37	$75.40	-1.7%
C&SB Standalone voice SIOs	871k	692k	554k	-36.4%
C&SB Standalone voice ARPU	$51.60	$48.96	$45.82	-11.2%

Fixed – CS&B impacted by nbn migration, legacy voice & Foxtel from Telstra decline. **Focus on long-term economics/margin & customer experience** incl. ARPU/TMMC thru differentiation, add-ons and plan mix (100Mbps+), greater efficiency through digitisation and automation, and supporting existing customers during COVID-19 disruption

1H21 retail bundles & data net adds of -53k incl. +11k Belong

On-net revenue decline and off-net revenue growth reflect nbn migration resulting in negative impact on profitability
nbn retail connections grew +196k to 3,421k with 46% total market share (ex-satellite). Almost 90% through migration in nbn fixed footprint
5G Home Internet to drive future on-net growth including with mmWave spectrum increasing capacity

Connectivity with Smart modems now 79% of bundles & data consumer base (71% FY20); **Telstra Plus Loyalty** program with ~2.8m members; Digitisation to support cost efficiency and customer experience

Consumer content & services supporting differentiation through Media (Telstra TV devices +26k to 1,686k), Gaming (SIOs +31k or 250% since FY20) & Platinum. Revenue decline due to lower Foxtel from Telstra SIOs

Business apps & services impacted by legacy product decline partly offset by growth in IP voice and video calling, and professional services

Bundles & data ARPU stable 1H21 vs 2H20. 70% of customers now on in-market plans and net migrating ARPU now positive
Standalone voice ARPU and SIOs declined from standalone voice abandonment and migration to bundles

EBITDA decline includes high margin legacy revenue reduction and growing nbn network payments, partly offset by cost-out. nbn resale % margin ~5% with mid-teens ambition by FY23

1. Includes $81m ($78m 1H20) TUSOPA Income. TUSOPA is run by Department of Infrastructure, Transport, Regional Development and Communications and the income is net of the levy paid.

34

Product performance: Fixed – Enterprise

	1H20	2H20	1H21	CHANGE vs PCP
Data & connectivity Income[1]	$607m	$586m	$563m	-7.2%
Data & connectivity EBITDA Margin	$390m 64.3%	$407m 69.5%	$330m 58.6%	-15.4%
Data & connectivity SIOs[1]	208k	203k	195k	-6.3%
NAS Income	$1,371m	$1,542m	$1,289m	-6.0%
Calling applications[2]	$426m	$402m	$366m	-14.1%
Managed services	$308m	$326m	$328m	6.5%
Professional services	$191m	$236m	$181m	-5.2%
Cloud applications	$119m	$127m	$127m	6.7%
Equipment sales	$194m	$306m	$157m	-19.1%
Other	$133m	$145m	$130m	-2.3%
NAS EBITDA Margin	$160m 11.7%	$192m 12.5%	$100m 7.8%	-37.5%
Fixed –Enterprise Income	**$1,978m**	**$2,128m**	**$1,852m**	**-6.4%**
Fixed –Enterprise EBITDA Margin	$550m 27.8%	$599m 28.1%	$430m 23.2%	-21.8% -4.6pp

1. Includes products across T-Fibre, NBN and copper access types.
2. Includes 1H21 Fixed & Legacy Calling including ISDN revenue of $175m (1H20 $256m 2H20 $213m).

Data & connectivity income declined 7.2% with fibre SIOs stable and decline in copper SIOs not fully offset by growth in nbn services. **ARPU decline improved** with focus on retaining and adding higher bandwidth SIOs

Data & connectivity EBITDA declined 15.4% with reduced revenue on a constant cost base. Adaptive networks strategy to maximise long-term economics

NAS income declined 6.0% due to legacy calling applications and lower margin equipment sales. Growth focus on recurring services and applications

Calling applications decline from legacy ISDN, inbound and fixed line calling products, partly offset by unified comms and collaboration product growth

Managed services growth due to increase in cyber security services attached to network customers and cloud based application growth

Professional services decline from completion of large strategic contracts, partly offset by growth in mobile and IoT professional services

Cloud revenue growth from partner cloud products including AWS and Microsoft, enabling managed service attachment

Equipment revenue declined on deferral of hardware spend due to market conditions and shift to cloud based technologies

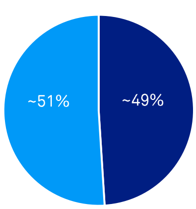
NAS EBITDA declined due to reduction in higher-margin legacy calling apps and professional services, announced pause on labour reductions, and one-off costs, partly offset by growth in managed services & cloud apps

Product performance: Fixed – Wholesale

	1H20	2H20	1H21	CHANGE vs PCP
Fixed – Wholesale Income	**$952m**	**$920m**	**$770m**	**-19.1%**
Data & connectivity	$188m	$179m	$176m	-6.4%
Legacy calling & fixed	$343m	$281m	$225m	-34.4%
Commercial & recoverable works	$421m	$460m	$369m	-12.4%
EBITDA Margin	$431m 45.3%	$466m 50.7%	$373m 48.4%	-13.5% +3.1pp
Fixed legacy SIOs	1,168k	719k	393k	-66.4%
Data & connectivity SIOs	37k	35k	33k	-10.8%

1H21 Income $770m

- Ongoing
- Legacy & nbn impacted



Fixed – Wholesale income decline attributed to legacy with growth in ongoing products:
- **Legacy & nbn impacted** (51% revenue from 61% in 1H20) includes copper and nbn commercial services
- **Ongoing** includes Telstra fibre including backhaul and transmission, passive asset charges for ducts, towers, and dark fibre, nbn reseller and recoverable works

Data & connectivity includes enterprise-grade wideband transmission and ethernet access in addition to small amount of legacy-copper based products that are being exited as the nbn rollout nears completion. Revenue decline driven by ongoing SIO reduction in enterprise grade copper products and price competition in wideband fibre products

Legacy calling & fixed includes legacy consumer-grade telephony and broadband, Facility Access, Telstra Exchange & Buildings Access and nbn Wholesale. Revenue reduction aligned to the continued Legacy fixed product SIO decline as nbn migration nears completion

Commercial and recoverable works revenue primarily relates to design, construction, maintenance, relocation of Telstra Infrastructure and other services in supporting the nbn. Revenue decline is due to nbn migration nearing completion

EBITDA declined slower than revenue on cost management. We expect continued 'Ongoing' growth, and by FY23 for legacy & nbn impacted revenues to bottom out with Data & connectivity growing. Our ambition is to maintain EBITDA of ~$350m pa from FY23 once the portfolio stabilises and returns to growth

Product performance: Global

($ amounts in AUD)	1H20	2H20	1H21	CHANGE vs PCP	CHANGE in constant currency
Global Income[1]	**$846m**	**$879m**	**$755m**	**-10.8%**	**-6.9%**
Fixed (legacy voice)	$140m	$139m	$105m	-25.0%	-20.9%
Data & connectivity	$532m	$543m	$488m	-8.3%	-3.8%
NAS and other	$174m	$197m	$162m	-6.9%	-4.7%
EBITDA Margin	$181m 21.4%	$196m 22.3%	$164m 21.7%	-9.4% +0.3pp	-10.7% +3.1pp

Global income declined in constant currency due to ongoing shift from low margin legacy voice, one-off transactions in the PCP. Data & connectivity and NAS revenue excluding one-offs declined 2.5% in constant currency

Fixed legacy voice declined 20.9% in constant currency due to continued market decline with strategic focus on maximising margin

Data & connectivity declined 3.8% in constant currency or +1% excluding one-offs due to growth in capacity in the Wholesale segment

NAS and other declined 4.7% in constant currency due to a reduction in low margin CPE sales and professional services

EBITDA declined 10.7% in constant currency. Excluding one-offs growth was +2% as cost initiatives and sales mix offset revenue decline

1. Enterprise Global excludes inter-segment revenue of $114m (1H20 $149m).

Product framework: operating expenses

	1H20	2H20	1H21	CHANGE $	CHANGE %
Mobile	$3,485m	$3,168m	$2,967m	-$518m	-14.9%
Fixed - C&SB	$2,238m	$2,278m	$2,271m	$33m	1.5%
Fixed - Enterprise (incl. NAS)	$1,428m	$1,529m	$1,422m	-$6m	-0.4%
Fixed – Wholesale	$521m	$454m	$397m	-$124m	-23.8%
Global	$665m	$686m	$594m	-$71m	-10.7%
Recurring NBN DA	$27m	$27m	$24m	-$3m	-11.1%
Other[2]	$119m	$93m	$149m	$30m	25.2%
Underlying	**$8,483m**	**$8,235m**	**$7,824m**	**-$659m**	**-7.8%**
One-off nbn DA and nbn C2C	$251m	$217m	$138m	-$113m	-45.0%
Restructuring	$198m	$61m	$60m	-$138m	-69.7%
Other guidance adjustments	-	-	$34m	$34m	NM
Reported lease adjusted[1]	**$8,932m**	**$8,513m**	**$8,056m**	**-$876m**	**-9.8%**

Mobile costs declined largely due to lower hardware costs

Fixed – C&SB costs increased largely due to nbn payments partly offset by productivity

Fixed - Enterprise (incl. NAS) costs largely stable

Fixed – Wholesale costs declined largely due to productivity and commercial works

Global costs declined on lower network costs to third parties

Underlying operating costs reduced 7.8%, due to lower hardware costs and productivity

In FY21, 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.
2. Other includes miscellaneous and Telstra Health.

C&SB, Enterprise & Wholesale fully allocated EBITDA[1]

		Underlying Income			Underlying EBITDA[2]		
		1H20	1H21	CHANGE	1H20	1H21	CHANGE
C&SB	Mobile	$4,475m	$3,848m	-14.0%	$1,484m	$1,353m	-8.8%
	Fixed - C&SB	$2,623m	$2,426m	-7.5%	$385m	$155m	-59.7%
	Other	$4m	-	n/m	-	-$3m	n/m
	Total	**$7,102m**	**$6,274m**	**-11.7%**	**$1,869m**	**$1,505m**	**-19.5%**
Enterprise	Mobile	$775m	$732m	-5.5%	$312m	$300m	-3.8%
	Fixed - Enterprise	$1,978m	$1,852m	-6.4%	$550m	$430m	-21.8%
	Other	$25m	$15m	-40.0%	$15m	$10m	-33.3%
	Global	$846m	$755m	-10.8%	$181m	$164m	-9.4%
	Total	**$3,624m**	**$3,354m**	**-7.5%**	**$1,058m**	**$904m**	**-14.6%**
InfraCo external	Mobile	$108m	$133m	23.1%	$76m	$92m	21.1%
	Fixed - Wholesale	$952m	$770m	-19.1%	$431m	$373m	-13.5%
	Recurring nbn DA	$427m	$448m	4.9%	$400m	$424m	6.0%
	Other	$2m	$5m	n/m	-$12m	-$12m	n/m
	Total	**$1,489m**	**$1,356m**	**-8.9%**	**$895m**	**$877m**	**-2.0%**
Other		$145m	$166m	14.5%	$53m	$38m	-28.3%
Underlying		**$12,360m**	**$11,150m**	**-9.8%**	**$3,875m**	**$3,324m**	**-14.2%**

Telstra Consumer and Small Business income decline includes legacy voice and mobile hardware. EBITDA decline due to revenue decline partially offset by lower costs and productivity

Telstra Enterprise Domestic decline is largely due to the decline in Fixed - Enterprise across both Data & Connectivity and NAS. Telstra Enterprise Global decline is driven by reduction in low margin voice traffic

We expect Total Enterprise to be back to revenue & EBITDA growth by FY22 (across mobile, fixed & International as a whole)

Telstra InfraCo external excludes internal access charges with decline due to Fixed – Wholesale legacy products and commercial works for nbn co. This was offset by increased recurring nbn DA and mobile

1. C&SB, Enterprise, InfraCo external exclude any off-one nbn DA and connection, and guidance adjustments attributable. Enterprise Global excludes inter-segment revenue. InfraCo is external and excludes internal access charges.
2. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.

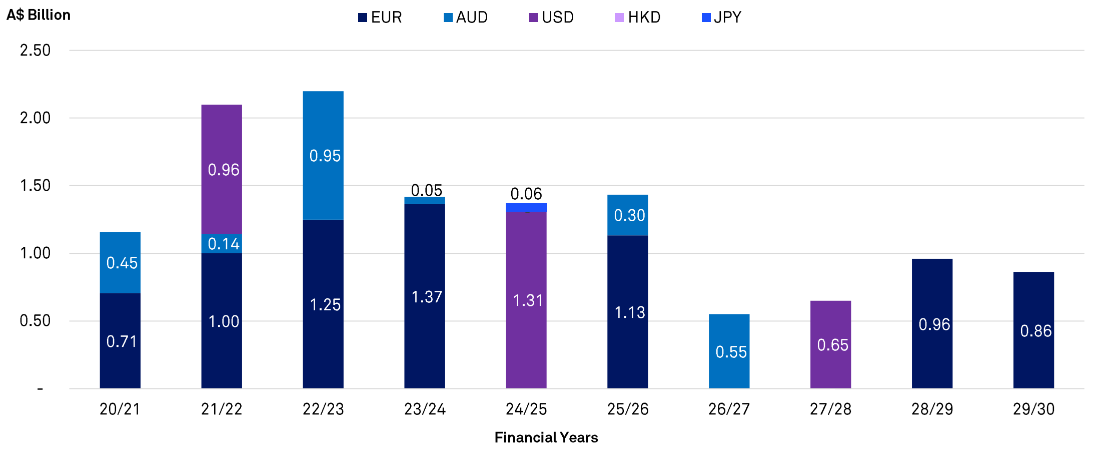
Underlying earnings

	Reported basis		Mobile handset Lease adjustments[2]		Restructuring/ other guidance adustments[3]		Net one-off nbn receipts[4]		Underlying earnings[1] basis		
	1H20	1H21	1H20	1H21	1H20	1H21	1H20	1H21	1H20	1H21	CHANGE
Total income	**$13,413m**	**$12,015m**			**-$14m**	**-$207m**	**-$1,039m**	**-$658m**	**$12,360m**	**$11,150m**	**-9.8%**
Operating expenses	$8,638m	$7,943m	$294m	$113m	-$198m	-$94m	-$251m	-$138m	$8,483m	$7,824m	-7.8%
Equity accounted entities	-$2m	-$2m							-$2m	-$2m	NM
EBITDA	**$4,773m**	**$4,070m**	**-$294m**	**-$113m**	**$184m**	**-$113m**	**-$788m**	**-$520m**	**$3,875m**	**$3,324m**	**-14.2%**
Depreciation and amortisation	$2,722m	$2,429m	-$294m	-$113m					$2,428m	$2,316m	-4.6%
EBIT	**$2,051m**	**$1,641m**			**$184m**	**-$113m**	**-$788m**	**-$520m**	**$1,447m**	**$1,008m**	**-30.3%**
Net finance costs	$375m	$307m							$375m	$307m	-18.1%
Income tax expense	$526m	$209m			$55m	$154m	-$236m	-$156m	$345m	$207m	-40.0%
NPAT	**$1,150m**	**$1,125m**			**$129m**	**-$267m**	**-$552m**	**-$364m**	**$727m**	**$494m**	**-32.0%**
Non-controlling interests	$11m	$27m				-$12m			$11m	$15m	36.4%

1. Refer to definition in the Glossary.
2. 'Reported lease adjusted' which includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.
3. Refer to half-year results and operations review – guidance vs reported results reconciliation which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY21 (set out in our ASX announcement titled "Financial results for the half year ended 31 December 2020" lodged with the ASX on 11 Feb 2021).
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.

Telstra long-term debt maturity profile

As at 31 December 2020[1]



1. Based on contractual principal values; excludes leases, revolving bank debt and short-term debt such as commercial paper.

Glossary

Term	Definition (unless separately defined in the slide footnotes)
Capex	Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases
Free cash flow after operating lease payments	‘operating cash flows’ less ‘investing cash flows’ less ‘payments for operating lease liabilities’, and excludes spectrum and guidance adjustments
Guidance adjustments	Guidance adjustments include impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Refer to half-year results and operations review – guidance vs reported results reconciliation which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY21 (set out in our ASX announcement titled “Financial results for the half year ended 31 December 2020” lodged with the ASX on 11 Feb 2021)
In-year nbn headwind or **nbn headwind**	The net negative recurring EBITDA impact of the nbn on our business for the reporting period. See ‘nbn impact on EBITDA’ slide for details of the in-year nbn headwind
Reported lease adjusted	‘Reported lease adjusted’ includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. 1H21 adjusted to include $113m (1H20 $294m) of reported depreciation of mobile handsets right-of-use assets in EBITDA. Mobile handset reported depreciation expected at ~$200m in FY21, and a small amount in FY22 following exit of new sales in June 2019.
ROE	Calculated as profit after tax attributable to equity holders of Telstra as a percentage of equity
ROIC	Calculated as Net operating profit after tax (NOPAT) as a percentage of total capital
Total Income	Total income excluding finance income
Underlying earnings	NPAT from continuing operations excluding net one-off nbn receipts, one-off restructuring costs and guidance adjustments. Guidance adjustments include impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. See ‘Underlying earnings’ slide for details of underlying earnings
Underlying EBITDA	EBITDA excluding net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments but includes depreciation of mobile lease right-of-use assets
Underlying ROIC	Calculated as NOPAT excluding net one-off nbn receipts, one-off restructuring costs and guidance adjustments less tax as a percentage of total capital. Guidance adjustments include impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum

Disclaimer

These presentations include certain forward-looking statements. The forward-looking statements are based on certain assumptions and information known by Telstra as at the date of these presentations.

The 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 Telstra's actual results, performance and achievements to differ materially from those expressed in, or implied by, the forward-looking statements 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; the ongoing impacts of the COVID-19 pandemic; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these risks, uncertainties and other factors are described in the "Chairman & CEO Message", "Our material risks" and "Outlook" sections of our Operating and Financial Review (OFR). The OFR is set out in Telstra's financial results for the year ended 30 June 2020 and in our 2020 Annual Report which were lodged with the ASX on 13 August 2020 and 28 August 2020 (respectively) and are available on Telstra's Investor Centre website www.telstra.com/investor.

In addition, there are particular risks and uncertainties in connection with the implementation of the Telstra2022 strategy (T22), 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 T22 may vary as plans are developed and third parties engaged; Telstra's ability to execute and manage T22 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.

Telstra does not provide financial guidance beyond the current financial year. Telstra's ambition for its Underlying EBITDA in FY22 and FY23 is not guidance and there are greater risks and uncertainties in connection with this ambition. The indicators provided in this presentation, including across Mobile, Fixed, Data & connectivity, NAS, Other and Productivity, are not guidance and is provided to illustrate some of the outcomes which management is currently focused on delivering as part of this ambition across the short to medium term. Each item and action subject to a range of assumptions and contingencies, including the actions of third parties. As with the implementation of T22, associated detailed business plans have not be developed in their entirety and the full scope and cost may vary as plans are developed and third parties engaged. Telstra's ability to realise these ambitions will also depend on Telstra's ability to execute in accordance with the associated business plans (once developed).

Investors should not place undue reliance on the forward-looking statements. To the maximum extent permitted by law, Telstra gives no representation, warranty or other assurance in connection with, and disclaims all responsibility for, the accuracy and completeness of the forward-looking statements, whether as a result of new information, future events or otherwise.

In terms of the information provided in these presentations relating to the proposed restructure of the Telstra Group, any restructure is a complex process and we will need to navigate a range of existing commercial, regulatory, operational and other requirements. There may be delays in implementing some parts of the program, or they may not be implemented at all. No final decision has been made, there is additional work to be done, uncertainty remains and there will be an update in March 2021.

The assumptions underlying and the basis upon which we have provided our FY21 earnings guidance is set out on slide "FY21 guidance (Updated)". Defined terms are set out on the slide "Glossary".

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

All forward-looking figures and proforma statements in these presentations are unaudited and based on A-IFRS unless otherwise indicated. Certain figures may be subject to rounding differences.

All market share information in these presentations is based on management estimates having regard to internally available information unless otherwise indicated.

All amounts are in Australian Dollars unless otherwise stated.

nbn™, nbn co and other nbn™ logos and brands are trademarks of nbn co limited and used under licence.

The Spectrum device, and ™ Trade marks of Telstra Corporation Limited and ® Registered trade mark of Telstra Corporation Limited. Other trademarks are the property of their respective owners.

CEO & CFO SPEECH NOTES

TELSTRA HALF YEAR RESULTS

11 FEBRUARY 2021

ANDREW PENN – CEO

Slide 1 – Half year results 2021 - Andrew Penn Telstra CEO

Good morning and welcome to Telstra's results announcement for the half year ended 31 December 2020.

This morning I will make some introductory remarks and take you through an overview of our results. Vicki will then step you through the numbers in more detail before we move to Q&A.

2021 is a significant year for Telstra. It represents a turning point for the company in our T22 journey. A turning point in our financial outlook.

For the last 4 years, every year, we have had to face the confronting challenge of the financial headwinds which arise from the transfer of a material part of our business to the NBN. This has meant that we have started each of the last four years with our EBIDTA going backwards by up to $800m.

This has been occurring in a market where competition has led to material reductions in both fixed and mobile ARPUs as well as technology disruption and significant structural change across the industry.

In many ways it was these dynamics that provoked our T22 strategy that we announced almost three years ago. It was these dynamics, in conjunction with a conviction about how technology innovation was going to continue to accelerate, that led us to understand that we needed to radically transform.

We are substantially through the T22 program and it is delivering significant benefits leading to our financial turnaround.

That is why I say 2021 is a significant year for Telstra and I will demonstrate this in my presentation shortly.

In summary though, today we are reporting Underlying EBITDA for the first half of FY21 of $3.3b. Against this we are announcing guidance for the second half of $3.3 – 3.6b.

We do not usually provide explicit half year guidance. However, I thought it was helpful to do so this time to illustrate the turning point we are at.

The turning point is also illustrated by our ambitions for FY22 and FY23. These are not guidance but they do demonstrate our aspiration for mid to high single digit growth in Underlying EBITDA for FY22 and for Underlying EBITDA to be in the range of $7.5 – 8.5b in FY23.

This range is important to support a 16c dividend inside our dividend payout ratio and to deliver a ROIC of around 8%.

We know how important this dividend is to our shareholders and that is why and the board expects to pay a total dividend for FY21 of 16c per share including an interim dividend of 8c per share.

We also know how important the Group Restructure that we announced in November is to shareholders. We are therefore committed to progressing it this year, including the monetisation of towers.

So you can see, the strategies that we have been deploying are paying off. We are performing well in the market and our T22 program is delivering.

After a decade of disruption following the creation of the NBN, and with its rollout now declared complete, we can clearly see the path to underlying growth ahead.

Our investment in innovation and technology, digitisation and networks, improving our customer experience and being disciplined in our capital management, mean that Telstra is in a strong position to grow.

So now let me turn to results.

Slide 2 – Financial headlines

Total Income for the half decreased 10.4 per cent to $12b on a reported and guidance basis.

After adjusting for lease accounting, on a like-for-like basis, EBITDA decreased 11.7 per cent to $4b.

Underlying EBITDA on a guidance basis, which excludes one-off NBN income and restructuring costs, decreased 14.2 per cent to $3.3b.

Excluding the in-year NBN headwind, underlying EBITDA declined by approximately $180m. The estimated financial impact of COVID in the half was $170m.

Our underlying EBITDA in the half was consistent with our full year guidance of $6.5 to $7b. With our guidance for Underlying EBITDA in the second half at $3.3 – 3.6b, it follows our guidance range for the full year has narrowed to $6.6 to $6.9b.

NPAT decreased 2.2 per cent to $1.1b on a reported basis.

Free cashflow was up 88 per cent to $1.9b. This was due to working capital improvements related to reduced handset receivables from lower device sales, improved inventory and creditors.

The lower device sales followed the ongoing trend of customers holding onto their devices for longer as they have become more expensive as well as from lower store traffic from COVID related restrictions. This was also the main reason for lower Income in the period.

The Board has resolved to pay a fully-franked interim dividend of 8 cents per share, returning approximately $950m to shareholders.

As I have already mentioned the Board has also confirmed it expects the total dividend for FY21 to be 16c per share.

Slide 3 – Operating highlights

Turning then to the operating highlights for the half.

We continued to see strong customer growth in mobiles.

We added 80,000 net retail postpaid mobile services including 58,000 branded and 22,000 from Belong. This is the strongest branded performance in several halves and it reinforces the benefits of our clear leadership in 5G.

In Wholesale we added 163,000 services while we added a further 456,000 IOT services.

Importantly, in mobile, we saw our lead indicator – transacting minimum monthly commitment or TMMC, increase by $3.

Fixed had a more challenging half, we lost 53,000 net new retail bundles including 11,000 from Belong.

While we had negative net adds for the first time, encouragingly Bundle and standalone data ARPU in Consumer & Small Business has stabilised due to our focus on price, higher speed tiers, new add ons, improvements to Wi-Fi and the Telstra Smart Modem.

The Smart Modem is now in over 2.2 million homes – almost 80% of our consumer customer base and it was key to keeping customers connected when working and studying from home last year.

We also launched our Adaptive Networks product in Enterprise during the period to mitigate downside risk from digital disruption and competition from NBN and to support its return to growth.

One sector where we have seen digitisation accelerate dramatically is in healthcare technologies.

Telstra Health is strategically very well positioned in this growing market and income was up 17% in the half with further improvements in EBITDA.

In customer experience, some aspects of our service were impacted in 2020 as a result of workforce capacity challenges. These flowed directly from the COVID related working restrictions, particularly overseas.

Pleasingly service levels were recovered in the second half of the calendar year and Episode NPS improved by three points in the half albeit was down one point when compared to 31 December 2019.

I am very conscious of the delays some customers have experienced in trying to contact us and I want to apologise for those. I also know not all aspects of our customer experience are yet where we need them to be and we have more work to do.

However, I am confident that the many initiatives we have taken under our T22 program, in simplifying the business and digitisation will further improve customer experience.

Also, notwithstanding these specific challenges, Strategic NPS has improved five points in the last six months and 11 points in the last 12 months.

Finally, on our operating highlights, we have made very strong progress in our productivity program. For the half year underlying fixed costs were down $201m and total operating expenses were down $876m.

This brings the total annualised cost reductions achieved under our productivity program to $2b and today we are upgrading our productivity outlook to $450m for FY21 and $2.7b for the T22 program.

Slide 4 – Underlying EBITDA growth ambition

Before I talk more about the progress we have made on our T22 program in the half, let me come back to the point I made in my introduction about being at a turning point.

The progress we have achieved in our T22 program shows that we are building financial momentum.

The left-hand side of this slide shows the evolution of Underlying EBITDA over the last several halves with the guidance provided for the second half of FY21 of $3.3 - 3.6b.

The chart on the right shows the evolution of our full year Underlying EBITDA including guidance for FY21 and the aspirations for mid to high single digit growth in FY22 and to be in the range of $7.5 – 8.5b in FY23.

As I mentioned before, the figures for FY22 and FY23 are not guidance, they are aspirations or ambitions so there are greater risks and uncertainties associated with them compared to our guidance statements.

Nonetheless the charts clearly demonstrate why I say we are at a turning point.

Slide 5 – Underlying EBITDA growth drivers

I also want to comment on what sits behind this and draw out some of the key underlying operating metrics we have been focussed on improving.

The first is post-paid handheld TMMC, which as you know is the leading indicator for ARPU. TMMC increased by around $3 in the first half and we expect it to increase by a similar amount in the second compared to its prior corresponding period.

We are confident therefore that mobile ARPU has also reached a turning point and will return to growth in the second half of FY21.

Secondly, Consumer & Small Business fixed bundle ARPU's have stabilised. We expect this to continue into the second half as we focus on building value and achieving mid-teens NBN resale EBITDA margins by FY23.

Thirdly, as I have mentioned, we have continued to make strong progress against our productivity target reducing underlying fixed costs by $201m during the half with another approximately $250m expected in the second half and $450m next year.

Slide 6 – Underlying EBITDA – reducing headwinds

At the same time the major headwinds we have been facing from the migration to the NBN are coming to an end.

The in-year NBN headwinds peaked in the second half of the last financial year, reduced this half and will be substantially less in FY22.

We also expect COVID impacts to reverse over time. After an estimated $200m impact in FY20, we expect a $400m impact in FY21. This will be weighted to the second half with an estimated $170m in the first.

So this is why I am optimistic we are at a turning point financially.

Slide 7 –T22 strategy – Progress [Pillar 1]

With that, let me turn back to this year and comment on our progress with our T22 strategy and initiatives.

We are now on track to deliver more than 80% of our T22 scorecard metrics.

Against the first pillar of T22, we have more than 7.6 million services on our 20 Consumer and Small Business in market plans. We also have 2.8 million members signed up to our loyalty program, Telstra Plus and we are seeing strong engagement from these customers.

For Consumer and Small Business customers, digital sales interactions are up 10 percentage points to 40 per cent compared to FY20 which was already up strongly on the previous year.

Overall digital service interactions now account for more than 70 per cent of all service interactions.

Under our T22 strategy, our aspiration had been to reduce the number of calls to our call centres by two thirds by FY22. With the acceleration to digital we are already at this run rate, more than a year before the end of the program.

That means that over time we will need smaller call centres for these customers and more will work from home. We are on track to have all in-bound calls from our consumer and small business customers answered in Australia within the next 18 months and last week we closed our call centre in Cebu in the Philippines.

Today we are also announcing changes to another part of our customer strategy with our intention to transition to full ownership for all of our branded retail stores across Australia.

As more customers interact with businesses online as a result of COVID, we think now is the right time to bring back ownership to ensure a consistent and integrated customer experience across our online channels and entire store network.

At the height of COVID last year we were able to redeploy frontline staff from Telstra owned stores to assist customers through our digital channels or via the phone. It's this flexibility that we'll be able to unlock as more retail branded stores are under Telstra's ownership.

Telstra currently has more than 60 Telstra-owned and operated stores, with another 166 branded stores run by individual licensees and a further 104 stores operated by the Vita Group.

Vita Group and individual licensees have been notified of the plan with discussions and transition arrangements expected to progress over the coming months.

Importantly we know that in many regional and rural towns, the local Telstra store is a valued part of the community providing support and connectivity to a range of businesses and industries. This will not change, and neither will our commitment to ensuring current licensee store customers continue to receive an excellent level of service.

Slide 8 – T22 strategy – Progress Pillar 2 [InfraCo]

Turning to InfraCo.

We have made continued progress in the establishment of InfraCo.

It is now a fully operational business function with separate accountabilities and reporting.

For InfraCo Towers, we are finalising the inter company agreements and are now setting up separate IT systems.

We are also undertaking the necessary significant due diligence across the asset classes to ensure we have fully documented inventories of a standard acceptable to third party investors.

One of the reasons for setting up InfraCo was to provide for an increased level of operational and commercial focus on the assets through a dedicated CEO and management team.

Encouragingly we are starting to see the benefits of this.

In the half, total passive income was up 2.3% to $1.3b, EBITDA after leases was $904m at a 68% margin.

Our new dark fibre product has been well received by our customers with more than 20 services ordered or complete. We also won two significant Government contracts for tower services in Tasmania and New South Wales.

We have also started simplifying our field infrastructure maintenance with a goal of reducing from more than 20 vendors to 5 and driving operational efficiencies.

On the Group restructure we announced in November, we have commenced detailed consultations with stakeholders including Government, regulators and NBN. We have also appointed key advisers and are working with them on a detailed implementation timetable.

We anticipate making a further announcement in March to set this out for the market including the major steps we will need to go through to give effect to the restructure.

It remains our intention to complete the restructure by the end of the calendar year.

On towers, as outlined at our November Investor Day, once established InfraCo Towers will own and operate the largest mobile tower network in Australia.

We have been conducting detailed due diligence and documentation to support launching the monetisation process with potential investors in the third quarter of 2021 with binding offers to be submitted in the fourth quarter.

Slide 9 –T22 strategy – Progress [Pillars 3-4 and networks]

Turning to Pillars Three and Four.

Our workforce continues to change significantly. Since June 2018, when we launched T22, we have reduced 22,000 roles including 6,000 from our direct workforce and 16,000 from our indirect workforce.

This needs to be put in the context of a very significant part of our business and associated work being progressively transferred to the NBN over the last few years. Indeed NBN today is itself a very significant employer.

At the same time, we have recruited more than our planned 1,500 new roles with skills in new areas such as software engineering, data analytics and cyber security.

We have also further progressed our journey to introduce agile ways of working and today we have around 11,000 people across the business working in Agile. We anticipate being fully Agile across the business by the end of the calendar year.

Last year we announced a pause on our T22 job reductions to give our people as much certainty as possible during the very challenging time we all experienced through COVID. We extended that pause to February this year which is obviously where we are today and so last week we announced the next wave of proposed organisational changes.

With these, and subject to appropriate consultations, by June we expect to be more than 90 percent through our T22 target to reduce our direct workforce by 8,000 net roles and to have completed it by the end of the calendar year.

In terms of reductions in indirect headcount, it was initially our expectation to reduce by around 25% or 10,000. However, we have already reduced 16,000 and we expect to make further reductions to our indirect workforce due to the significant progress we have made in digitising the business. The majority of these roles have been offshore.

Needless to say these changes have been difficult for our people on top of the challenges presented by COVID particularly as they directly impact members of our team and their families.

I am proud therefore that our employee engagement has remained high with a score of 80 reflecting a concerted leadership effort to support everyone during this time.

Also under pillar four we have now exceeded our target of monetising up to $2b of assets to further strengthen our balance sheet. Announcements in the half included the sale of the Clayton data centre, the Pitt Street Exchange in Sydney and the Velocity and South Brisbane Fibre networks.

We also sold the business of our ecommerce subsidiary Neto which we acquired 6 years ago but no longer fits our strategy and we are currently in the final stages of negotiating contracts for the sale of our remaining stake in Sensis.

You will also recall we restructured Telstra Ventures through a partnership with Harbour Vest two years ago. That move has paid off with Telstra Ventures performing strongly.

Since inception, the team has completed 73 investments and achieved 25 liquidity events which have increased the value of the portfolio substantially. In the past half year, some of the portfolio highlights include the BigCommerce, Crowdstrike and Skillz IPOs as well as the Rancher investment and Cumulus Networks' acquisitions.

The valuation of the investments held by Telstra Ventures is recorded in reserves. We recorded a $187m increase in the valuation of these investments for the half year period.

On 5G we are not just leading in Australia but we are also among the leaders globally.

We have expanded our 5G rollout to selected areas in more than 100 cities and towns across Australia and the network now provides 5G coverage to more than 50% of the population. It is our intention to increase that to 75% by June.

Today we have around 1m 5G devices connected to the Telstra network and our average combined 4G and 5G mobile speeds are faster than our competitors. In fact, we recently achieved a world first 5G peak download speed record on a commercial network using mmWave spectrum of >5Gbps.

Not surprisingly therefore, we continue to lead the market in the major mobile industry network performance benchmarks including umlaut where we ranked #1 for best in test and best in data.

Slide 10 – T22 Strategy scorecard

Before I close, a few of comments on our T22 scorecard.

We have now delivered, or are on track to deliver, over 80 per cent of our T22 scorecard metrics.

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

Firstly, underlying ROIC. As announced at our FY20 results, we will not achieve our T22 ROIC target of greater than 10 per cent in FY23.

I know that is disappointing and I want to reassure shareholders that we are pulling all the levers available to us to improve performance.

As outlined at our investor briefing in November, our new target is 8% and with the ambitions I spoke to earlier, we can see our path to achieving this in FY23.

On NPS, we are on track with Strategic NPS but as I explained earlier we are slightly behind on our Episode NPS results.

The building out of our new technology stacks is also very well progressed but as in any IT project of this scale there are a few things that have right shifted.

However, the Enterprise stack is now live as are the agent-facing components and mobile products in Consumer and Small business.

Product launches onto the new stack have been accelerating in the first half and we expect this to continue in the second enabling us to also accelerate migration of customers.

Active app users have grown by more than 400,000 to 4.4 million. This is below where we had planned but reflects good progress on FY20.

We also need to build more momentum in average services per customer and we are continuing to target increased multi-product holdings through entertainment, mobile assurance and gaming add-ons.

Summary

Let me summarise.

The last 12 months have seen us navigate the profound disruptions from COVID. COVID has also highlighted that connectivity has never been more important.

We have seen a huge acceleration in the adoption of digital ways of working and living and these things are also crucial to a fast economic recovery for the country.

It is interesting to reflect on how seamlessly Australians were able to move to working from home, how quickly people adopted digital ways of working and living, and how we were able to support that with the necessary bandwidth, products and services.

None of that happened by accident. It happened for us because in 2016 we knew we would see a further acceleration in the use of technology so we invested $3b to build the networks of the future and completely rebuild our digital environment.

It happened for us because in 2018 we launched our T22 strategy to simplify and further digitise the business.

And it happened for us because we continue to make excellent progress in implementing this strategy.

Those investments are transforming Telstra. We are now less than 18 months from completing T22. We have achieved an extraordinary amount and Telstra today is a leaner, more responsive, and more agile company than it has ever been.

I said in my opening, 2021 is a significant year for Telstra. I know we have more to do, but we have reached an important turning point financially and we look to the rest of the year with great confidence in our ability to deliver our strategic ambitions.

Slide 11 – 2021 priorities

Our key priorities for the next 12 months include:

Firstly, making sure we drive the key operating metrics I highlighted earlier which will be instrumental to delivering the financial turnaround.

Secondly, finishing the job on T22 including the final stages of the digitsation program and the migration of customers at scale to our new technology platforms.

Thirdly, delivering on our Group restructuring plans, including the reorganisation of the company into the three separate entities InfraCo Fixed, InfraCo Towers and Serve Co and the monetisation of towers.

Fourthly, further extending our leadership in 5G and rolling out to 75% of the population by June, and

Finally, further improving our customer service by bringing our retail experience in house and onshore. This means meeting our commitment to answer all inbound calls from our consumer and small business customers in Australia within the next 18 months and commencing the process to bring our licensee stores back in house.

With that we will have truly transformed Telstra through our T22 program and set the company up for success in the digitally driven and exciting future ahead.

We will have built the capabilities to take advantage of the opportunities this presents and we will announce how we will leverage these and what comes after T22 at our Investor Day in November.

Can I close by acknowledging that the progress we have made is due to the combined efforts of our many dedicated employees. Despite the disruptions and impact on them personally from COVID, every day they have focussed on working for our customers and keeping Australians connected and for that I want to sincerely thank them.

Thank you and with that I will hand over to Vicki before we open for Q&A.

VICKI BRADY – CFO

SLIDE 12 – TELSTRA HALF YEAR 2021 RESULTS

Thanks Andy.

Good morning everyone and thank you for joining us.

I'd like to begin by recognising that I am joining you from the land of the Gadigal people of the Eora nation. I acknowledge their ancient and ongoing connection to this land and their culture. And I welcome any Aboriginal and Torres Straight Islanders joining us today.

SLIDE 13 – INCOME STATEMENT

Turning to the details of our financial performance for 1H21, which you can see on slide 13.

The numbers on the left of this slide are our reported statutory results.

The numbers on the right are 'Reported Lease adjusted', which includes depreciation of mobile handset lease expense as opex. This provides a like-for-like year-on-year view, given the exit of mobile lease plans. It is the view we use when managing the business, and which this presentation will focus on.

For 1H21, income was $12 billion, down 10.4 per cent.

On a reported lease adjusted basis, EBITDA declined 11.7 per cent to $4.0 billion. This decline included a $268 million reduction in net one-off nbn receipts, and a $297 million increase in restructuring and other guidance adjustments.

I'm pleased to say that our underlying EBITDA during the first half was in line with our expectations and our FY21 guidance. We are also pleased today to be upgrading our free cashflow guidance.

Underlying EBITDA was down $550 million or 14.2 per cent. The largest two contributors to this decline were an estimated $370 million of in-year nbn headwind, and approximately $170 million of estimated impacts related to COVID-19.

Our estimate for COVID-19 is based on international roaming declines, delayed cost-out, additional customer support and deferred NAS professional services.

If both the in-year nbn headwind and estimated COVID impacts were excluded, underlying EBITDA was broadly flat.

Our total operating expenses declined 9.8 per cent including a $201 million or 6.6 per cent decline in underlying fixed costs.

Depreciation and Amortisation, declined 4.6 per cent, on a reported lease adjusted basis. This is consistent with the expected full year decline of around $300 million due to assets associated with nbn completion and legacy IT assets fully depreciating.

Net finance costs declined due to lower average borrowing cost, thanks to recent refinancing at lower rates.

Income tax expense declined 60 per cent on a low effective tax rate associated with M&A and asset sales, as existing capital losses were used to offset capital gains. Excluding these one-off factors, our underlying effective tax rate was close to 30 per cent.

Reported NPAT was $1.1 billion, down 2.2 per cent.

SLIDE 14 – INCOME BY PRODUCT

Looking now at income by product, which you can see on slide 14, which reflects the new product reporting framework we announced in January.

Underlying income declined $1.2 billion or 9.8 per cent.

Excluding the in-year nbn headwinds, and lower international roaming fees due to travel restrictions, income declined 6.5 per cent. Of this decline over two-thirds was due to a reduction in hardware.

There is detail in the appendix on each product, but I will touch on the most significant points.

Mobile income declined $645 million in 1H21. This was largely due to hardware revenue – which has minimal impact on EBITDA, and international roaming declines.

Handset and tablet volumes were around 450,000 lower than 1H20. The average price was also lower, helped by the higher Australian dollar.

The reasons for the decline in volumes vs the PCP were:

- Firstly, impacts of COVID slowing down sales, including foot traffic in retail stores down around 30 per cent,
- Secondly, customers holding handsets for longer,
- Thirdly, higher outright purchases through independent retailers, and
- Fourthly, a later release date for the iPhone.

Of these reasons, impacts of COVID on sales and the later iPhone release drove outcomes materially different to our estimates when we set guidance. We anticipate these impacts to continue in the second half.

Profit-generating domestic mobile service revenue, which has been in decline since FY17, was broadly flat excluding international roaming declines.

In postpaid handheld, net adds remained healthy across all segments.

Pleasingly, our lead indicator of postpaid handheld ARPU, Transacting Minimum Monthly Commitment, or TMMC, continued the positive momentum we have seen since 2019 - up by more than $3 in 1H21 vs PCP. We expect a similar increase in 2H vs PCP.

The sustained increased in TMMC as well as pricing changes are flowing through into ARPU.

However, Reported Postpaid handheld ARPU in 1H21 declined 8.6 per cent including a decline of around $140 million in international roaming. Excluding this, ARPU declined 3.2 per cent with uplifts from pricing changes more than offset by the continued downward impacts from:

- accounting for new plans which allocate more revenue to hardware,
- lower out of bundle excess voice and data fees,
- and finally, dilution from a higher mix of Belong customers, despite Belong TMMC and ARPUs growing in 1H21.

These impacts on ARPU will continue, but the thing that gives us most confidence in the outlook, is the flow through of pricing changes we are now seeing. In prior periods ARPU has had a negative drag from pricing trends, this turned positive in 1H21 and we are confident this will flow through even more strongly in 2H21.

Turning to other mobile categories:

- In prepaid handheld, an increase in unique users and voucher value returned the product to growth.
- mobile broadband, remained broadly stable sequentially with declines in prepaid offsetting postpaid growth, and
- our Wholesale business achieved strong revenue, SIO and EBITDA growth.

In Fixed – Consumer & Small Business, our focus is on improving the long-term economics and customer experience.

Income declined 7.5 per cent in 1H21, impacted by nbn migration, legacy voice and Foxtel from Telstra declines.

However, the decline in income from bundles & data was only 0.6 per cent. This reflects ARPU stabilising, as we hit a turning point thanks to customer migrations to in-market plans no longer being dilutive.

Around 70 per cent of our customers are now on in-market plans, and we are almost 90 per cent through migration of customers within the nbn fixed footprint. We remain focussed on increasing ARPU through differentiation, add-ons and plan mix.

Turning to Fixed – Enterprise, where income declined 6.4 per cent.

Fixed - Enterprise has two main categories:

Firstly, Data & connectivity where revenue was down 7.2 per cent, as we transition from providing virtual private corporate networks, to integrating over-the-Internet technologies, such as SDWAN with Telstra Fibre or NBN access.

Total-SIOs declined as copper exits were not fully offset by growth in NBN services –we are now around 65 per cent through the migration of enterprise services to the nbn. Importantly, Fibre SIOs were stable and ARPU decline slowed, as we focussed on retaining and adding higher-bandwidth SIOs.

Secondly, NAS has been reclassified following the introduction of our new product reporting framework to enhance transparency and align with our strategy.

NAS income declined 6.0 per cent. Single digit growth in Managed Services including security and Cloud Applications, was insufficient to offset structural declines in Calling Applications (including ISDN), as well as Equipment sales and Professional Services.

The result in Fixed – Wholesale, is attributable to legacy products, nbn headwinds, and commercial works declines. The ‘ongoing’ portfolio, which accounts for almost half of the revenue and includes passive infrastructure, grew.

There is other information on Infraco, consistent with Investor day, included in the appendix.

Finally, in Other, our health business continued to scale with revenue growing 17 per cent.

SLIDE 15 – OPERATING EXPENSES

Turning to our operating expenses, which you can see on slide 15.

We are very pleased to have achieved a significant reduction in costs during 1H21. Total costs declined 9.8 per cent, and underlying costs declined 7.8 per cent.

An increase in nbn payments of $136 million, was more than offset by the productivity gains we achieved.

Other sales costs declined $463 million, on lower hardware costs.

Underlying fixed costs reduced by $201 million, and we are now tracking to achieve a full year reduction in FY21 of around $450 million.

1H21 productivity was predominantly enabled by simplification and adoption of digital channels, ongoing focus on vendor costs and increased workforce efficiency.

Our proposal to move ahead with job reductions, which we paused until February this year, will deliver a run-rate reduction into FY22.

We have now achieved a $2 billion net reduction in underlying fixed costs since 2016. However, to have a world-leading cost base, we have more work to do. Based on our strong progress to date and outlook, we have lifted our net productivity target from $2.5 billion to $2.7 billion by the end of FY22.

Further reductions in FY22 are expected to be delivered from IT and Network Infrastructure costs, realisation of benefits from digitisation including product simplification, and customer self-service tools, as well as ongoing labour efficiencies.

We anticipate that delivery of this new target will get us to the top-quartile of the global benchmark for full service telcos by the end of FY22.

With the increased cost-target and jobs announcement earlier this month, we expect around $180 million of restructuring costs in FY21.

SLIDE 16 – EBITDA by product

Moving to EBITDA by product, on slide 16.

Mobile EBITDA declined $127 million vs PCP, but would have been broadly flat excluding the international roaming decline.

Mobile EBITDA also returned to growth sequentially in 1H21.

Our mobile business is clearly building positive momentum. We have strong 5G leadership and differentiation; TMMC is up with a higher proportion of customers choosing plans of $65 or higher; digital engagement is increasing; two thirds of mass market postpaid customers are on in-market plans; our loyalty program continues to scale; and we see value accretion across our multiple brands.

These factors give us confidence that mobile EBITDA will grow again sequentially in 2H21. We also expect full year FY21 growth on a PCP basis, and then further growth that will support our FY22 and FY23 financial ambitions.

Fixed - Consumer & Small Business EBITDA declined $230 million. This includes a revenue decline of around $200 million, and an increase of around $130 million in network payments to NBN, partially offset by cost reduction.

Our nbn reseller EBITDA margin was around 5 per cent in 1H21, and our ambition remains to grow this to mid-teens by FY23. Our strategy to achieve this includes a combination of initiatives targeting improvements in gross margin, such as speed tier mix and add on services. along with cost-to-serve reductions and delivery of productivity.

Legacy EBITDA has continued to decline with diseconomies of scale.

We remain excited by 5G Home Internet opportunities to drive future on-net growth, including through mmWave spectrum increasing capacity.

Turning to Fixed-Enterprise.

Data & connectivity EBITDA declined 15.4 per cent, due to reduced revenue on high-margin products, and largely stable costs. Our Adaptive networks strategy launched during the half is targeted at maximising long-term economics.

NAS EBITDA declined due to reductions in higher-margin legacy calling applications and professional services, along with the announced pause on labour reductions, and one-off costs negating the benefits of cost reductions. This was partly offset by growth in managed services and cloud applications.

We expect NAS EBITDA to be broadly flat vs PCP in 2H21, and then grow in FY22. We remain committed to achieving mid-teens margins from FY22.

Global EBITDA, excluding one-offs in the PCP and in constant currency, grew 2 per cent as cost initiatives, and mix offset the revenue decreases in Data & connectivity and NAS.

The commitments we've made about the future financial performance of our products are included on a slide in the appendix.

SLIDE 17 – FREE CASHFLOW

Turning to free cashflow, which you can see on slide 17.

Free cashflow, after operating lease payments, increased close to 90 per cent to $1.9 billion, largely due to working capital improvements.

This improvement reflects reduced hardware revenue, with reduced handset receivables, and improved inventory on lower handset volumes and average rate.

We have also managed our creditors and receivables position to deliver the favourable outcome. Some of the increase also reflects timing.

This means we are tracking ahead of our FY21 free cashflow guidance range, and are lifting the range to between $3.3 and $3.7 billion.

Capex is tracking consistent with guidance.

M&A disposals in the period included the Pitt St exchange property and Telstra's Velocity network.

We look forward to participating in April's mmWave spectrum auction, and note that payment terms include the option for five annual instalments rather than all payment upfront.

SLIDE 18 – DIVIDENDS

Moving to dividends, the Board has resolved to pay an interim dividend for 1H21 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 1H21 ordinary interim dividend, represents a 125 per cent payout ratio of underlying earnings, but is well supported by cashflow.

The total interim dividend, represent a 60 per cent payout of free cashflow, after operating lease payments, less net finance costs paid.

The Board understands the importance of dividends to our shareholders, and remains committed to the objectives of the Capital Management Framework.

As stated at last year's AGM, the Board is prepared to temporarily exceed the Framework's principle, of paying an ordinary dividend of 70-90 per cent of underlying earnings, in order to maintain the current dividend.

The Board stated it would consider the following factors in determining if it continues to do so:

- First, if our ambition for underlying EBITDA of $7.5 to $8.5 billion in FY23 is achievable
- Second, if the full-year free cashflow dividend payout ratio remains supportive, and we retain a strong financial position, and
- Third, if there are any other factors that would make the payment of the dividend at that level imprudent.

Based on this criteria, the board expects to pay an FY21 fully franked dividend of 16 cents per share.

SLIDE 19 – CAPITAL POSITION

Turning to our capital position, which you can see on slide 19.

Under our T22 strategy we have monetised over $2 billion in assets and our balance sheet and liquidity position remains strong.

Net debt declined around $700 million in 1H21, and we remain within our comfort ranges for all our credit metrics.

We have also updated our Capital Management Framework, consistent with the outlook for capex provided at the November 2020 Investor day. Principle 3 now states: Target capex/sales ratio of ~12 per cent, excluding spectrum, from FY23.

As discussed at Investor day, our revised T22 ROIC target, is for underlying ROIC of around 8 per cent by FY23, with a long-term ambition to grow ROIC.

SLIDE 20 – FY21 GUIDANCE (updated)

Turning now to our revised FY21 guidance, which you can see, along with the assumptions and conditions upon which we have provided them, on slide 20.

FY21 Income guidance is now $22.6 billion to $23.2 billion reducing ~$1.2 billion at the mid-point from prior guidance.

The large majority of the change is due to mobile hardware. I spoke earlier to how differently trading conditions have played out in the first half, compared to our expectations when we set guidance. Our outlook is also a few hundred million dollars lower than prior expectations in Global, largely due to exchange rate outcomes. These changes have minimal impact on EBITDA.

Underlying EBITDA is now expected to be in range of $3.3 billion to $3.6 billion in 2H21, which compares to $3.3 billion in 1H21.

We have therefore narrowed FY21 Underlying EBITDA guidance to be between $6.6 billion to $6.9 billion.

Our Underlying EBITDA guidance continues to assume an in-year nbn headwind, of approximately $700 million.

Due to timing of disconnections, we expect to be at the low-end of the net nbn one-off range.

The estimated COVID-19 impact in FY21, is unchanged at approximately $400 million.

Free cashflow after operating lease payments, is now upgraded to $3.3 to $3.7 billion, up $450 million at the mid-point.

For clarity, any acquisitions from licensees under our strategy announced today, to transition to full ownership of branded stores, is excluded from guidance free cashflow.

****

To conclude, 1H21 was an inflection point for the financial performance of our business.

Our underlying results remained challenged, including from ongoing nbn headwinds, legacy declines, and financial impacts of the COVID-19 pandemic.

However, our continued focus on T22 is delivering simpler, better outcomes for our customers and greater productivity, enabling us to increase our cost-out targets.

Product margin improvement is also imminent, and already occurring in mobile.

We see clear positive indicators of an improved financial trajectory, which we expect will return us to underlying EBITDA growth in FY22, and put us on the path to achieving our FY23 financial ambitions.

We therefore look forward with confidence.

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

We will now hand over to Nathan to take us through Q&A.

[END]

Half year results and operations review

Summary financial results	1H21 $m	1H20 $m	Change %
Revenue (excluding finance income)	**10,984**	12,164	(9.7)
Total income (excluding finance income)	**12,015**	13,413	(10.4)
Operating expenses	**7,943**	8,638	(8.0)
Share of net profit/(loss) from equity accounted entities	**(2)**	(2)	n/m
EBITDA	**4,070**	4,773	(14.7)
Depreciation and amortisation	**2,429**	2,722	(10.8)
EBIT	**1,641**	2,051	(20.0)
Net finance costs	**307**	375	(18.1)
Income tax expense	**209**	526	(60.3)
Profit for the period	**1,125**	1,150	(2.2)
Profit attributable to equity holders of Telstra	**1,098**	1,139	(3.6)
Capex[1]	**1,421**	1,366	4.0
Free cashflow	**2,666**	1,520	75.4
Earnings per share (cents)	**9.2**	9.6	(4.2)

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 1H21 results showing the business building momentum towards growth in its underlying business. On a reported basis, total income declined by 10.4 per cent, EBITDA declined by 14.7 per cent and NPAT declined by 2.2 per cent. Underlying EBITDA declined by 14.2 per cent on a guidance basis with the two largest contributors to the decline being the estimated impact from the in-year nbn headwind of $370 million and estimated $170 million impact from COVID-19. Excluding these impacts, underlying EBITDA was broadly flat compared with 1H20. Income tax expense declined 60.3 per cent on a low effective tax rate associated with M&A and asset sales transactions as existing capital losses were used to offset capital gains. Excluding these one-off impacts, our underlying effective tax rate was close to the statutory rate.

The execution of our T22 strategy continues with more than 80 per cent of the measures used to monitor progress against now delivered or on track for delivery. We reduced underlying fixed costs by $201 million or 6.6 per cent bringing the total underlying fixed cost reductions to around $2.0 billion since FY16 and have now increased our FY22 cost out target from $2.5 billion to $2.7 billion. We exceeded our $2 billion asset monetisation target with proceeds going towards strengthening our balance sheet, and also announced a corporate restructure which will maximise optionality and provide greater flexibility to monetise our passive infrastructure assets, including our towers.

Our multi-brand strategy continued to deliver mobile SIO growth as we added 80,000 retail postpaid handheld mobile services including 22,000 from Belong, 46,000 retail prepaid handheld unique users, and 163,000 Wholesale services in the half. We continue to extend our 5G leadership with more than 50 per cent of the population now covered by our 5G footprint and we will reach more than 75 per cent of the population by the end of June 2021. Today we have around 1,000,000 5G devices on our network.

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. The Board also expects to pay a fully franked final dividend of 8 cents per share, bringing the total dividend for FY21 to 16 cents per share[1]. Guidance was revised for total income ($23.2b-$25.1b to $22.6b-$23.2b), underlying EBITDA ($6.5b-$7.0b to $6.6b-$6.9b) and free cashflow after operating lease payments ($2.8b-$3.3b to $3.3b-$3.7b).

Other information

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 FY21 Executive Variable Remuneration Plan (EVP) metrics is included on page 11. For additional detail on these EVP metrics and targets, refer to pages 73-75 of our 2020 Annual Report available at https://www.telstra.com.au/aboutus/investors/financial-information/reports

Commentary reflects statutory and management accounts reporting.

[1] Any return is subject to no unexpected material events, Board discretion having regard to financial and market conditions and maintenance of financial strength and flexibility consistent with Telstra's capital management framework.

Results on a guidance basis[1]	1H21	FY21 Guidance
Total income	**$11.8b**	$22.6b to $23.2b
Underlying EBITDA	**$3.3b**	$6.6b to $6.9b
Net one-off nbn DA receipts less nbn net cost to connect	**$0.5b**	$0.7b to $1.0b
Capex	**$1.4b**	$2.8b to $3.2b
Free cashflow after operating lease payments	**$1.9b**	$3.3b to $3.7b

Guidance versus reported results[1]	1H21	1H21	1H21	1H20
	Reported results $m	Adjustments $m	Guidance basis $m	Guidance basis $m
Total income	**12,015**	(207)	11,808	13,414
Underlying EBITDA	**4,070**	(746)	3,324	3,875
Free cashflow	**2,666**	(773)	1,893	1,005

1. This guidance assumes no impairments in and to investments or non-current tangible and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excludes the impacts of Pitt St exchange sale and leaseback. The guidance is based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance. Total income excludes finance income. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net cost to connect, one-off restructuring costs and guidance adjustments but includes depreciation of mobile lease right-of-use assets. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex and capitalised leases. Free cashflow defined as 'operating cash flows' less 'investing cash flows' less 'payments for operating lease liabilities', and excludes spectrum and guidance adjustments. Refer to the *Guidance versus reported results* schedule. The adjustments within the tables in this schedule have been reviewed by our auditors.

We have updated our Capital Management Framework consistent with the outlook for capex provided at the November 2020 Investor Day. Principle 3 now states: 'Target capex/sales ratio of ~12 per cent, excluding spectrum, from FY23'.

On 11 February 2021, 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 interim dividend from 24 February 2021 with payment to be made on 26 March 2021.

The interim ordinary dividend represents a 125 per cent payout ratio on 1H21 underlying earnings[1] while the interim special dividend represents a 97 per cent payout ratio of 1H21 net one-off nbn receipts[2].

The Board is prepared to temporarily exceed our capital management framework principle of paying an ordinary dividend of 70 to 90 per cent of underlying earnings to maintain the dividend at its current level. The Board considers the following factors in determining whether to do so – (1) our ambition of underlying EBITDA of $7.5 billion to $8.5 billion from FY23 onwards is achievable; (2) full year free cash flow dividend payout ratio remains supportive and we retain a strong financial position; and (3) if there are other factors that would make the payment of the dividend at that level imprudent.

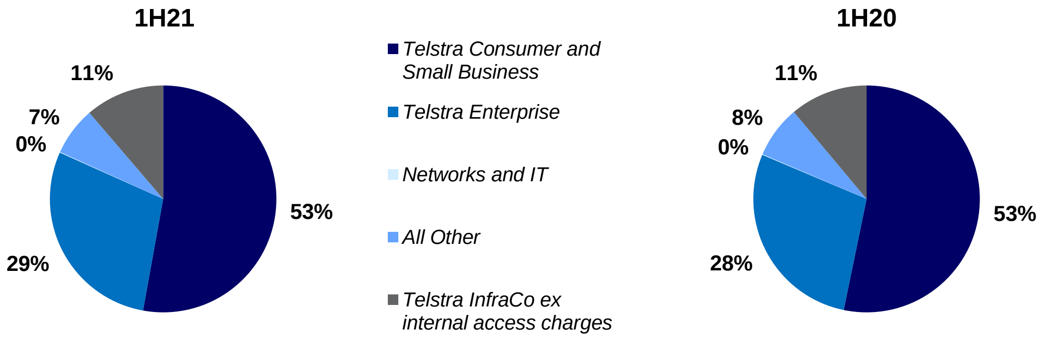
Our 1H21 underlying earnings were $494 million while net one-off nbn receipts were $364 million compared with underlying earnings of $727 million and net one-off nbn receipts of $552 million in 1H20.

1. "underlying earnings" is defined as net profit after tax from continuing operations excluding net one-off nbn receipts (as defined in footnote 2), one-off restructuring costs 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 impairments in and to investments or non-current tangible 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.

Segment total income



Total external income	1H21 $m	1H20 $m	Change %
Telstra Consumer and Small Business	**6,353**	7,141	(11.0)
Telstra Enterprise	**3,468**	3,773	(8.1)
Networks and IT	**11**	12	(8.3)
All Other	**827**	998	(17.1)
Telstra InfraCo including internal access charges	**2,042**	2,334	(12.5)
Internal access charges	**(686)**	(845)	18.8
Total	**12,015**	13,413	(10.4)

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 for Telstra Consumer and Small Business decreased by 11.0 per cent to $6,352 million impacted by a 7.5 per cent decline across fixed products including a 44.8 per cent decline in on-net revenue due to nbn migration and a 14.0 per cent decline in mobility revenue largely due to lower hardware revenue.

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

Income for Telstra Enterprise decreased by 8.1 per cent to $3,468 million impacted by a 6.4 per cent decline across fixed products including a 7.2 per cent decline in data and connectivity income as the decrease in copper services was not fully offset by nbn service growth, and a 14.1 per cent decline in calling applications revenue attributable to declines in ISDN, inbound and fixed line calling products.

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 decreased by 8.3 per cent to $11 million.

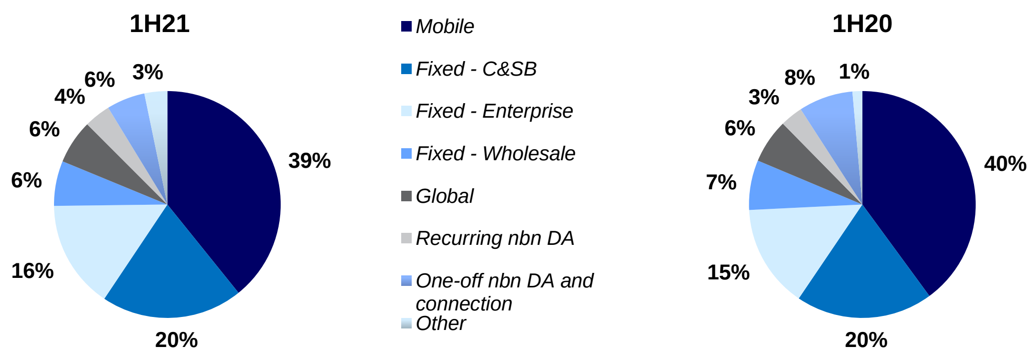
Telstra InfraCo
Telstra InfraCo is a standalone infrastructure business unit within Telstra. It is responsible for key network assets including data centres and exchanges, our fibre network (including mobile backhaul), mobile towers, international subsea cables, poles, ducts and pipes.

Telstra InfraCo income excluding internal access charges decreased by 8.9 per cent to $1,356 million due to expected declines from Telstra Wholesale legacy fixed products and commercial works for NBN Co. This was partly offset by increased recurring nbn DA receipts in line with the progress of the nbn™ network rollout and receipts for access to passive infrastructure, and an increase in wholesale mobility. Including internal access charges, income decreased by 12.5 per cent to $2,042 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 Telstra Health. Income decreased by 17.1 per cent mainly due to declines in Per Subscriber Address Amount (PSAA) receipts and ISA ownership receipts in line with the progress of the nbn™ network rollout.

Product performance

Product income breakdown



Product income	1H21 $m	1H20 $m	Change %
Mobile	**4,710**	5,355	(12.0)
Fixed – C&SB	**2,426**	2,623	(7.5)
Fixed – Enterprise	**1,852**	1,978	(6.4)
Fixed – Wholesale	**770**	952	(19.1)
Global	**755**	846	(10.8)
Recurring nbn DA	**452**	432	4.6
One-off nbn DA & connection	**658**	1,039	(36.7)
Other	**392**	188	n/m
Total	**12,015**	13,413	(10.4)

EBITDA contribution margins[1]	1H21 %	2H20 %	1H20 %	FY20 %
Mobile	**37.0**	33.7	34.9	34.3
Fixed – C&SB	**6.4**	7.4	14.7	11.2
Fixed – Enterprise	**23.2**	28.1	27.8	28.0
Fixed – Wholesale	**48.4**	50.7	45.3	47.9
Global	**21.7**	22.3	21.4	21.9
Recurring nbn DA	**94.7**	93.9	93.8	93.8
Net one-off nbn DA less nbn net cost to connect	**79.0**	77.5	75.8	76.6

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

On a reported basis, total income (excluding finance income) declined by 10.4 per cent to $12,015 million. On a guidance basis, total income (excluding finance income) was $11,808 million. Competitive pressure, legacy product and service declines, and the nbn™ network rollout continued to negatively impact income. International roaming revenue loss due to international travel restrictions and customer initiatives in response to COVID-19 also contributed to a decline in revenue. The decline has been partly offset by positive signs in mobile with continued growth in customer services and an increase in postpaid Transacting Minimum Monthly Commitment (TMMC).

More detail on each of the products are outlined below on a reported basis unless otherwise stated, presented in accordance with our new product reporting framework which was announced to the market on 13 January 2021. The restated product reporting framework is the result of a review to drive simplicity and better alignment with how we go to market, our T22 strategy and our financial ambitions.

Mobile

Mobile income declined by 12.0 per cent to $4,710 million largely due to lower hardware volumes (-$500 million) and international roaming declines (~-$150 million). Retail services in operation (SIO) increased by 254,000 in the half bringing the total to 19.0 million. We now have 8.6 million postpaid handheld retail SIOs, an increase of 80,000 in the half including 22,000 from Belong.

Postpaid handheld revenue decreased by 6.2 per cent to $2,352 million as net adds were offset by an 8.6 per cent ARPU decline from $50.31 to $45.99. Excluding the international roaming decline, ARPU decreased by 3.2 per cent as a $3+ TMMC improvement in 1H21 compared with 1H20 and pricing changes were offset by out of bundle revenue decline, accounting for new plans which allocate more revenue to hardware, and dilution from Belong customer mix.

Prepaid handheld revenue increased by 4.1 per cent to $404 million as unique users increased by 82,000 over the past 12 months (46,000 increase in the half). ARPU increased from $19.20 to $20.89 and the average voucher size stabilised.

Mobile broadband revenue decreased by 2.8 per cent to $316 million as an increase in ARPU was offset by a 119,000 reduction in SIOs over the past 12 months (97,000 decline in the half) including a reduction in prepaid customer services. Revenue stabilised from 2H20 to 1H21 as more people worked and studied from home.

Internet of Things (IoT) and other revenue increased by 2.4 per cent to $127 million while increasing SIOs by 456,000 in the half. Growth in carriage was offset by managed services decline.

Wholesale revenue increased 22.1 per cent to $127 million. Wholesale SIOs increased by 163,000 in the half bringing the total to 1.7 million as Mobile Virtual Network Operators (MVNO) plans on the Telstra mobile network continued to rise in popularity.

Hardware, interconnect and other revenue decreased by 27.4 per cent to $1,384 million largely due to lower handset sales.

Mobile EBITDA contribution margin increased by 2.1 percentage points to 37.0 per cent largely due to lower hardware revenue which is lower percentage margin than mobile services revenue.

Fixed – Consumer and Small Business (C&SB)
Fixed – C&SB income declined by 7.5 per cent to $2,426 million impacted by nbn migration along with declines in legacy voice and Foxtel from Telstra. C&SB bundles and standalone data SIOs declined by 53,000 including 11,000 additions from Belong in the half, bringing the total to 3,656,000.

We continue to lead the nbn market with a total of 3.4 million nbn connections, an increase of 196,000 in the half. Our nbn market share is now 46 per cent (excluding satellite) with the migration to nbn now almost 90 per cent complete. The Telstra Smart Modem is now being utilised by 79 per cent of our fixed data consumer base, providing a better experience on the nbn with strong Wi-Fi connectivity and mobile back up.

On-net fixed revenue, which is revenue from services on the Telstra network, decreased by 44.8 per cent to $462 million while off-net fixed revenue, which is revenue from services for which we are a reseller, increased by 18.2 per cent to $1,470 million as customers continue to migrate on to the nbn™ network.

Consumer content and services revenue declined by 10.2 per cent to $342 million due to lower Foxtel from Telstra SIOs despite growth in gaming.

Business apps and services revenue declined by 5.1 per cent to $94 million due to legacy product decline partly offset by growth in IP voice and video calling, and professional services .

Interconnect, payphones and E000 revenue declined by 6.5 per cent to $58 million mainly due to ongoing payphone usage and inbound calling services decline.

Fixed – C&SB EBITDA contribution margin declined by 8.3 percentage points to 6.4 per cent due to high margin revenue reduction and growing network payments to NBN Co, partly offset by fixed cost reduction.

Fixed – Enterprise
Fixed – Enterprise income decreased by 6.4 per cent to $1,852 million reflecting declines in data and connectivity income and NAS income.

Data and connectivity income declined by 7.2 per cent to $563 million. While the fibre SIO base has been retained, the copper SIO decline was not fully offset by nbn SIO growth.

NAS income decreased by 6.0 per cent to $1,289 million due to a decline in legacy calling applications including ISDN, and fewer lower margin equipment sales.

Within NAS, calling applications revenue declined by 14.1 per cent to $366 million due to ISDN, inbound and fixed line calling products. This was partly offset by growth in unified communications and collaboration product growth.

Managed services revenue increased by 6.5 per cent to $328 million as more network customers attached cyber security services and from growth in cloud based applications.

Professional services revenue decreased by 5.2 per cent to $181 million due to the completion of large strategic contracts, partly offset by growth in professional services relating to mobile and IoT.

Cloud applications revenue increased by 6.7 per cent to $127 million from partner cloud products including AWS and Microsoft, enabling attachment to managed services.

Equipment sales revenue declined by 19.1 per cent to $157 million from a general deferral of hardware spend due to market conditions resulting from COVID-19 and a shift to cloud based technologies.

Fixed – Enterprise EBITDA contribution margin declined by 4.6 percentage points to 23.2 per cent. Data and connectivity EBITDA contribution margin declined by 5.7 percentage points to 58.6 per cent reflecting reduced revenue on a constant cost base. NAS EBITDA contribution margin declined by 3.9 percentage points to 7.8 per cent due to reductions in higher margin legacy calling applications and professional services, announced pause on labour reductions, and one-off costs, partly offset by growth in managed services and cloud applications.

Fixed – Wholesale
Fixed – Wholesale income declined by 19.1 per cent to $770 million impacted by ongoing migration to the nbn, partly offset by growth in ongoing products including Telstra fibre.

Data and connectivity revenue decreased by 6.4 per cent to $176 million reflecting an ongoing SIO reduction in enterprise grade copper products and price competition in wideband fibre products.

Legacy calling and fixed revenue declined by 34.4 per cent to $225 million due to the continued legacy fixed product SIO decline as the nbn migration continues.

Commercial and recoverable works revenue declined by 12.4 per cent to $369 million as the nbn™ network rollout nears completion.

Fixed – Wholesale EBITDA contribution margin increased by 3.1 percentage points to 48.4 per cent due to strong cost out performance despite a decline in revenue.

Global
Global represents the international business of Telstra Enterprise. Income declined by 6.9 per cent in constant currency (CC) terms due to the continued move away from low margin legacy voice.

Fixed legacy voice revenue decreased by 20.9 per cent (CC) due to continued market decline and strategic focus on profitable revenue.

Data and connectivity revenue declined by 3.8 per cent (CC) however excluding one off benefits from early customer contract terminations in 1H20, was largely flat due to growth in capacity in the Wholesale segment.

NAS and other revenue decreased by 4.7 per cent (CC) due to a reduction in low margin customer premises equipment (CPE) sales, and a decline in professional services.

Global EBITDA contribution margin increased by 0.3 percentage points to 21.7 per cent reflecting cost initiatives and sales mix offsetting revenue declines.

Recurring nbn DA
Recurring nbn DA income includes infrastructure services across ducts, racks and backhaul provided to NBN Co. Income increased by 4.6 per cent to $452 million reflecting the nbn™ network rollout.

One-off nbn DA & connection
One-off nbn DA & connection income includes receipts from NBN Co for disconnecting customers from our legacy network, and one-off income we receive from customers to connect to the nbn™ network. Income decreased by 36.7 per cent to $658 million as migration to the nbn nears completion.

Other
Other product income includes Telstra Health and corporate adjustments. Corporate adjustments include items not related to products such as impact of bond rate movements on leave provisions. Income increased by $204 million to $392 million mainly due to a gain on sale and leaseback of the Pitt Street exchange property and other M&A transactions, and 16.6 per cent revenue growth in Telstra Health.

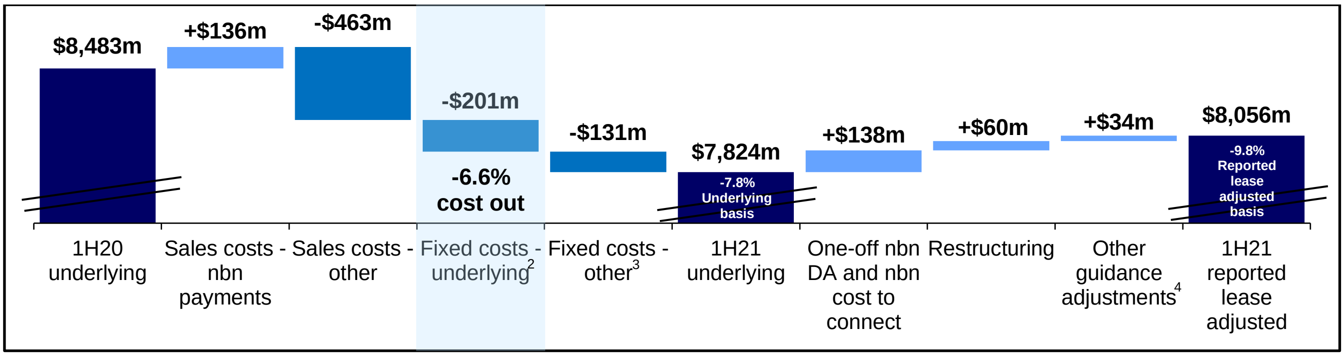
Expense performance

Total operating expenses declined by 8.0 per cent to $7,943 million on a reported basis and declined by 9.8 per cent to $8,056 million on a reported lease adjusted basis in part due to the 6.6 per cent or $201 million reduction in underlying fixed costs from our productivity program and a $138 million decrease in restructuring costs associated with T22 initiatives.

Sales costs, which are direct costs associated with revenue and customer growth, decreased by 7.3 per cent to $4,134 million due to a $463 million decline in other sales costs as a result of lower hardware costs, partly offset by a $136 million increase in nbn access payments. Other fixed costs decreased by 13.5 per cent while one-off nbn DA and nbn cost to connect declined by 45.0 per cent in line with the progress of the nbn™ network rollout. On an underlying basis, total operating expenses declined by 7.8 per cent as underlying fixed cost reduction exceeded increased nbn access payments.

In June 2018, we announced we would target a $2.5 billion annual reduction in underlying fixed costs by FY22 compared with restated underlying fixed costs of ~$7.9 billion in base year FY16. We have now achieved approximately $2.0 billion of annual cost out since FY16 and increased our FY22 target by $200 million to $2.7 billion.

Operating expenses[1]	1H21 $m	1H20 $m	Change $m	Change %
Sales costs	*4,134*	*4,461*	*(327)*	*(7.3)*
- nbn payments	960	824	136	16.5
- other	3,174	3,637	(463)	(12.7)
Fixed costs	*3,690*	*4,022*	*(332)*	*(8.3)*
- underlying[2]	2,851	3,052	(201)	(6.6)
- other[3]	839	970	(131)	(13.5)
Underlying	**7,824**	**8,483**	**(659)**	**(7.8)**
One-off nbn DA and nbn cost to connect	138	251	(113)	(45.0)
Restructuring	60	198	(138)	(69.7)
Other guidance adjustments[4]	34	-	34	n/m
Reported lease adjusted[5]	**8,056**	**8,932**	**(876)**	**(9.8)**
Lease adjustments[6]	(113)	(294)	181	n/m
Reported	**7,943**	**8,638**	**(695)**	**(8.0)**



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 $2.7b 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 handset lease, and product impairment.
4. Other guidance adjustments include M&A transactions.
5. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.
6. Refer to note 7 of the *Guidance versus reported results* schedule.

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	1H21	1H20	Change
	$m	$m	%
Labour	**2,033**	2,170	(6.3)
Goods and services purchased	**4,208**	4,622	(9.0)
Net impairment losses on financial assets	**78**	80	(2.5)
Other expenses	**1,624**	1,766	(8.0)
Total	**7,943**	8,638	(8.0)

Labour
Total labour expenses decreased by 6.3 per cent or $137 million to $2,033 million. Salary and associated costs increased by $72 million due to higher headcount including the additional FTE recruited to assist with customer service to support our COVID-19 response. Labour substitution costs declined by $142 million from a reduction in labour outsourcing which was partly due to our COVID-19 response as a portion of our labour substitution headcount shifted to be permanent. Employee redundancy costs decreased by $66 million due to the extension of our pause on job reductions in response to COVID-19.

Total FTE increased by 1.3 per cent or 367 to 28,637 including our COVID-19 response. FTE decreased by 1.1 per cent or 322 in the six months to December 2020.

Goods and services purchased
Total goods and services purchased decreased by 9.0 per cent or $414 million to $4,208 million.

Cost of goods sold, which includes mobile handsets and accessories, tablets, cellular Wi-Fi, broadband modems and other fixed hardware decreased by 22.9 per cent or $428 million to $1,440 million mainly due to lower handset and NAS equipment sales in 1H21.

Network payments increased by 3.6 per cent or $55 million to $1,582 million, including a $136 million increase in nbn access payments as customers migrate across to nbn services. Offshore network payments were $104 million lower mainly due to an associated decrease in revenue from a decline in voice and network traffic.

Other goods and services purchased declined by 3.3 per cent or $41 million to $1,186 million mainly due to a reduction in Foxtel service fees as a result of a decline in Foxtel from Telstra subscribers.

Net impairment losses on financial assets
Total net impairment losses on financial assets decreased by 2.5 per cent or $2 million to $78 million.

Other expenses
Total other expenses decreased by 8.0 per cent or $142 million to $1,624 million.

Service contracts and other agreements expenses declined by 11.2 per cent or $77 million to $611 million due to productivity and cost reduction programs. Impairment losses (excluding net losses on financial assets) increased by 96.4 per cent or $53 million to $108 million largely due to a $34 million impairment loss for our Sensis investment classified as held for sale at 31 December 2020. Other expenses decreased by 11.5 per cent or $118 million to $905 million primarily due to a $105 million decline in general and administrative costs.

Depreciation and amortisation
Depreciation and amortisation decreased by 10.8 per cent or $293 million to $2,429 million including a $171m decrease in depreciation of right-of-use assets. Review of asset service lives during 1H21 resulted in no change in depreciation expense and a $34 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 Australian dollars decreased our expenses by $31 million across labour, goods and services purchased, and other expenses. This foreign exchange impact was offset by a $36 million sales revenue decrease resulting in an unfavourable EBITDA contribution of $5 million.

Net finance costs
Net finance costs decreased by 18.1 per cent or $68 million to $307 million due to a $107 million reduction in interest on gross debt offset by $39 million net increase in other financing items largely relating to contracts with customers as set out in note 4.2.4. The reduction in interest on gross debt came from lower borrowing costs of $91 million and lower lease interest cost of $16 million. Lower borrowing costs reflect a reduction in average gross borrowing cost from 4.8 per cent to 3.8 per cent and lower debt on issue.

Financial position

Summary statement of cash flows	1H21 $m	1H20 $m	Change %
Net cash provided by operating activities	**3,443**	2,733	26.0
Net cash used in investing activities	**(777)**	(1,213)	35.9
- Capital expenditure (before investments)	**(1,597)**	(1,507)	(6.0)
- Other investing cash flows	**820**	294	n/m
Free cashflow	**2,666**	1,520	75.4
Net cash used in financing activities	**(1,836)**	(1,389)	(32.2)
Net increase/(decrease) in cash and cash equivalents	**830**	131	n/m
Cash and cash equivalents at the beginning of the period	**499**	604	(17.4)
Effects of exchange rate changes on cash and cash equivalents	**(34)**	2	n/m
Cash and cash equivalents at the end of the period	**1,295**	737	75.7

Capital expenditure and cash flow
Free cashflow generated from operating and investing activities was $2,666 million representing an increase of $1,146 million or 75.4 per cent. It was positively impacted by a $1,379 million improvement in working capital due to reduced handset receivables, and improved inventory and creditors positions, and a $408 million inflow from the sale and leaseback of the Pitt Street exchange property and other M&A transactions. This was partly offset by a $522 million decline in reported lease adjusted EBITDA largely due to a $268 million decline in net one-off nbn DA receipts and a $230 million decline in Fixed – C&SB EBITDA.

Net cash provided by operating activities increased by 26.0 per cent or $710 million to $3,443 million mainly due to a $2,175 million decrease in payments to suppliers and employees, partly offset by a $1,467 million decline in receipts from customers.

Net cash used in investing activities decreased by 35.9 per cent or $436 million to $777 million primarily due to a $289 million increase in proceeds from sale and leaseback and a $140 million increase in proceeds from sale of businesses.

Net cash used in financing activities increased by 32.2 per cent or $447 million to $1,836 million. This was largely due to $698 million in proceeds from the sale of units in a controlled trust in 1H20 and a $238 million increase in repayment of borrowings, partly offset by a $279 million increase in proceeds from borrowings.

Our accrued capital expenditure for the year on a guidance basis was $1,421 million or 13.3 per cent of sales revenue.

On a guidance basis free cashflow after operating lease payments was $1,893 million. Performance against guidance has been adjusted for free cashflow associated with the sale and leaseback of the Pitt Street exchange property (-$282 million), M&A (-$126 million), operating lease payments (-$396 million) and spectrum ($31 million).

Debt issuance	$m
Bilateral loan facilities	700
Proceeds under sale and leaseback transaction[1]	414
Other loans	15
Total	**1,129**

Debt repayments	$m
10 year AUD bond	(500)
Bilateral loan facility	(100)
Private placements	(145)
Other loans	(59)
Short term commercial paper and revolving bank facilities (net)	(443)
Total	**1,129**

1. Treated as a financial liability under accounting standards.

Debt position
Our gross debt position was $17,405 million comprising borrowings of $15,108 million, lease liabilities of $3,355 million less $1,058 million in net derivative assets. Gross debt increased by 0.4 percent or $62 million since 30 June 2020 due to a net increase in lease liabilities of $57 million and other non-cash increases of $123 million, partly offset by a cash reduction of $118 million in borrowings. Cash reduction in borrowings comprises debt issuance and proceeds from sale and leaseback of $1,129 million less debt repayments of $1,247 million.

Net debt decreased by 4.4 per cent or $734 million to $16,110 million reflecting an increase in cash holdings of $796 million and the increase in gross debt.

Financial settings	1H21 Actual	FY21 Comfort zone
Debt servicing[1]	2.0x	1.5x to 2.0x
Gearing[2]	51.5%	50% to 70%
Interest cover[3]	13.6x	>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.

We remain within our comfort zones for our credit metrics. Our debt servicing is 2.0 times (30 June 2020: 1.9 times), gearing ratio is at 51.5 per cent (30 June 2020: 52.7 per cent) and interest cover is 13.6 times (30 June 2020: 11.7 times).

Summary statement of financial position	31 Dec 2020 $m	30 Jun 2020 $m	Change %
Current assets	**7,385**	6,534	13.0
Non-current assets	**35,978**	37,869	(5.0)
Total assets	**43,363**	44,403	(2.3)
Current liabilities	**9,622**	10,094	(4.7)
Non-current liabilities	**18,556**	19,162	(3.2)
Total liabilities	**28,178**	29,256	(3.7)
Net assets	**15,185**	15,147	0.3
Total equity	**15,185**	15,147	0.3
Return on average assets (%)	**7.6**	8.0	(0.4)pp
Return on average equity (%)	**15.2**	12.5	2.7pp

Statement of financial position
Our balance sheet remains in a strong position with net assets of $15,185 million.

Current assets increased by 13.0 per cent to $7,385 million. Cash and cash equivalents increased by $796 million including proceeds from business and asset sales while derivative financial assets increased by $325 million largely from reclassification to current asset for instruments maturing within the next 12 months. This was partly offset by a $531 million decline in trade and other receivables and contract assets.

Non-current assets declined by 5.0 per cent to $35,978 million. Derivative financial assets decreased by $920 million due to a reclassification to current assets of instruments maturing with the next 12 months and foreign currency and other valuation impacts, property, plant and equipment declined by $495 million mainly due to depreciation expenses, and intangible assets decreased by $299 million mainly due to amortisation expense partly offset by software asset additions.

Current liabilities declined by 4.7 per cent to $9,622 million. Trade and other payables declined by $436 million mainly due to a $227 million decline in accrued capital expenditure while current tax payables decreased by $155 million as a result of payments of prior year tax provisions. This was partly offset by a $95 million increase in liabilities classified as held for sale relating to our Sensis investment.

Non-current liabilities declined by 3.2 per cent to $18,556 million. Borrowings decreased by $776 million largely from reclassification to current liabilities of debt maturing within the next 12 months, foreign currency and other valuation impacts partly offset by increases from bilateral loan facilities and proceeds from the sale and leaseback of the Pitt Street exchange property. This was partly offset by a $143 million increase in lease liabilities.

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 assumes no impairments in and to investments or non-current tangible and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excludes the impacts of Pitt St exchange sale and leaseback. The guidance is based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments but includes depreciation of mobile lease right-of-use assets. Free cashflow defined as 'operating cash flows' less 'investing cash flows' less 'payments for operating lease liabilities', and excludes spectrum and guidance adjustments.
The following adjustments provide a detailed reconciliation from reported to guidance results for each guidance measure:

	Total Income			Underlying EBITDA			Free Cashflow	
	1H20	1H21		1H20	1H21		1H20	1H21
	$m	$m		$m	$m		$m	$m
Reported Total Income	**13,413**	**12,015**	**Reported EBITDA**	**4,773**	**4,070**	**Reported Free Cashflow**	**1,520**	**2,666**
Adjustments								
M&A adjustment[1]	1	(105)	M&A adjustment[1]	1	(105)	M&A adjustment[1]	0	(126)
Sensis impairment[2]	n/a	n/a	Sensis impairment[2]	0	34	Sensis impairment[2]	0	0
Pitt St sale and leaseback[3]	n/a	(102)	Pitt St sale and leaseback[3]	0	(102)	Pitt St sale and leaseback[3]	0	(282)
Restructuring costs[4]	n/a	n/a	Restructuring costs[4]	183	60	Restructuring costs[4]	n/a	n/a
Net one-off NBN receipts[5]	n/a	n/a	Net one-off NBN receipts[5]	(788)	(520)	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]	33	31
Lease[7]	n/a	n/a	Lease[7]	(294)	(113)	Lease[7]	(548)	(396)
Guidance Total Income	**13,414**	**11,808**	**Guidance Underlying EBITDA**	**3,875**	**3,324**	**Guidance Free Cashflow**	**1,005**	**1,893**

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 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 1H21 we disposed of our e-commerce platform business, our FTTP Velocity business and acquired Epicon IT Solutions Pty Ltd (including its wholly owned subsidiary, Service Potential Pty Ltd) and Epicon Software Pty Ltd. 1H20 includes adjustments relating to the disposal of our investment in Chief Entertainment Pty Ltd.

2 Adjustment related to impairment loss for our Sensis investment that is classified as held for sale at 31 December 2020.

3 Adjustment relating to the sale and leaseback transaction of the Pitt Street exchange property.

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.

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
- payments for spectrum and apparatus licences in various spectrum bands

7 Adjustment for EBITDA impact for depreciation of mobile lease right-of-use assets. Adjustment for Free Cashflow impact of lease payments related to leases classified as operating leases prior to transition to AASB 16: 'Leases' (i.e. before 1 July 2019) and to any new leases accounted for after 1 July 2019.

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

Executive Variable Remuneration Plan (EVP) Metric Additional Detail

First half performance against FY21 EVP Performance Measures and Targets:

Weighting group	Performance Measure		Metric	Weighting	FY20 Baseline^	FY21* Threshold	FY21* Target	FY21* Max	1H21 Actual
Financial 60% of total weighting	Total Income		Telstra External Income (excluding finance income)	15.0%	$26,161m	Above bottom end of Market Guidance*	Approx. Midpoint of Market Guidance*	At or above top end of Market Guidance*	$11,808m
	Underlying EBITDA		Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments but includes depreciation of mobile lease right of use assets	15.0%	$7,409m				$3,324m
	Free Cash Flow (FCF)		Free Cashflow excluding M&A and spectrum plus operating lease payments (reported in financing cash flow under AASB 16)	15.0%	$3,415m				$1,893m
	Net Opex Reduction		Year-on-year reduction in operating non-Direct Variable Cost (DVC) expenses	15.0%	$615m	$350m	$400m	$500m	$201m
Strategic, Customer & Transformation 40% of total weighting	Episode NPS		Improvement in our Episode NPS	10%	+23	+30	+32	+34	+26
	Product Portfolio Simplification	Active Enterprise Products	TE Number of Active Plans, the target provides progress toward our T22 reduction of 50% by FY21	5%	422	328	308	268	341
		Services on in-market plans	Consumer and Small Business Fixed and Postpaid services on in-market plans	5%	4.86m	7.7m	8.2m	8.6m	7.58m
	Digital Engagement	Digital Delivery	Sale transactions through digital channels. The 35% target is the average of Q4 FY21 not an average of performance for the year.	5%	30.3%	33.5%	35.0%	45.0%	39.8%
		Telstra Connect	Active Telstra Enterprise customers on Telstra Connect in the last 3 months of FY21	5%	6,610	6,840	7,100	9,000	5,954
	People Capability & Engagement**		Top-line sustainable employee engagement score	10%	83	80	83	84	80

^ For FY21 targets, the baseline refers to FY20 results calculated on the same basis as the metric definition.
* Market Guidance means guidance for FY21 as set out in Telstra's ASX announcement dated 13 August 2020.
** The calculation of our People Capability and Engagement metric is based on asking our employees a series of engagement questions to help us understand how we are tracking against other global high performing companies. The questions for these engagement surveys are provided by an external service provider. For the second half of FY21 we will transition to a new service provider. However, it is expected that the FY21 target and performance range will remain the same as there is equivalence between the global high performing norm under both the current and new service provider engagement questions, ensuring that the same level of engagement is required for the metric to be satisfied and we continue to target a top-quartile sustainable employment score.

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			
	2020 $M	2019 $M	Change $M	Change %	**2020 $M**	2019 $M	**2020 $M**	2019 $M	Change $M	Change %
Revenue (excluding finance income)	**10,984**	12,164	(1,180)	(9.7)	**-**	-	**10,984**	12,164	(1,180)	(9.7)
Other income (ii)	**1,031**	1,249	(218)	(17.5)	**-**	-	**1,031**	1,249	(218)	(17.5)
Total income (excluding finance income)	**12,015**	13,413	(1,398)	(10.4)	**-**	-	**12,015**	13,413	(1,398)	(10.4)
Labour	**2,033**	2,170	(137)	(6.3)	**-**	-	**2,033**	2,170	(137)	(6.3)
Goods and services purchased	**4,208**	4,622	(414)	(9.0)	**-**	-	**4,208**	4,622	(414)	(9.0)
Net impairment losses on financial assets	**78**	80	(2)	(2.5)	**-**	-	**78**	80	(2)	(2.5)
Other expenses	**1,624**	1,766	(142)	(8.0)	**113**	294	**1,737**	2,060	(323)	(15.7)
Operating expenses	**7,943**	8,638	(695)	(8.0)	**113**	294	**8,056**	8,932	(876)	(9.8)
Share of net (loss)/profit from joint ventures and associated entities	**(2)**	(2)	-	-	**-**	-	**(2)**	(2)	-	-
	7,945	8,640	(695)	(8.0)	**113**	294	**8,058**	8,934	(876)	(9.8)
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)	**4,070**	4,773	(703)	(14.7)	**(113)**	(294)	**3,957**	4,479	(522)	(11.7)
Depreciation and amortisation	**2,429**	2,722	(293)	(10.8)	**(113)**	(294)	**2,316**	2,428	(112)	(4.6)
Earnings before interest and income tax expense (EBIT)	**1,641**	2,051	(410)	(20.0)	**-**	-	**1,641**	2,051	(410)	(20.0)
Finance income	**29**	108	(79)	(73.1)	**-**	-	**29**	108	(79)	(73.1)
Finance costs	**336**	483	(147)	(30.4)	**-**	-	**336**	483	(147)	(30.4)
Net finance costs	**307**	375	(68)	(18.1)	**-**	-	**307**	375	(68)	(18.1)
Profit before income tax expense	**1,334**	1,676	(342)	(20.4)	**-**	-	**1,334**	1,676	(342)	(20.4)
Income tax expense	**209**	526	(317)	(60.3)	**-**	-	**209**	526	(317)	(60.3)
Profit for the period	**1,125**	1,150	(25)	(2.2)	**-**	-	**1,125**	1,150	(25)	(2.2)
Attributable to:										
Equity holders of Telstra Entity	**1,098**	1,139	(41)	(3.6)						
Non-controlling interests	**27**	11	16	n/m						
	1,125	1,150	(25)	(2.2)						
Effective tax rate on operations	**15.7%**	31.4%		(15.7) pp						
EBITDA margin on revenue	**37.1%**	39.2%		(2.1) pp						
EBIT margin on revenue	**14.9%**	16.9%		(2.0) pp						
	cents	cents	Change cents	Change %						
Earnings per share (cents per share)										
Basic (iii)	9.2	9.6	(0.4)	(4.2)						
Diluted (iii)	9.2	9.6	(0.4)	(4.2)						

(i) From 1 July 2019 we have adopted AASB 16: 'Leases'. 'Reported Lease adjusted' provides a view of our mobile handset leases (Telstra as a lessee) which for management reporting purposes are treated as part of operating performance results. In particular, 1H21 and FY20 has been adjusted to include the reported depreciation of mobile handsets right-of-use assets in EBITDA.

(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 nbnTM 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			
	2020 $M	2019 $M	Change $M	Change %
Mobile				
Postpaid handheld	**2,352**	2,508	(156)	(6.2)
Prepaid handheld	**404**	388	16	4.1
Mobile broadband	**316**	325	(9)	(2.8)
Internet of Things (IoT)	**118**	116	2	1.7
Mobile wholesale	**127**	104	23	22.1
Other	**9**	8	1	12.5
Total mobile services	**3,326**	3,449	(123)	(3.6)
Hardware	**1,242**	1,741	(499)	(28.7)
Mobile interconnect	**150**	120	30	25.0
Media, Telstra Plus & other	**(8)**	45	(53)	n/m
Total Mobile	**4,710**	5,355	(645)	(12.0)
Fixed - C&SB				
On-net fixed	**462**	837	(375)	(44.8)
Off-net fixed	**1,470**	1,244	226	18.2
Consumer content & services	**342**	381	(39)	(10.2)
Business applications & services	**94**	99	(5)	(5.1)
Interconnect, payphones & E000	**58**	62	(4)	(6.5)
Total Fixed - C&SB	**2,426**	2,623	(197)	(7.5)
Fixed - Enterprise				
Data & connectivity	**563**	607	(44)	(7.2)
Calling applications	**366**	426	(60)	(14.1)
Managed services & maintenance	**328**	308	20	6.5
Professional services	**181**	191	(10)	(5.2)
Cloud applications	**127**	119	8	6.7
Equipment sales	**157**	194	(37)	(19.1)
Other	**130**	133	(3)	(2.3)
Total NAS	**1,289**	1,371	(82)	(6.0)
Total Fixed - Enterprise	**1,852**	1,978	(126)	(6.4)
Fixed - Wholesale				
Data & connectivity	**176**	188	(12)	(6.4)
Legacy calling & fixed	**225**	343	(118)	(34.4)
Commercial & recoverable works	**369**	421	(52)	(12.4)
Total Fixed - Wholesale	**770**	952	(182)	(19.1)
Global				
Fixed (legacy voice)	**105**	140	(35)	(25.0)
Data & IP	**488**	532	(44)	(8.3)
NAS & other	**162**	174	(12)	(6.9)
Total Global	**755**	846	(91)	(10.8)
Recurring nbn DA	**452**	432	20	4.6
Other product income	**392**	188	204	n/m
One-off nbn DA & connection	**658**	1,039	(381)	(36.7)
Total income	**12,015**	13,413	(1,398)	(10.4)

Total expenses

	Half-year ended 31 December			
	2020	2019	Change	Change
	$M	$M	$M	%
Salary and associated costs	**1,662**	1,590	72	4.5
Other labour expenses	**107**	108	(1)	(0.9)
Labour substitution	**199**	341	(142)	(41.6)
Employee redundancy	**65**	131	(66)	(50.4)
Total labour	**2,033**	2,170	(137)	(6.3)
Cost of goods sold	**1,440**	1,868	(428)	(22.9)
Network payments	**1,582**	1,527	55	3.6
Other	**1,186**	1,227	(41)	(3.3)
Total goods and services purchased	**4,208**	4,622	(414)	(9.0)
Net impairment losses on financial assets	**78**	80	(2)	(2.5)
Service contracts and other agreements	**611**	688	(77)	(11.2)
Impairment losses (excluding net losses on financial assets)	**108**	55	53	96.4
Other	**905**	1,023	(118)	(11.5)
Total other expenses	**1,624**	1,766	(142)	(8.0)
Total operating expenses	**7,943**	8,638	(695)	(8.0)
Property Plant & Equipment	**1,308**	1,397	(89)	(6.4)
Right of Use assets	**378**	549	(171)	(31.1)
Depreciation	**1,686**	1,946	(260)	(13.4)
Amortisation of intangible assets	**743**	776	(33)	(4.3)
Total depreciation and amortisation	**2,429**	2,722	(293)	(10.8)

Statement of Financial Position

	As at			
	31 Dec 20 $M	30 Jun 20 $M	Change $M	Change %
Current assets				
Cash and cash equivalents	**1,295**	499	796	n/m
Trade and other receivables and contract assets	**4,590**	5,121	(531)	(10.4)
Deferred contract costs	**99**	82	17	20.7
Inventories	**461**	418	43	10.3
Derivative financial assets	**472**	147	325	n/m
Current tax receivables	**4**	2	2	100.0
Prepayments	**291**	265	26	9.8
Assets classified as held for sale	**173**	-	173	n/m
Total current assets	**7,385**	6,534	851	13.0
Non-current assets				
Trade and other receivables and contract assets	**1,425**	1,428	(3)	(0.2)
Deferred contract costs	**1,346**	1,354	(8)	(0.6)
Inventories	**26**	28	(2)	(7.1)
Investments - accounted for using the equity method	**881**	897	(16)	(1.8)
Investments - other	**15**	21	(6)	(28.6)
Property, plant and equipment	**21,004**	21,499	(495)	(2.3)
Right-of-use assets	**2,950**	3,030	(80)	(2.6)
Intangible assets	**7,113**	7,412	(299)	(4.0)
Derivative financial assets	**1,091**	2,011	(920)	(45.7)
Deferred tax assets	**58**	66	(8)	(12.1)
Defined benefit asset	**69**	123	(54)	(43.9)
Total non-current assets	**35,978**	37,869	(1,891)	(5.0)
Total assets	**43,363**	44,403	(1,040)	(2.3)
Current liabilities				
Trade and other payables	**3,544**	3,980	(436)	(11.0)
Employee benefits	**714**	727	(13)	(1.8)
Other provisions	**118**	124	(6)	(4.8)
Lease liabilities	**525**	611	(86)	(14.1)
Borrowings	**2,818**	2,763	55	2.0
Derivative financial liabilities	**81**	54	27	50.0
Current tax payables	**69**	224	(155)	(69.2)
Contract liabilities and other revenue received in advance	**1,658**	1,611	47	2.9
Liabilities classified as held for sale	**95**	-	95	n/m
Total current liabilities	**9,622**	10,094	(472)	(4.7)
Non-current liabilities				
Other payables	**7**	4	3	75.0
Employee benefits	**164**	127	37	29.1
Other provisions	**135**	143	(8)	(5.6)
Lease liabilities	**2,830**	2,687	143	5.3
Borrowings	**12,290**	13,066	(776)	(5.9)
Derivative financial liabilities	**424**	320	104	32.5
Deferred tax liabilities	**1,512**	1,605	(93)	(5.8)
Defined benefit liabilities	**8**	8	-	-
Contract liabilities and other revenue received in advance	**1,186**	1,202	(16)	(1.3)
Total non-current liabilities	**18,556**	19,162	(606)	(3.2)
Total liabilities	**28,178**	29,256	(1,078)	(3.7)
Net assets	**15,185**	15,147	38	0.3
Equity				
Share capital	**4,426**	4,451	(25)	(0.6)
Reserves	**(59)**	5	(64)	n/m
Retained profits	**10,134**	10,017	117	1.2
Equity available to Telstra Entity shareholders	**14,501**	14,473	28	0.2
Non-controlling interests	**684**	674	10	1.5
Total equity	**15,185**	15,147	38	0.3
Gross debt	**17,405**	17,343	62	0.4
Net debt	**16,110**	16,844	(734)	(4.4)
EBITDA interest cover (times) (i)	**13.6**	11.7	1.9	16.2
Net debt to EBITDA	**2.0**	1.9	0.1	5.3
ROA - Return on average assets	**7.6%**	8.0%		(0.4) pp
ROE - Return on average equity	**15.2%**	12.5%		2.7 pp
ROI - Return on average investment	**10.4%**	11.0%		(0.6) pp
ROIC - Return on invested capital	**8.7%**	7.6%		1.1 pp
Gearing ratio (net debt to capitalisation)	**51.5%**	52.7%		(1.2) pp

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

n/m = not meaningful

Statement of Cash Flows

	Half-year ended 31 December			
	2020	2019	Change	Change
	$M	$M	$M	%
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax (GST))	**13,634**	15,101	(1,467)	(9.7)
Payments to suppliers and employees (inclusive of GST)	**(9,892)**	(12,067)	2,175	18.0
Government grants received for operating activities	**157**	143	14	9.8
Net cash generated by operations	**3,899**	3,177	722	22.7
Income taxes paid	**(456)**	(444)	(12)	(2.7)
Net cash provided by operating activities	**3,443**	2,733	710	26.0
Cash flows from investing activities				
Payments for property, plant and equipment	**(1,096)**	(1,178)	82	7.0
Payments for intangible assets	**(501)**	(329)	(172)	(52.3)
Capital expenditure (before investments)	**(1,597)**	(1,507)	(90)	(6.0)
Payments for businesses and shares in controlled entities (net of cash acquired)	**(21)**	(1)	(20)	n/m
Payments for joint ventures and associated entities	**-**	(19)	19	n/m
Total capital expenditure (including investments)	**(1,618)**	(1,527)	(91)	(6.0)
Proceeds from sale of property, plant and equipment	**159**	181	(22)	(12.2)
Proceeds from sale and leaseback	**289**	-	289	n/m
Proceeds from sale of businesses	**140**	-	140	n/m
Proceeds from sale of other investments	**153**	20	133	n/m
Distributions received from equity accounted investments	**9**	40	(31)	(77.5)
Receipts of the principal portion of finance lease receivables	**69**	44	25	56.8
Government grants received for investing activities	**11**	15	(4)	(26.7)
Interest received	**11**	14	(3)	(21.4)
Net cash used in investing activities	**(777)**	(1,213)	436	35.9
Operating cash flows less investing cash flows	**2,666**	1,520	1,146	75.4
Cash flows from financing activities				
Proceeds from borrowings	**1,338**	1,059	279	26.3
Repayment of borrowings	**(1,456)**	(1,218)	(238)	(19.5)
Payments for the principal portion of lease liabilities	**(403)**	(538)	135	25.1
Purchase of shares for employee share plans	**(34)**	(22)	(12)	(54.5)
Finance costs paid	**(314)**	(413)	99	24.0
Dividends paid to non-controlling interests	**(16)**	(7)	(9)	n/m
Dividends paid to equity holders of Telstra Entity	**(951)**	(951)	-	-
Proceeds from the sale of units in a controlled trust	**-**	698	(698)	n/m
Other	**-**	3	(3)	n/m
Net cash used in financing activities	**(1,836)**	(1,389)	(447)	(32.2)
Net increase/(decrease) in cash and cash equivalents	**830**	131	699	n/m
Cash and cash equivalents at the beginning of the period	**499**	604	(105)	(17.4)
Effects of exchange rate changes on cash and cash equivalents	**(34)**	2	(36)	n/m
Cash and cash equivalents at the end of the period	**1,295**	737	558	75.7

n/m = not meaningful

Average Revenue per Unit (ARPU) ($)

	Half-year ended			Dec 20 vs Dec 19		Dec 20 vs Jun 20	
	Dec 2020	Jun 2020	Dec 2019	**Change**	Change	**Change**	Change
	$	$	$	**$**	%	**$**	%
Mobile							
Postpaid handheld	**45.99**	47.53	50.31	(4.32)	(8.6)	(1.54)	(3.2)
Prepaid handheld	**20.89**	19.05	19.20	1.69	8.8	1.84	9.7
Mobile broadband	**16.93**	16.58	16.81	0.12	0.7	0.35	2.1
Fixed - C&SB							
C&SB bundle and standalone data	**75.40**	75.37	76.72	(1.32)	(1.7)	0.03	0.0
C&SB standalone fixed voice	**45.82**	48.96	51.60	(5.78)	(11.2)	(3.14)	(6.4)
Fixed - Enterprise							
Data & connectivity	**471.52**	475.26	484.05	(12.53)	(2.6)	(3.74)	(0.8)

Note: Statistical data represents management's best estimates

Services in operation (000s)

	Half-year ended			Dec 20 vs Dec 19		Dec 20 vs Jun 20	
	Dec 2020	Jun 2020	Dec 2019	**Change**	Change	**Change**	Change
	000s	000s	000s	**000s**	%	**000s**	%
Mobile							
Postpaid handheld retail	**8,564**	8,484	8,381	183	2.2	80	0.9
Prepaid handheld retail	**3,134**	3,319	3,426	(292)	(8.5)	(185)	(5.6)
Mobile broadband (data cards)	**3,061**	3,158	3,180	(119)	(3.7)	(97)	(3.1)
Internet of Things (IoT)	**4,240**	3,784	3,482	758	21.8	456	12.1
Satellite	**30**	30	28	2	7.1	-	-
Total retail mobile	**19,029**	18,775	18,497	532	2.9	254	1.4
Total wholesale mobile	**1,713**	1,550	1,376	337	24.5	163	10.5
Prepaid handheld retail unique users	**2,462**	2,416	2,380	82	3.4	46	1.9
Fixed - C&SB							
C&SB bundles and standalone data	**3,656**	3,709	3,654	2	0.1	(53)	(1.4)
C&SB standalone voice	**554**	692	871	(317)	(36.4)	(138)	(19.9)
Foxtel from Telstra	**579**	632	678	(99)	(14.6)	(53)	(8.4)
Fixed - Enterprise							
Data & connectivity	**195**	203	208	(13)	(6.3)	(8)	(3.9)
Fixed - Wholesale							
Fixed legacy	**393**	719	1,168	(775)	(66.4)	(326)	(45.3)
Data & connectivity	**33**	35	37	(4)	(10.8)	(2)	(5.7)

Note: Statistical data represents management's best estimates

Workforce

	Half-year ended			Dec 20 vs Dec 19		Dec 20 vs Jun 20	
	Dec 2020	Jun 2020	Dec 2019	**Change**	Change	**Change**	Change
	000s	000s	000s	**000s**	%	**000s**	%
Employee data							
Full time staff equivalents incl. contractor/agency labour	**28,637**	28,959	28,270	367	1.3	(322)	(1.1)

Note: Statistical data represents management's best estimates

Segment information from operations

	Total income			EBITDA contribution		
	Half-year ended 31 December			Half-year ended 31 December		
	2020	2019	Change	2020	2019	Change
	$M	$M	%	$M	$M	%
Telstra Consumer and Small Business	6,353	7,141	(11.0)	2,375	2,642	(10.1)
Telstra Enterprise	3,468	3,773	(8.1)	1,465	1,595	(8.2)
Networks and IT	11	12	(8.3)	(741)	(814)	9.0
All Other	827	998	(17.1)	(68)	63	n/m
Telstra excluding Telstra InfraCo	10,659	11,924	(10.6)	3,031	3,486	(13.1)
Telstra InfraCo	2,042	2,334	(12.5)	1,450	1,362	6.5
Internal access charges	(686)	(845)	18.8	(524)	(369)	(42.0)
Total Telstra segments	12,015	13,413	(10.4)	3,957	4,479	(11.7)
Operating lease expenses for all but mobile handset leases				-	-	n/m
Depreciation of mobile handsets right-of-use assets				113	294	(61.6)
Telstra Group EBITDA				4,070	4,773	(14.7)

C&SB, Enterprise and Wholesale underlying income and fully allocated EBITDA

	Total income			EBITDA contribution		
	Half-year ended 31 December			Half-year ended 31 December		
	2020	2019	Change	2020	2019	Change
	$M	$M	%	$M	$M	%
Mobile	3,848	4,475	(14.0)	1,353	1,484	(8.8)
Fixed - C&SB	2,426	2,623	(7.5)	155	385	(59.7)
Other	-	4	n/m	(3)	-	n/m
Telstra Consumer and Small Business	6,274	7,102	(11.7)	1,505	1,869	(19.5)
Mobile	732	775	(5.5)	300	312	(3.8)
Fixed - Enterprise	1,852	1,978	(6.4)	430	550	(21.8)
Other	15	25	(40.0)	10	15	(33.3)
Global	755	846	(10.8)	164	181	(9.4)
Telstra Enterprise	3,354	3,624	(7.5)	904	1,058	(14.6)
Mobile	133	108	23.1	92	76	21.1
Fixed - Wholesale	770	952	(19.1)	373	431	(13.5)
Recurring nbn DA	448	427	4.9	424	400	6.0
Other	5	2	n/m	(12)	(12)	-
InfraCo	1,356	1,489	(8.9)	877	895	(2.0)
Other	166	145	14.5	38	53	(28.3)
Underlying	11,150	12,360	(9.8)	3,324	3,875	(14.2)

Note: C&SB, Enterprise, InfraCo external exclude any off-one nbn DA and connection, and guidance adjustments attributable. Enterprise Global excludes inter-segment revenue.
InfraCo is external and excludes internal access charges.

Product profitability - EBITDA ($M)

	Half-year ended		
	Dec 2020	Dec 2019	Change %
Mobiles	1,743	1,870	(6.8)
Fixed - C&SB	155	385	(59.7)
- Data & connectivity	330	390	(15.4)
- NAS	100	160	(37.5)
Fixed - Enterprise	430	550	(21.8)
Fixed - Wholesale	373	431	(13.5)
Global	164	181	(9.4)
Recurring nbn DA	428	405	5.7
Other	31	53	(41.5)
Underlying	3,324	3,875	(14.2)
Net one-off nbn DA less nbn net C2C	520	788	(34.0)
Restructuring	(60)	(183)	67.2
Other guidance adjustments	173	(1)	n/m
Reported lease adjusted	3,957	4,479	(11.7)

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

Product profitability - EBITDA margins %

	Half-year ended	
	Dec 2020	Dec 2019
Mobiles	37.0%	34.9%
Fixed - C&SB	6.4%	14.7%
- Data & connectivity	58.6%	64.3%
- NAS	7.8%	11.7%
Fixed - Enterprise	23.2%	27.8%
Fixed - Wholesale	48.4%	45.3%
Global	21.7%	21.4%
Recurring nbn DA	94.7%	93.8%
Other	16.8%	30.5%
Underlying	29.8%	31.4%
Net one-off nbn DA less nbn net C2C	79.0%	75.8%
Restructuring	-	-
Other guidance adjustments	-	-
Reported lease adjusted	32.9%	33.4%

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

Telstra Corporation Limited
Half-year comparison - Reported lease adjusted (i)
Half-year 31 December 2020

Summary management 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	Half 2 Jun-20	PCP Growth	Full year Jun-20	PCP Growth	Half 1 Dec-20	PCP Growth
Total income																	
Mobile																	
Postpaid handheld	2,570	2,574	5,144	2,615	1.8%	2,567	(0.3%)	5,182	0.7%	2,508	(4.1%)	2,405	(6.3%)	4,913	(5.2%)	2,352	(6.2%)
Prepaid handheld	493	465	958	448	(9.1%)	381	(18.1%)	829	(13.5%)	388	(13.4%)	385	1.0%	773	(6.8%)	404	4.1%
Mobile broadband	416	367	783	350	(15.9%)	323	(12.0%)	673	(14.0%)	325	(7.1%)	315	(2.5%)	640	(4.9%)	316	(2.8%)
Internet of Things (IoT)	84	105	189	106	26.2%	118	12.4%	224	18.5%	116	9.4%	127	7.6%	243	8.5%	118	1.7%
Mobile wholesale	90	99	189	99	10.0%	102	3.0%	201	6.3%	104	5.1%	117	14.7%	221	10.0%	127	22.1%
Other	6	6	12	7	16.7%	8	33.3%	15	25.0%	8	14.3%	(16)	n/m	(8)	n/m	9	12.5%
Total mobile services	3,659	3,616	7,275	3,625	(0.9%)	3,499	(3.2%)	7,124	(2.1%)	3,449	(4.9%)	3,333	(4.7%)	6,782	(4.8%)	3,326	(3.6%)
Hardware	1,382	1,464	2,846	1,531	10.8%	1,621	10.7%	3,152	10.8%	1,741	13.7%	1,313	(19.0%)	3,054	(3.1%)	1,242	(28.7%)
Mobile interconnect	106	106	212	112	5.7%	112	5.7%	224	5.7%	120	7.1%	137	22.3%	257	14.7%	150	25.0%
Media, Telstra Plus & other	89	86	175	80	(10.1%)	69	(19.8%)	149	(14.9%)	45	(43.8%)	(8)	n/m	37	(75.2%)	(8)	n/m
Total Mobile	5,236	5,272	10,508	5,348	2.1%	5,301	0.6%	10,649	1.3%	5,355	0.1%	4,775	(9.9%)	10,130	(4.9%)	4,710	(12.0%)
Fixed - C&SB																	
On-net fixed (ii)	1,697	1,476	3,173	1,264	(25.5%)	1,062	(28.0%)	2,326	(26.7%)	837	(33.8%)	616	(42.0%)	1,453	(37.5%)	462	(44.8%)
Off-net fixed (ii)	670	778	1,448	972	45.1%	1,092	40.4%	2,064	42.5%	1,244	28.0%	1,351	23.7%	2,595	25.7%	1,470	18.2%
Consumer content & services	422	399	821	390	(7.6%)	375	(6.0%)	765	(6.8%)	381	(2.3%)	346	(7.7%)	727	(5.0%)	342	(10.2%)
Business applications & services	100	97	197	90	(10.0%)	93	(4.1%)	183	(7.1%)	99	10.0%	94	1.1%	193	5.5%	94	(5.1%)
Interconnect, payphones & E000	87	85	172	78	(10.3%)	69	(18.8%)	147	(14.5%)	62	(20.5%)	53	(23.2%)	115	(21.8%)	58	(6.5%)
Total Fixed - C&SB	2,976	2,835	5,811	2,794	(6.1%)	2,691	(5.1%)	5,485	(5.6%)	2,623	(6.1%)	2,460	(8.6%)	5,083	(7.3%)	2,426	(7.5%)
Fixed - Enterprise																	
Data & connectivity	692	674	1,366	656	(5.2%)	625	(7.3%)	1,281	(6.2%)	607	(7.5%)	586	(6.2%)	1,193	(6.9%)	563	(7.2%)
Calling applications	528	499	1,027	485	(8.1%)	461	(7.6%)	946	(7.9%)	426	(12.2%)	402	(12.8%)	828	(12.5%)	366	(14.1%)
Managed services & maintenance	310	314	624	305	(1.6%)	331	5.4%	636	1.9%	308	1.0%	326	(1.5%)	634	(0.3%)	328	6.5%
Professional services	214	335	549	218	1.9%	275	(17.9%)	493	(10.2%)	191	(12.4%)	236	(14.2%)	427	(13.4%)	181	(5.2%)
Cloud applications	78	83	161	94	20.5%	111	33.7%	205	27.3%	119	26.6%	127	14.4%	246	20.0%	127	6.7%
Equipment sales	221	411	632	226	2.3%	356	(13.4%)	582	(7.9%)	194	(14.2%)	306	(14.0%)	500	(14.1%)	157	(19.1%)
Other	111	124	235	124	11.7%	138	11.3%	262	11.5%	133	7.3%	145	5.1%	278	6.1%	130	(2.3%)
Total NAS	1,462	1,766	3,228	1,452	(0.7%)	1,672	(5.3%)	3,124	(3.2%)	1,371	(5.6%)	1,542	(7.8%)	2,913	(6.8%)	1,289	(6.0%)
Total Fixed - Enterprise	2,154	2,440	4,594	2,108	(2.1%)	2,297	(5.9%)	4,405	(4.1%)	1,978	(6.2%)	2,128	(7.4%)	4,106	(6.8%)	1,852	(6.4%)
Fixed - Wholesale																	
Data & connectivity	196	205	401	200	2.0%	201	(2.0%)	401	-	188	(6.0%)	179	(10.9%)	367	(8.5%)	176	(6.4%)
Legacy calling & fixed	571	520	1,091	463	(18.9%)	407	(21.7%)	870	(20.3%)	343	(25.9%)	281	(31.0%)	624	(28.3%)	225	(34.4%)
Commercial & recoverable works	631	559	1,190	539	(14.6%)	509	(8.9%)	1,048	(11.9%)	421	(21.9%)	460	(9.6%)	881	(15.9%)	369	(12.4%)
Total Fixed - Wholesale	1,398	1,284	2,682	1,202	(14.0%)	1,117	(13.0%)	2,319	(13.5%)	952	(20.8%)	920	(17.6%)	1,872	(19.3%)	770	(19.1%)
Global																	
Fixed (legacy voice)	151	167	318	144	(4.6%)	202	21.0%	346	8.8%	140	(2.8%)	139	(31.2%)	279	(19.4%)	105	(25.0%)
Data & IP	452	471	923	491	8.6%	512	8.7%	1,003	8.7%	532	8.4%	543	6.1%	1,075	7.2%	488	(8.3%)
NAS & other	165	178	343	168	1.8%	188	5.6%	356	3.8%	174	3.6%	197	4.8%	371	4.2%	162	(6.9%)
Total Global	768	816	1,584	803	4.6%	902	10.5%	1,705	7.6%	846	5.4%	879	(2.5%)	1,725	1.2%	755	(10.8%)
Recurring nbn DA	304	338	642	374	23.0%	410	21.3%	784	22.1%	432	15.5%	442	7.8%	874	11.5%	452	4.6%
Other product income (iii)	247	491	738	177	(28.3%)	167	(66.0%)	344	(53.4%)	188	6.2%	179	7.2%	367	6.7%	392	n/m
One-off nbn DA & connection	1,308	974	2,282	992	(24.2%)	1,124	15.4%	2,116	(7.3%)	1,039	4.7%	965	(14.1%)	2,004	(5.3%)	658	(36.7%)
Total income	14,391	14,450	28,841	13,798	(4.1%)	14,009	(3.1%)	27,807	(3.6%)	13,413	(2.8%)	12,748	(9.0%)	26,161	(5.9%)	12,015	(10.4%)
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%)	1,888	(26.2%)	4,058	(23.1%)	2,033	(6.3%)
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%	4,485	(5.7%)	9,107	(0.3%)	4,208	(9.0%)
Net impairment losses on financial assets	103	87	190	88	(14.6%)	96	10.3%	184	(3.2%)	80	(9.1%)	122	27.1%	202	9.8%	78	(2.5%)
Other expenses	2,473	2,414	4,887	2,124	(14.1%)	2,660	10.2%	4,784	(2.1%)	2,060	(3.0%)	2,018	(24.1%)	4,078	(14.8%)	1,737	(15.7%)
Operating expenses	9,264	9,358	18,622	9,316	0.6%	10,069	7.6%	19,385	4.1%	8,932	(4.1%)	8,513	(15.5%)	17,445	(10.0%)	8,056	(9.8%)
Share of net profit/(loss) from equity accounted entities	(31)	9	(22)	1	n/m	11	22.2%	12	n/m	(2)	n/m	(303)	n/m	(305)	n/m	(2)	-
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%)	3,932	(0.5%)	8,411	(0.3%)	3,957	(11.7%)
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%	2,416	2.1%	4,844	2.4%	2,316	(4.6%)
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%)	1,516	(4.4%)	3,567	(3.6%)	1,641	(20.0%)
Net finance costs	296	292	588	352	18.9%	342	17.1%	694	18.0%	375	6.5%	396	15.8%	771	11.1%	307	(18.1%)
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%)	1,120	(9.9%)	2,796	(7.0%)	1,334	(20.4%)
Income tax expense	889	693	1,582	559	(37.1%)	344	(50.4%)	903	(42.9%)	526	(5.9%)	431	25.3%	957	6.0%	209	(60.3%)
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%)	689	(23.4%)	1,839	(12.6%)	1,125	(2.2%)

(i) From 1 July 2019 we have adopted AASB 16: 'Leases' on a prospective basis, i.e. no restatement of the comparative period. 1H21 and FY20 has been adjusted to include the reported depreciation of mobile handsets right-of-use assets in EBITDA because for management reporting purposes these expenses are treated as part of operating performance results. Given different accounting treatment of leases in FY20 compared to FY19, to provide a like-for-like view of our mobile handset leases (Telstra as a lessee) for illustrative purposes FY19 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. FY18 has not been adjusted.

(ii) Includes bundles and data, standalone voice, hardware, Telstra Plus, TUSOPA, business data & connectivity and other one-off revenue.

(iii) Includes guidance adjustments. Guidance adjustments include impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum.

n/m = not meaningful

Telstra Corporation Limited
Half-year comparison
Half-year ended 31 December 2020

Summary management reported half-yearly data	**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**	**Half 2 Jun-20**	**PCP Growth**	**Full Year Jun-20**	**PCP Growth**	**Half 1 Dec-20**	**PCP Growth**
Selected statistical data																	
Mobile																	
Total retail mobile SIOs (thousands)	17,609	17,716	17,716	17,956	2.0%	18,338	3.5%	18,338	3.5%	18,497	3.0%	18,775	2.4%	18,775	2.4%	19,029	2.9%
Postpaid handheld mobile SIOs (thousands)	7,692	7,866	7,866	8,105	5.4%	8,244	4.8%	8,244	4.8%	8,381	3.4%	8,484	2.9%	8,484	2.9%	8,564	2.2%
Belong postpaid handheld mobile SIOs (thousands) (i)	21	67	67	182	n/m	248	n/m	248	n/m	339	86.3%	402	62.1%	402	62.1%	424	25.1%
Mobile broadband (data cards) SIOs (thousands)	3,964	3,893	3,893	3,723	(6.1%)	3,627	(6.8%)	3,627	(6.8%)	3,180	(14.6%)	3,158	(12.9%)	3,158	(12.9%)	3,061	(3.7%)
Prepaid mobile handheld unique users (thousands) (ii)	2,432	2,294	2,294	2,234	(8.1%)	2,245	(2.1%)	2,245	(2.1%)	2,380	6.5%	2,416	7.6%	2,416	7.6%	2,462	3.4%
Internet of Things (IoT) SIOs (thousands)	2,346	2,571	2,571	2,832	20.7%	3,132	21.8%	3,132	21.8%	3,482	23.0%	3,784	20.8%	3,784	20.8%	4,240	21.8%
Total wholesale mobile SIOs (thousands)	862	973	973	1,098	27.4%	1,203	23.6%	1,203	23.6%	1,376	25.3%	1,550	28.8%	1,550	28.8%	1,713	24.5%
Average postpaid handheld revenue per user per month ($)	56.15	55.12	55.55	54.58	(2.8%)	52.34	(5.0%)	53.61	(3.5%)	50.31	(7.8%)	47.53	(9.2%)	48.96	(8.7%)	45.99	(8.6%)
Average prepaid handheld revenue per user per month ($)	22.70	22.36	22.75	22.54	(0.7%)	19.38	(13.3%)	20.76	(8.7%)	19.20	(14.8%)	19.05	(1.7%)	19.46	(6.3%)	20.89	8.8%
Average mobile broadband revenue per user per month ($)	17.58	15.58	16.69	15.32	(12.9%)	14.65	(6.0%)	14.92	(10.6%)	16.81	9.7%	16.58	13.2%	16.62	11.4%	16.93	0.7%
nbnTM premise connections																	
Bundles and standalone data (thousands)	1,304	1,573	1,573	1,844	41.4%	2,149	36.6%	2,149	36.6%	2,452	33.0%	2,711	26.2%	2,711	26.2%	2,895	18.1%
Belong (thousands)	92	110	110	132	43.5%	176	60.0%	176	60.0%	240	81.8%	298	69.3%	298	69.3%	332	38.3%
Voice only (thousands)	234	263	263	278	18.8%	280	6.5%	280	6.5%	272	(2.2%)	216	(22.9%)	216	(22.9%)	194	(28.7%)
Total nbnTM premise connections (thousands)	1,630	1,946	1,946	2,254	38.3%	2,605	33.9%	2,605	33.9%	2,964	31.5%	3,225	23.8%	3,225	23.8%	3,421	15.4%
Fixed - C&SB																	
C&SB bundles and standalone data SIOs (thousands)	3,451	3,519	3,519	3,585	3.9%	3,627	3.1%	3,627	3.1%	3,654	1.9%	3,709	2.3%	3,709	2.3%	3,656	0.1%
Belong fixed data SIOs (thousands) (iii)	180	203	203	225	25.0%	254	25.1%	254	25.1%	298	32.4%	333	31.1%	333	31.1%	344	15.4%
C&SB standalone voice SIOs (thousands)	1,710	1,494	1,494	1,277	(25.3%)	1,061	(29.0%)	1,061	(29.0%)	871	(31.8%)	692	(34.8%)	692	(34.8%)	554	(36.4%)
Foxtel from Telstra (thousands)	799	790	790	772	(3.4%)	730	(7.6%)	730	(7.6%)	678	(12.2%)	632	(13.4%)	632	(13.4%)	579	(14.6%)
Average C&SB bundle and standalone data revenue per user per month ($)	81.78	80.11	80.67	79.56	(2.7%)	76.69	(4.3%)	78.25	(3.0%)	76.72	(3.6%)	75.37	(1.7%)	75.90	(3.0%)	75.40	(1.7%)
Average C&SB standalone fixed voice revenue per user per month ($)	51.35	51.48	51.26	51.36	0.0%	51.97	1.0%	51.64	0.7%	51.60	0.5%	48.96	(5.8%)	50.25	(2.7%)	45.82	(11.2%)
Fixed - Enterprise																	
Data & connectivity SIOs (thousands)										208	n/m	203	n/m	203	n/m	195	(6.3%)
Average data & connectivity revenue per user per month ($)										484.05	n/m	475.26	n/m	481.44	n/m	471.52	(2.6%)
Fixed - Wholesale																	
Fixed legacy SIOs (thousands)	3,060	2,638	2,638	2,221	(27.4%)	1,671	(36.7%)	1,671	(36.7%)	1,168	(47.4%)	719	(57.0%)	719	(57.0%)	393	(66.4%)
Data & connectivity SIOs (thousands)	37	39	39	39	5.4%	38	(2.6%)	38	(2.6%)	37	(5.1%)	35	(7.9%)	35	(7.9%)	33	(10.8%)
Labour																	
Telstra FTEs incl contractor/agency	34,115	34,624	34,624	31,419	(7.9%)	29,769	(14.0%)	29,769	(14.0%)	28,270	(10.0%)	28,959	(2.7%)	28,959	(2.7%)	28,637	1.3%

(i) Included in postpaid handheld mobile SIOs.

(ii) Defined as the three month rolling average of monthly active prepaid users.

(iii) Included in C&SB bundles and standalone data SIOs.

n/m = not meaningful