



7 March 2007

**Office of the Company Secretary**

The Manager

Company Announcements Office  
Australian Stock Exchange  
4<sup>th</sup> Floor, 20 Bridge Street  
SYDNEY NSW 2000

Level 41  
242 Exhibition Street  
MELBOURNE VIC 3000  
AUSTRALIA

Telephone 03 9634 6400  
Facsimile 03 9632 3215

**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Telstra announces planned € 1.0 billion bond issue**

I attach the following documents for release to the market:

- media release;
- the Supplement dated 6 March 2007 to the Debt Issuance Program Prospectus dated 12 October 2006, which was lodged by Telstra and approved for listing on the London Stock Exchange by the United Kingdom Listing Authority on 6 March 2007 (London time); and
- Fixed Income Investor Briefing presentation pack.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Douglas Gratton'.

**Douglas Gratton**  
Company Secretary

7 March 2007

039/2007

## **Telstra announces planned € 1.0 billion bond issue**

Telstra today announced plans to approach the Eurobond market with a long term bond issue of up to €1.0 billion.

Telstra Chief Financial Officer, Mr John Stanhope, said the proposed borrowing, conducted under Telstra's Global Debt Program, would build on Telstra's long standing presence in the Eurobond market in which it is a regular issuer.

"We feel confident that debt markets are strong and that investors will provide solid support for the new issue," Mr Stanhope said.

Mr Stanhope said that market confidence in Telstra had been buoyed by the company's successful privatisation through the T3 share offer, followed by its recent half yearly results which showed that Telstra's transformation is on target.

Mr Stanhope said that the size and tenor of the bond issue would be set following feedback from the market, but that Telstra would remain within or below its capital management parameters after the bond issue was completed.

Telstra has appointed JPMorgan, BNP Paribas, Deutsche Bank and Barclays Capital to act as Joint Lead Managers for the issue.

The proceeds of the borrowing will be used for general corporate funding requirements, with a significant proportion directed to refinancing of short term debt.

Telstra is Australia's leading telecommunications service provider with long term ratings of A (negative outlook) by Standard & Poor's, A2 (negative outlook) by Moody's and A+ (negative outlook) by Fitch.

### **Telstra Media Contact:**

Rod Bruem  
Tel: (02) 9206 0092  
Mob: 0438 288 010

De143Telstra's national media inquiry line is 1300 769 780 and the Telstra Media Centre is located at: [www.telstra.com.au/abouttelstra/media](http://www.telstra.com.au/abouttelstra/media)

For news, views and discussion on telecommunications in Australia see [www.nowwearetalking.com.au](http://www.nowwearetalking.com.au)

Supplement dated 6 March 2007



Telstra Corporation Limited  
(ABN 33 051 775 556)

### Debt Issuance Program

This supplement (**Supplement**) to the prospectus dated 12 October 2006 (**Prospectus**) constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 and is prepared in connection with the Debt Issuance Program established by Telstra Corporation Limited (**Issuer**). Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus. It has been prepared by and issued with the authority of the Issuer. The Issuer accepts responsibility for all information contained in this Supplement.

To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Statements contained in this Supplement will, to the extent applicable and whether expressly, by implication or otherwise, be taken to modify and supersede statements incorporated in the Prospectus. To the extent that there is any inconsistency between any statement in this Supplement (or any statement incorporated by reference into the Prospectus by this Supplement) and any other statement in the Prospectus the statements in this Supplement prevail.

Save as disclosed in this Supplement, or in any document incorporated by reference in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

### Supplementary Information

#### Publication of Interim Results

On 15 February 2007, the Issuer published its unaudited consolidated financial results for the six months ended 31 December 2006. A copy of those interim unaudited financial statements has been filed with the UK Listing Authority and, by virtue of this Supplement, those interim financial statements are incorporated in, and form part of, the Prospectus. This Supplement and copies of the documents incorporated by reference will also be published on the website of the Issuer.

#### Changes to Risk Factors

*The information set out under the heading "Access pricing" on page 12 of the Prospectus is deleted and replaced with the following:*

The ACCC requires us to provide certain services to our competitors using our networks at a price based on the ACCC's calculation of the efficient costs of providing these services if the parties fail to agree a price. In many cases we believe that the ACCC proposes prices that are below our efficient cost of supply. The ACCC is yet to issue its final determinations on the prices it will allow us to charge for various wholesale services including unconditioned local loop service ("ULLS") and spectrum sharing service ("SSS"). We believe that these are extremely important matters for the financial performance of our

business. The ACCC has issued interim determinations in each of the ULLS arbitrations to which we are a party, reducing the price from A\$22.00 to A\$17.70 per line per month in band 2 (metropolitan areas, where the greatest number of ULLS services will be provided). We are required by law to average our prices for a basic line rental service for all retail customers across Australia, but the ACCC will not follow the same principle for wholesale customers, instead setting prices which differentiate between metropolitan and non-metropolitan areas (de-averaged prices), well below our estimates of the efficient costs. This will enable our competitors to target customers in higher density areas where access prices are low, leaving us to provide services to some customers in high cost, low density areas at the same retail price as in metropolitan areas. The ACCC may reduce access prices further which would adversely affect our revenues, earnings and shareholder returns, including dividends. In addition, in December 2006 the ACCC issued two interim decisions in SSS arbitrations significantly reducing the monthly charge to A\$3.20. We believe such a price would lead to accelerated growth in SSS enabling our competitors to provide broadband and VoIP services with greater growth opportunities while we are restricted to supplying basic access services. In addition, we believe such reduced access prices would be likely to lead to a reduction in our retail prices. Final determinations by the ACCC for ULLS and SSS are expected in the first half of 2007.

*Paragraph 2 on page 16 of the Prospectus with the heading "The success of our information strategy is highly dependent on key personnel at Telstra and the loss of one or more of these key executives could materially impact the timely and effective implementation of this strategy" is deleted in its entirety (including the heading itself).*

*The first two sentences under the heading "Future sales of a substantial portion of our shares by the Future Fund could depress the market price for our shares and other equity interests" on page 18 of the Prospectus are deleted and replaced with the following:*

The Commonwealth has transferred its Telstra shares not sold in the Global Offering to the Future Fund, a Commonwealth investment fund. The Future Fund now has a substantial shareholding in Telstra.

*The heading "There are significant differences between the Commonwealth and the Telstra Board with respect to the nomination for election as a director of Mr Geoffrey Cousins" on page 18 of the Prospectus and the information under that heading on pages 18 and 19 of the Prospectus are deleted in their entirety.*

*The heading "The price at which Telstra instalment receipts trade may be higher or lower than the price you pay for them" on page 19 of the Prospectus and the paragraph under it are deleted.*

*The heading "There may not be an active trading market for the instalment receipts" on page 20 of the Prospectus and the paragraph under it are deleted.*

*The information set out under the heading "There may be a lower level of dividends" of page 20 of the Prospectus is updated by inserting the following sentence at the beginning of the paragraph under this heading:*

Telstra's Board of Directors declared a fully franked interim ordinary dividend of 14 cents per share, payable on 30 March 2007.

## **Changes to Corporate Profile**

*The information set out under the heading "History and Development of the Company" on page 26 of the Prospectus is deleted and replaced with the following:*

Our origins date back to 1901, when the Postmaster-General's Department was established by the Commonwealth Government to manage all domestic telephone, telegraph and postal services, and to 1946, when the Overseas Telecommunications Commission was established by the Commonwealth Government to manage international telecommunications services. Since then, we have undergone many changes and been renamed several times as follows:

- the Australian Telecommunications Commission, trading as Telecom Australia, in July 1975;
- the Australian Telecommunications Corporation, trading as Telecom Australia, in January 1989;
- the Australian and Overseas Telecommunications Corporation Limited in February 1992;
- Telstra Corporation Limited in April 1993, trading internationally as Telstra; and
- trading domestically as Telstra in 1995.

We were incorporated as an Australian public limited liability company in November 1991. Following the opening of Australia's telecommunications markets to full competition in July 1997, we underwent a partial privatisation in November 1997 under which the Commonwealth sold approximately 33.3% of our issued shares to the public. Following the initial privatisation, those of our shares that are not held by the Commonwealth are quoted on the Australian Stock Exchange (ASX) and on the New Zealand Stock Exchange.

A further global offering by the Commonwealth of up to 16.6% of our issued shares was launched in September 1999.

In November 2006 as part of the Global Offering the Commonwealth completed a further sale of approximately 35.0% of our issued shares, taking its equity holding in us from 51.8% to 17.8%. The Commonwealth transferred its remaining shares into the Future Fund on 28 February 2007.

*The sentence "On the date of this Prospectus the Commonwealth owns approximately 51.8% of our shares" under the heading "Brief Description of the Telstra Group" on page 26 of the Prospectus is deleted.*

*The information set out in the section entitled "Directors" in the table on page 34 of the Prospectus and the paragraph immediately below that table are deleted and replaced with the following table:*

As at 6 March 2007, our directors were as follows:

Name	Age	Position	Year of initial appointment	Year last re-elected <sup>(1)</sup>
Donald G McGauchie	57	Chairman	1998	2005
Solomon D Trujillo <sup>(2)</sup>	55	Chief Executive Officer	2005	2005
Geoffrey Cousins	64	Director	2006	-
Belinda J Hutchinson	53	Director	2001	2004
Catherine B Livingstone	51	Director	2000	2005
Charles Macek	59	Director	2001	2006
John W Stocker	61	Director	1996	2006
Peter J Willcox	61	Director	2006	-
John D Zeglis	59	Director	2006	-

<sup>(1)</sup> Other than the CEO, one third of directors are subject to re-election by rotation each year.

<sup>(2)</sup> Sol Trujillo was appointed CEO on 1 July 2005.

*The following biography for Geoffrey Cousins is inserted on page 35 of the Prospectus below the biography for Solomon D. Trujillo and above the biography of Belinda J Hutchinson:*

**Geoffrey Cousins**  
**Director since 14 November 2006**

He has more than 26 years experience as a company director. He is currently: Director of Insurance Australia Group (2000-) and Director, Cure Cancer Australia. He was formerly Director, Globe International Limited (2001-2003), Chairman and Chief Executive, George Patterson Australia, Director Publishing and Broadcasting Limited, the Seven Network,

Hoyts Cinema Group and NM Rothschild & Sons Limited, and Chief Executive, Optus Vision. He was also a part-time consultant to the Prime Minister for nine years.

*This information set out under the heading "Directors' and senior executives' shareholdings in Telstra" on page 40 of the Prospectus is deleted and replaced with the following:*

As at 28 February 2007, the directors' and senior executives' shareholdings in Telstra are:

#### Directors

	Number of shares or instalment receipts held		
	Direct interest	Indirect interest <sup>(1)</sup>	Total
Donald G McGauchie	29,666	82,666	112,332
Sol Trujillo	250,000	-	250,000
Geoffrey Cousins	-	1,747	1,747
Belinda J Hutchinson	38,912	199,521	238,433
Catherine B Livingstone	21,637	42,056	63,693
Charles Macek	-	108,282	108,282
John W Stocker	2,953	129,196	132,149
Peter J Willcox	-	48,023	48,023
John D Zeglis	16,500	5,355	21,855

(1) Shares in which the director does not have a relevant interest, including shares held by director related entities, are excluded from indirect interests.

#### Key management personnel

	Number of shares held		
	Direct interest	Indirect interest	Total
Bruce Akhurst	4,880	17,000	21,880
Kate McKenzie	-	-	-
David Moffatt	364,722	-	364,722
Deena Shiff	5,680	-	5,680
John Stanhope	121,674	-	121,674
David Thodey	173,604	800	174,404
Greg Winn	-	-	-

#### Changes to Legal Proceedings

*The heading "High Court challenge" and the following paragraph is inserted under the heading "Legal proceedings" on page 40 of the Prospectus:*

On 24 January 2007, Telstra commenced proceedings in the High Court of Australia against the Commonwealth, the ACCC and eleven access seekers who had, prior to January 2007, notified access disputes in respect of ULLS and/or SSS. Telstra is seeking declaration from the High Court that Part XIC of the Trade Practices Act is invalid as it applies to ULLS and SSS, together with administrative relief directed at each of the specific access disputes. The matter was heard (for first directions only) on 8 February 2007 and orders were made for the filing of pleadings and requests for particulars. The matter has been relisted for 20 March 2007. The aim of this legal action is to ensure that the laws governing competition in the Australian telecommunications industry comply with a Constitutional right guaranteed to all Australians. In particular, the Australian Constitution guarantees every citizen the right to fair compensation when their property is compulsorily acquired. Telstra's view is that both ULLS and SSS, being services that involve the unbundling of Telstra's copper loops from its

exchanges to customer premises, amount to an acquisition of property for the purposes of the Australian Constitution. As Part XIC of the Trade Practices Act does not in our view guarantee Telstra "just terms" compensation for these services and as the ACCC has priced the services below cost, the legislation is unconstitutional and therefore invalid in so far as it relates to these services. The proceeding is considered unlikely to have any material effect on our overall business or financial position.

*The information under the heading "Shareholder class action" on page 41 of the Prospectus is deleted and replaced with the following:*

In January 2006, a shareholder commenced a representative proceeding in the Federal Court against us. The statement of claim alleges that we breached the Corporations Act and the ASX Listing Rules between 11 August and 7 September 2005 by failing to disclose to the ASX or in our fiscal 2005 full year accounts (1) that our CEO, Mr Trujillo had formed an opinion that there had been past deficiencies in operating expenditure and capital expenditure on telecommunications infrastructure, (2) that our CEO had forecast a significant and accelerating decline in our PSTN business, and (3) that we had communicated these matters to the Commonwealth. The claim seeks orders for compensation for the class of shareholders who bought shares between 11 August and 6 September 2005. The proceeding is considered unlikely to have any material effect on our overall business or financial position. We are vigorously defending the claim.

*The information set out under the heading "Commonwealth as shareholder" on page 42 is deleted and replaced with the following paragraphs:*

The Commonwealth has sold down its original 100% equity holding in us in three tranches: it sold 33.3% of its shares in November 1997; it sold an additional 16.6% of shares in October 1999 and a further 24.1% of shares in November 2006. Now that the transfer of its remaining shares to the Future Fund is complete the Commonwealth does not hold any shares in the Company.

In September 2005, the Commonwealth amended the Telstra Act by passing the Telstra (Transition to Full Private Ownership) Act 2005 (the "Transition to Full Private Ownership Act") to enable the Commonwealth to undertake a sale of all or part of its remaining stake in Telstra.

In November 2006, the Commonwealth sold approximately 34% of its shares in a global offering taking its equity holding in us from 51.8% to 17.8%. The sale was completed when the 30 day over-allocation option given by the Commonwealth to the banks who conducted the sale on its behalf was exercised in December 2006. The remaining shares held in us by the Commonwealth were transferred to the Future Fund on 28 February 2006. After a two year escrow period (which is subject to several exceptions), the Future Fund is expected to sell down its Telstra shareholding over the medium term to a market-weight holding.

*The first three paragraphs under the heading "Changes to Commonwealth control after close of Global Offering" on page 42 of the Prospectus are deleted and replaced with the following paragraphs:*

Under the amendments to the Telstra Act made by the Transition to Full Private Ownership Act, certain provisions in the Telstra Act have ceased to have effect or apply to us since the Commonwealth's ownership of Telstra has fallen below two particular levels. Those two ownership levels are less than 50% and 15% or less. For this purpose, Telstra shares transferred to the Future Fund following completion of the Global Offering are not considered to be owned by the Commonwealth.

The Commonwealth's ownership of Telstra fell below 50% on completion of the Global Offering (excluding the over allotment option on 24 November 2006). As a result of this, we have lost Australian capital gains tax (CGT) exempt status on assets that we acquired before 20 September 1985. Accordingly, any future gains in the value of these assets after completion of the Global Offering will be taxable upon disposal of the asset by us. Since we

do not currently intend to dispose of any material assets acquired before 20 September 1985, the loss of CGT exempt status for these assets is not expected to have a material impact on Telstra.

The legislative consequences of the Commonwealth's ownership of Telstra having fallen below 50% are not considered to have a material impact on Telstra but include:

*The fifth paragraph under the heading "Changes to Commonwealth control after close of Global Offering" on page 43 of the Prospectus is deleted and replaced with the following paragraph:*

The Commonwealth's ownership of Telstra fell to 15% or less when the Commonwealth transferred to the Future Fund its Telstra shares that were not sold as part of the Global Offering. This occurred on 28 February 2007. The main consequences of the Commonwealth's ownership of Telstra falling to 15% or less are:

### **Changes to General Information**

*The heading "Updated Telstra Foreign Ownership Regulations" and the following paragraph is inserted under "Legal Proceedings" and before "Financial information and accounts" on page 126 of the Prospectus:*

Our constitution contains provisions designed to enable us to monitor and enforce the restrictions on certain foreign ownership stakes in us under the Telstra Act. Following the adoption of our new constitution, we released an updated version of Telstra's Foreign Ownership Regulations.

*The heading "Change of Auditor" and the following paragraph is inserted after "Financial Information and accounts" and before "Material Change" on page 126 of the Prospectus:*

Following the completion of the Global Offering the Auditor-General resigned as Telstra's auditor, as foreshadowed in the prospectus for the Global Offering. Ernst & Young have been appointed as Telstra's auditor, having acted as agent of the Auditor General to assist in performing independent external audit duties since fiscal 2000. Ernst & Young's appointment extends to the year ending 30 June 2009, subject to confirmation of their appointment at Telstra's 2007 annual general meeting.

*The heading "New Constitution" and the following paragraph are inserted under the above supplemented insertion "Change of Auditor" and before "Material Change" on page 126 of the Prospectus:*

At Telstra's annual general meeting held on 14 November 2006, our new constitution was adopted. One of the main reasons for amending the constitution was to reflect the change in the Commonwealth's ownership of Telstra.

**PRINCIPAL OFFICE OF THE ISSUER**

Telstra Corporation Limited  
242 Exhibition Street  
Melbourne Victoria 3000  
Australia  
Tel: +61 (0) 3 9634 4000

**REGISTERED OFFICE OF THE ISSUER**

Level 41  
242 Exhibition Street  
Melbourne Victoria 3000  
Australia  
Tel: +61 (0) 3 9634 4000

**ARRANGER**

J.P. Morgan Securities Ltd.  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

**AUDITORS OF THE ISSUER**

Ernst & Young  
8 Exhibition Street  
Melbourne Victoria 3000  
Australia

**FISCAL AGENT AND PAYING AGENT**

Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**PAYING AGENT**

Deutsche Bank Luxembourg S.A.  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg

**AUSTRALIAN REGISTRAR**

Austraclear Services Limited  
20 Bridge Street  
Sydney NSW 2000  
Australia

**NEW ZEALAND REGISTRAR**

Computershare Investor Services Limited  
Level 2  
JD Edwards Building  
159 Hurstmere Road  
Takapuna  
Auckland 1020  
New Zealand

**LEGAL ADVISERS**

*to the Issuer as  
to Australian and English law*

Mallesons Stephen Jaques  
Level 50  
Bourke Place  
600 Bourke Street  
Melbourne Victoria 3000  
Australia

Mallesons Stephen Jaques  
6th Floor  
Alder Castle  
10 Noble Street  
London EC2V 7JX  
United Kingdom

*to the Arranger  
as to English law*

*to the Issuer  
as to New Zealand law*

*to the Issuer as to Canadian  
law*

Clifford Chance LLP  
10 Upper Bank Street  
London E14 5JJ  
United Kingdom

Bell Gully  
Vero Centre  
48 Shortland Street  
Auckland  
New Zealand

Stikeman Elliott LLP  
Dauntsey House  
4B Frederick's Place  
London EC2R 8AB  
United Kingdom

Telstra Corporation Limited

# Fixed Income Investor Briefing

March 2007

# Disclaimer



These presentations include certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause actual results to differ materially from those expressed in the statements contained in these presentations. For example, the factors that are likely to affect the results of Telstra include general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these factors are described in Telstra's Annual Report and Form 20-F.

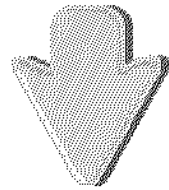
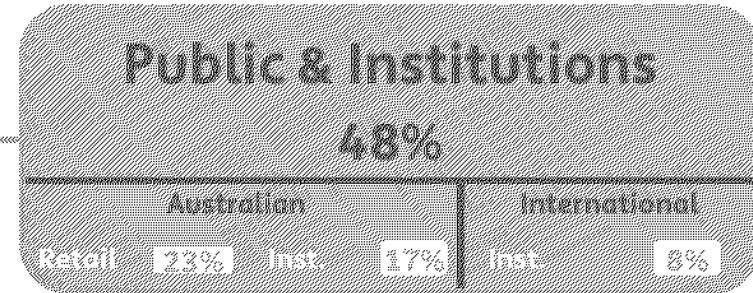
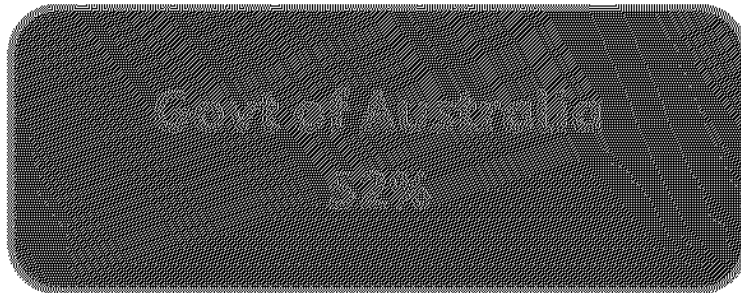
All forward-looking figures in this presentation are unaudited and based on A-IFRS. Certain figures may be subject to rounding differences. All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.

○ Telstra- the company	4
○ Financial- overview	12
○ Financials- latest 6 months	21
○ Regulation	24
○ Debt	27
○ Summary	33

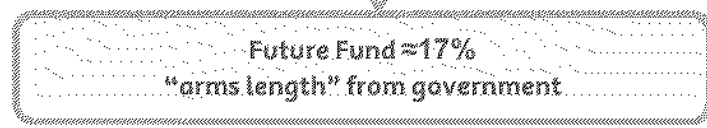
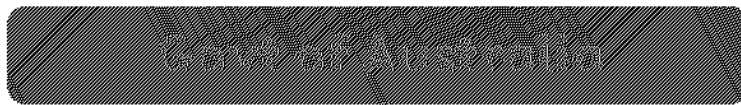
- Australia's leading telecommunications and information services company
- 13th largest telco globally (Forbes 2006)
- Full service, fully integrated operating model
- Telstra has in Australia around:
  - Access  $\approx$  9m lines
  - Mobiles  $\approx$  9m customers
  - Online  $\approx$  4.3m internet customers
  - PayTV  $\approx$  1.2m customers in Foxtel (50% owned by Telstra)
- International presence in New Zealand, Hong Kong and regional networks and leading real estate website in mainland China
- Continuous, rigorous, public, political and regulatory scrutiny

# Ownership Structure

Pre- 24 November 2006



Now

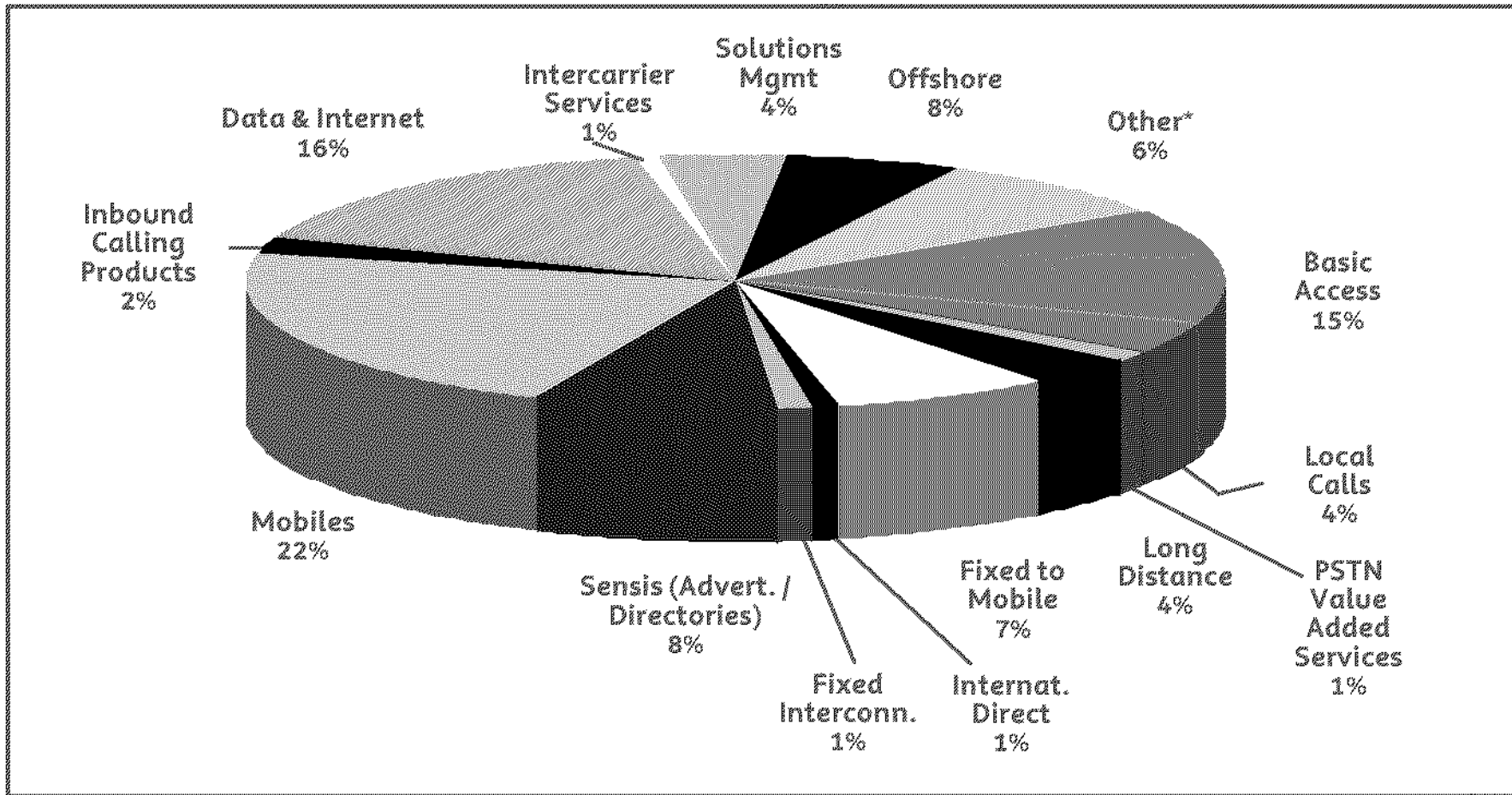


2 year Future Fund lock-up (from November 2006)  
Foreign ownership limit=< 35% total (= <5% individual)

Market capitalisation ≈ \$A53b (Share price = \$A4.25 approx.)  
Shareholders = 1.6m

Size, ownership constraints and regulatory issues are challenges to change of control

# Diverse revenue streams (YE June 06)

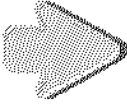

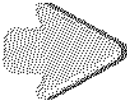


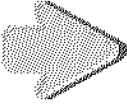


\* Other includes payphones & customer premise equipment

Strength and diversity with trend from voice to data products

# We are undergoing transformation



- Focusing on customers  ● Using “market based management” (offerings tailored to customer needs and lifestyles)
- Producing customer friendly products  ● Create world of 1 touch, 1 click, 1 screen, 1 button, 1 step solutions- simple, easy and valued
- Building “next generation” wireline network  ● Constructing state-of-the-art IP networks
- Deploying national wireless broadband network  ● Launched Next G™ network, Australia’s only national wireless broadband 3G network
- Simplifying systems  ● Reducing number and complexities of our systems
- Transforming culture  ● Investing in employees to better serve customers and create value for shareholders

A 5 year transformation process is underway which commenced November 05

## Best delivery networks

- Superior NEXT G 3G network
- Robust IP / MPLS core
- Broadest fixed line reach and QoS
- Differentiated multi-platform capability

## Superior content and services

- Foxtel, Sensis, BigPond, Trading Post, Soufun
- Unique ability to access, build, acquire and monetise

## Deepest customer understanding

- Richest needs-based customer segmentation
- Largest customer base
- Broadest channels
- Highest brand awareness
- Emerging competitive culture
- Market based management

# Telstra's Transformation is on track and gaining momentum



*On Track*

## Wireless

Deployment of national 3G (850 Mhz) network

- 98% population coverage
- Better in-building coverage
- network data speeds 1.1Mbps at launch, increased to 14Mbps in 2007



## Wireline

Deployment of IP/MPLS Core, Multiservice Edge and IP-DSLAMs

- Reduced network complexity
- Far greater capacity and speed
- Reduced operating costs



## Market Based Mgmt

Superior understanding of customer

- Reduced time to market
- Focused and effective go-to-market



## IT Systems

Transformation delivers cost effective processes

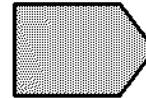
- Reduced cost of ownership



... to deliver superior operating leverage moving forward

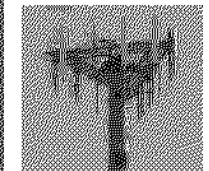
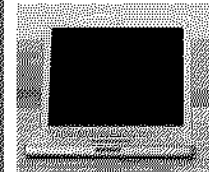
## Old PSTN Telco

- Physical elements
- Products delivered manually
- Limited leverage
- Carriage based products and services



## New Digital Telco

- Software defined
- Services delivered electronically
- Low marginal cost
- Value-add products and services



- SEC proposed new rules (December 2006) allowing foreign companies to deregister and delist provided:
  - average US trading volume < 5% of home exchange turnover (equity)
  - U.S resident holders < 300 (debt)
- Telstra satisfies above rules and will deregister at earliest opportunity once rules finalised (final rules expected by end-March 2007)
- Following deregistration will no longer file Form 20F (USGAAP) annual reports with SEC or comply with NYSE listing rules
- Reporting obligations will continue to be determined by Australian Corporations Act and Australian Stock Exchange (ASX) continuous disclosure listing rules
- Annual Debt Prospectus update lodged with UKLA

# Financials- overview

# 5 year financial summary



A\$b	5 years ended 30 June				
	2002	2003	2004	2005	2006
Total revenue	20.6	21.0	21.2	22.5	23.1
EBITDA	9.5	9.2	10.2	10.5	9.6
EBIT	6.2	5.7	6.6	6.9	5.5
Net Profit (after-tax)	3.7	3.4	4.1	4.3	3.2
Shareholders equity	14.1	15.4	15.4	13.7	12.8
Operating cashflow	7.9	8.0	8.2	9.0	8.6
Return an average equity (%)	26.8	23.2	26.8	30.6	24.2
Free cashflow (after capex)	3.8	4.6	4.2	5.2	4.6
Operating capex	3.1	2.4	3.4	3.5	4.3
Gross debt	13.7	12.3	11.9	13.3	13.7
Net debt	12.3	11.0	11.2	11.8	13.1

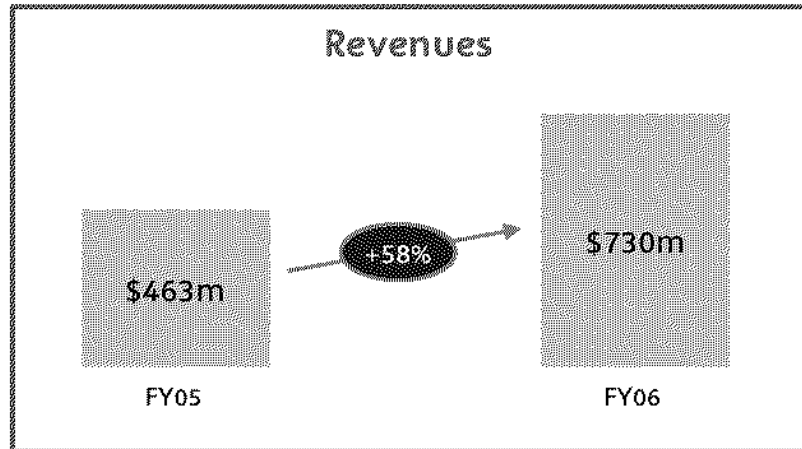
Steady results in period of industry turbulence and revision

# Sales Drivers- FY 2006

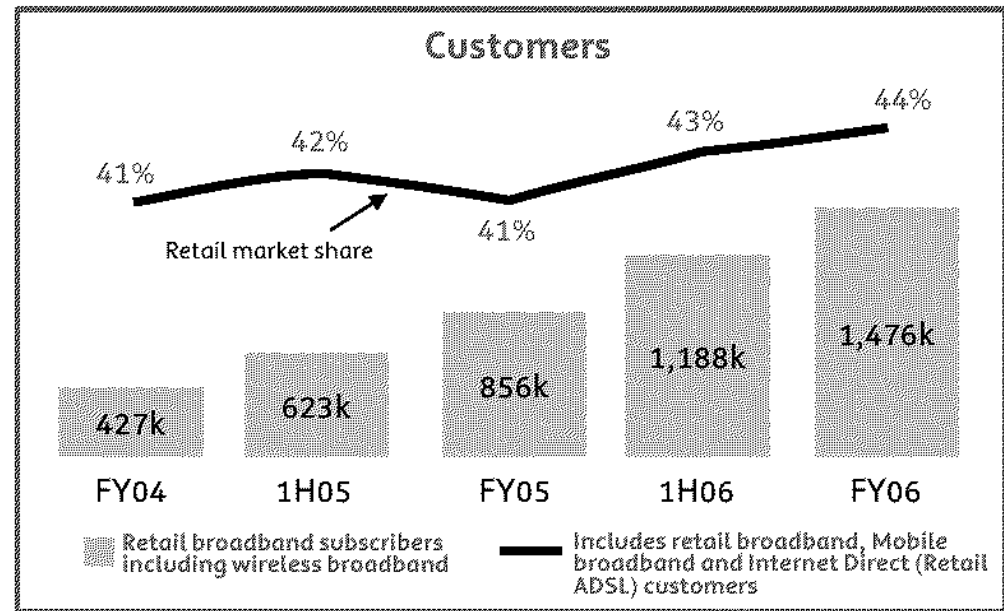
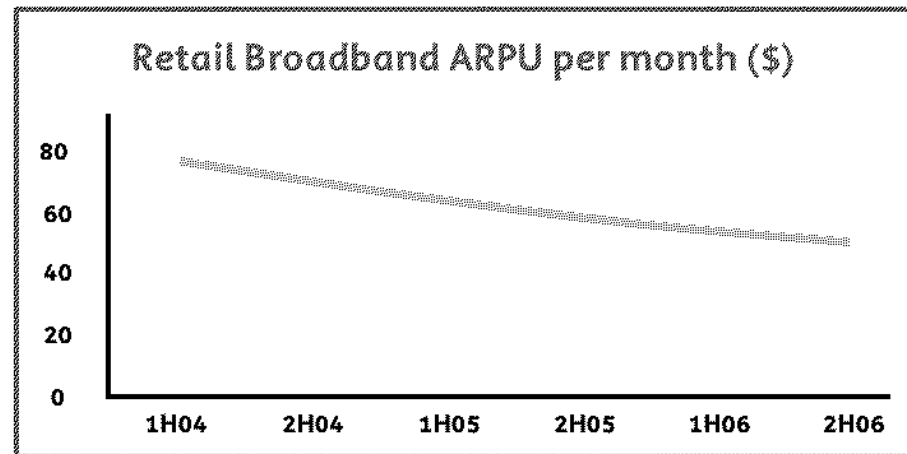


Movement \$m	Drivers of Revenue Growth	Actual \$m	Growth %
284	Mobiles	4,972	6.1
267	Retail Broadband	730	58
200	Wholesale Broadband	461	77
126	Sensis (Adv & Directories)	1,711	7.9
98	Internet Direct & IP Solutions	428	29
58	Solutions Management	989	6.2
(82)	Specialised Data	884	(8.5)
(83)	ISDN	807	(9.3)
(540)	PSTN Voice	7,478	(6.7)

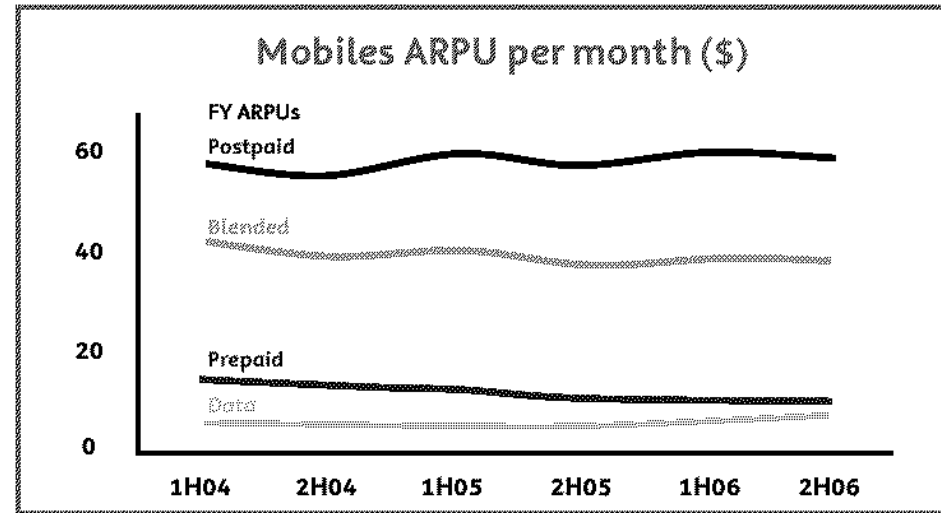
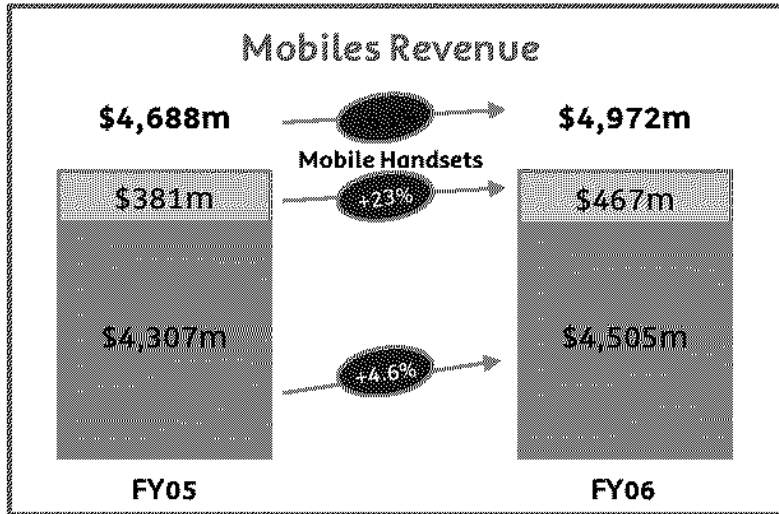
# Retail Broadband- FY 2006



- Revenue growth of 58%
- Retail broadband market share increased to 44%
- Retail broadband SIOs increased by 72%
- Wireless broadband SIOs grew 424%
- Competition driving ARPU down across the market



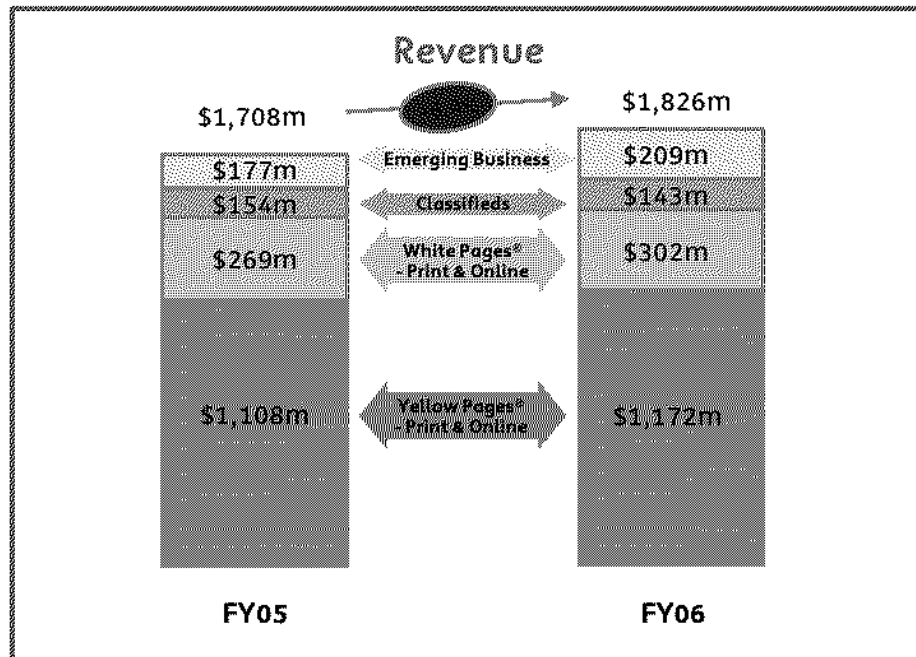
Market leading churn at low 1.3% per month



### Postpaid base %

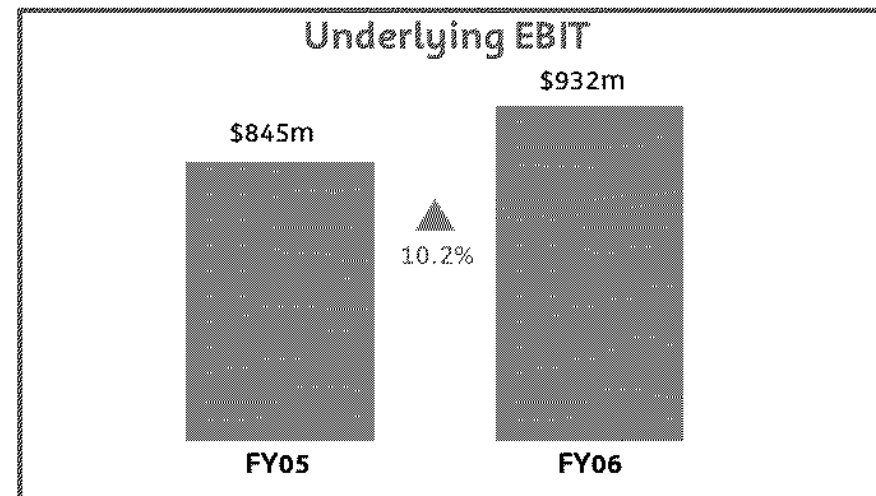
	2005	2006	%
Telstra	57%	58%	+1
Optus	47%	44%	-3
Vodafone	29%	27%	-2

- Mobile data revenue growth of 26%
- SMS messages exceeded 3 billion, up 32%
- Non SMS data revenue up 121%
- 3G subscribers grew 497% in 2H
- 3G average spend 37% more than 2G
- Capped plans 7.4% of postpaid mobile base
- SACs (blended) increased 14% to \$137



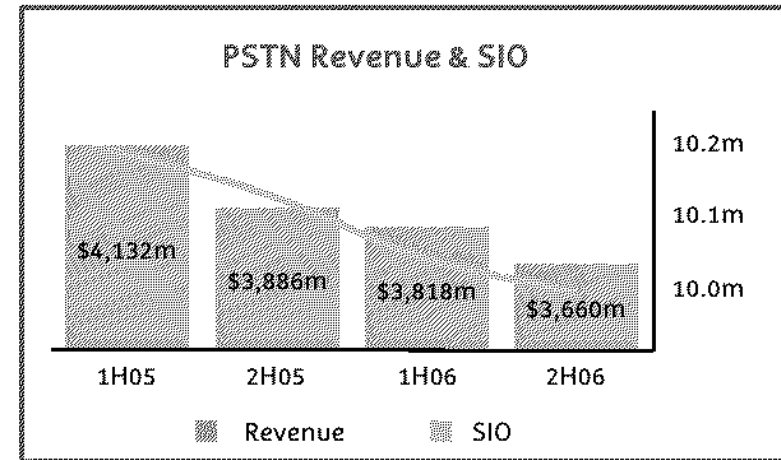
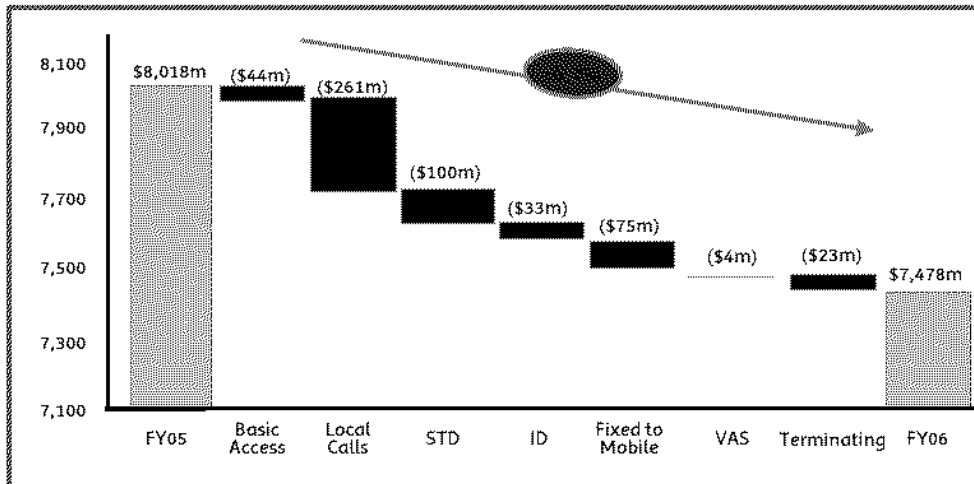
- Strong online revenue growth
- Yellow Pages online 54% to \$124m
- Reported EBIT growth of 7.7% to \$910m
- Directory margins improving, especially online
- Delivered on full year guidance

- 12.7m Australians use a Sensis service more than 10 times each per month (1)
- Accounts for almost 14% of the Australian main media advertising market (2)
- Online usage up 27% to 7.4 million unique browsers (3)
- Over 60 million Whereis® maps downloaded each month
- High customer satisfaction with sales reps.

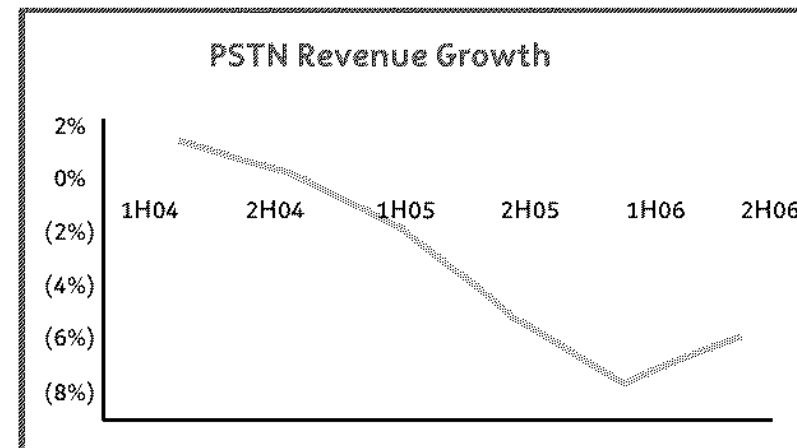


(1) Roy Morgan Single Source Australia, April 2005 – March 2006, base Australians 14+  
 (2) Sensis data and CEASA Main Media Report, 2005  
 (3) Nielsen / NetRatings Site Census, June quarter 2006 v 2005

# PSTN- FY 2006



- Revenue decline slowed in 2H to 5.8% v 1H 7.6%
- Broadband migration causing loss of 2nd line
- Capped plans pushing fixed to mobile substitution
- Competition forcing yields down
- Churn metrics improved in 2H
- Subscription pricing launched in April











Innovative pricing helping to slow PSTN decline

# Long Term Management Objectives <sup>\*</sup>

(issued February 2007)



## Guidance on Reported Numbers

Revenue Growth		2.0% to 2.5% pa to FY10
New product revenue		In excess of 30% sales revenue FY10
Cost growth		2.0% to 3.0%pa to FY10
EBITDA (\$)		2.0% to 2.5%pa growth to FY10
EBITDA margin		46% to 48%pa by FY10
Workforce		Down 12,000 by FY10
Capex		10% to 12% of revenue by FY10
Free cash flow		\$6b to \$7b by FY10

<sup>\*</sup> Based on no FTTN and ULL Band 2 price of \$17.70 p/m with 100% flow on to retail prices and no further adverse regulatory outcomes

- Defined benefit scheme in-place for some employees (Telstra has investment risk)
- Defined benefit scheme closed since July 1999 and obligations declining
- Accumulation scheme covers majority of employees and all new employees (employee has investment risk)
- Superannuation fund managed independently by Telstra Super Pty Ltd (not controlled by Telstra)
- Superannuation obligations are over-funded and Telstra has “contribution holiday” (asset/liability ratio = 115 % as at June 2006)
- No requirement to fund scheme until asset/liability ratio = 103 %

# Financials- latest 6 months

(to 31 December 2006)

Released 15 February 2007

**CSL New World**  
Create a Simple Life

HK\$	FY05	FY06	% ▲
Income	4,308	4,831	12.1
EBITDA	1,272	1,390	9.3
EBIT	725	686	(5.4)
Shareholding			76%

**TelstraClear**

NZ\$	FY05	FY06	% ▲
Income	676	693	2.5
EBITDA	122	124	1.6
EBIT	(19)	(20)	(5.3)%
Shareholding			100%

**SouFun**

AU\$	1H07
Income	22m
EBITDA	9m
EBIT	6m
Shareholding	55%

- CSL and New World merger completed on March 2006
- 3 months NW results included
- Merger synergies starting to be realised
- Integration on track
- Leading mobile operator in Hong Kong

- Net income up 2.5%
- Calling revenues declined due to strong retail competition
- Strong growth in business sector
- Evaluating strategic options given regulatory environment

- Triple digit top line growth of 107% and bottom line growth of 131%

# 1H07 Financial Results (Reported)



\$b (except margins & DPS)

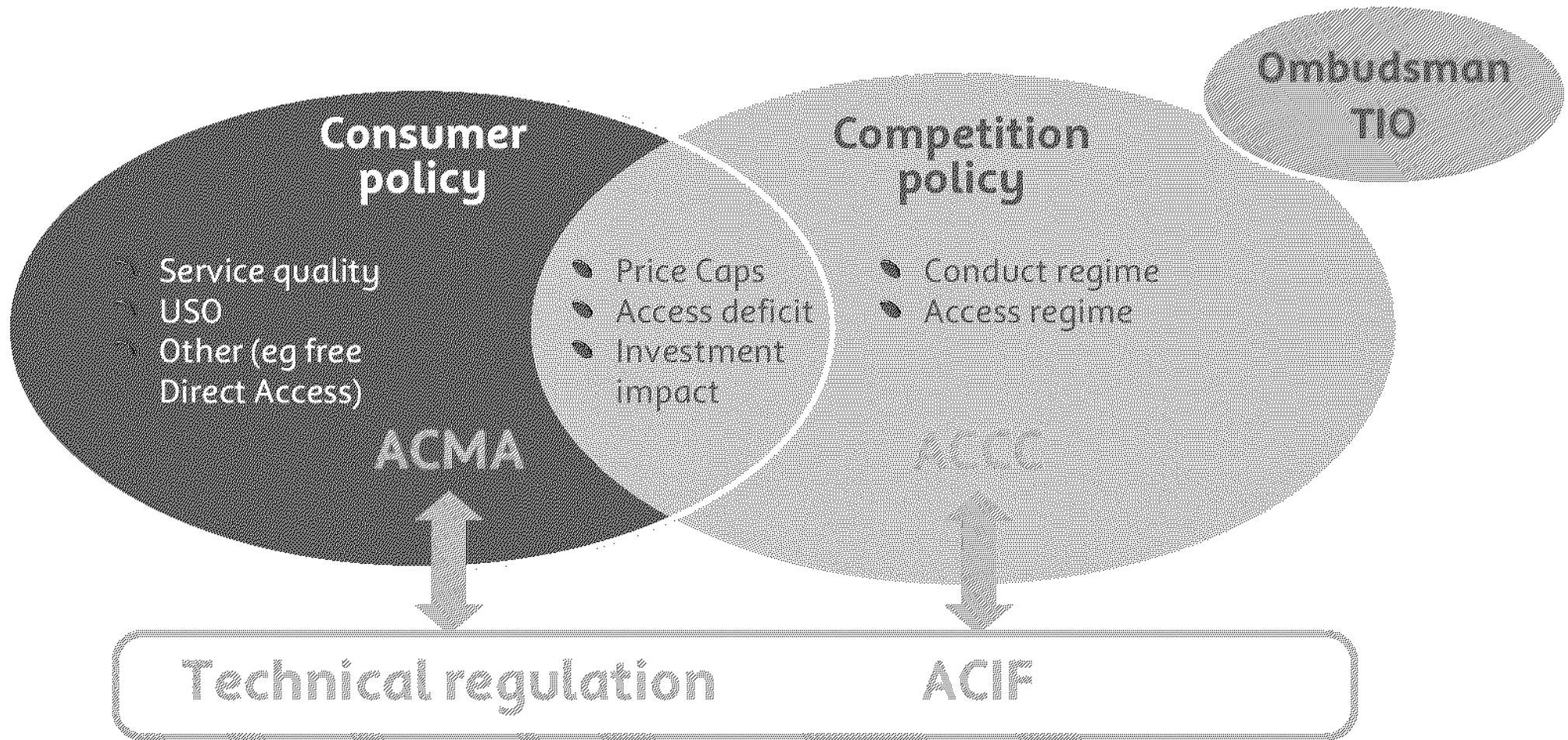
	1H06	1H07	%	Guidance
Sales Revenue	11.4	11.6	▲ 2.0	▲ 2.5-3.0% (FY07)
Operating Expenses	6.3	6.9	▲ 9.9	-
EBITDA	5.3	4.9	▼ 7.0	-
EBITDA Margin (%)	46.3	42.3	▼ 4.0	-
EBIT	3.5	2.9	▼ 15.7	▲ 3.0-5.0% (FY07) ▼ -17 to -20% (HY07)
NPAT <sup>1</sup>	2.1	1.7	▼ 20.1	-
Cash Operating Capex	2.0	2.5	▲ 22.8	▲ \$5.4b to \$5.7b (FY07)
Free Cash Flow	2.0	0.9	▼ 55.9	-
Ordinary DPS (cents) <sup>2</sup>	14.0	14.0	-	aim to pay 14c final

(1) Before minority interests

(2) 1H06 excludes 6 cent per share special dividend

Beat earnings guidance- earnings pivot point reached whilst continuing to invest

# Regulation



ACCC = The Australian Competition and Consumer Commission  
ACMA = Australian Communications and Media Authority

ACIF = Australian Communications Industry Forum  
TIO = Telecommunications Industry Ombudsman

## Status

### Unbundled Local Loop (ULL)

- Telstra appealed ACCC's rejection of Telstra's \$30 average undertaking- decision expected early 2007
- ACCC issued revised interim determinations in Dec 06 containing Band 2 price of \$17.70 p/m

### Line Sharing Service (LSS)

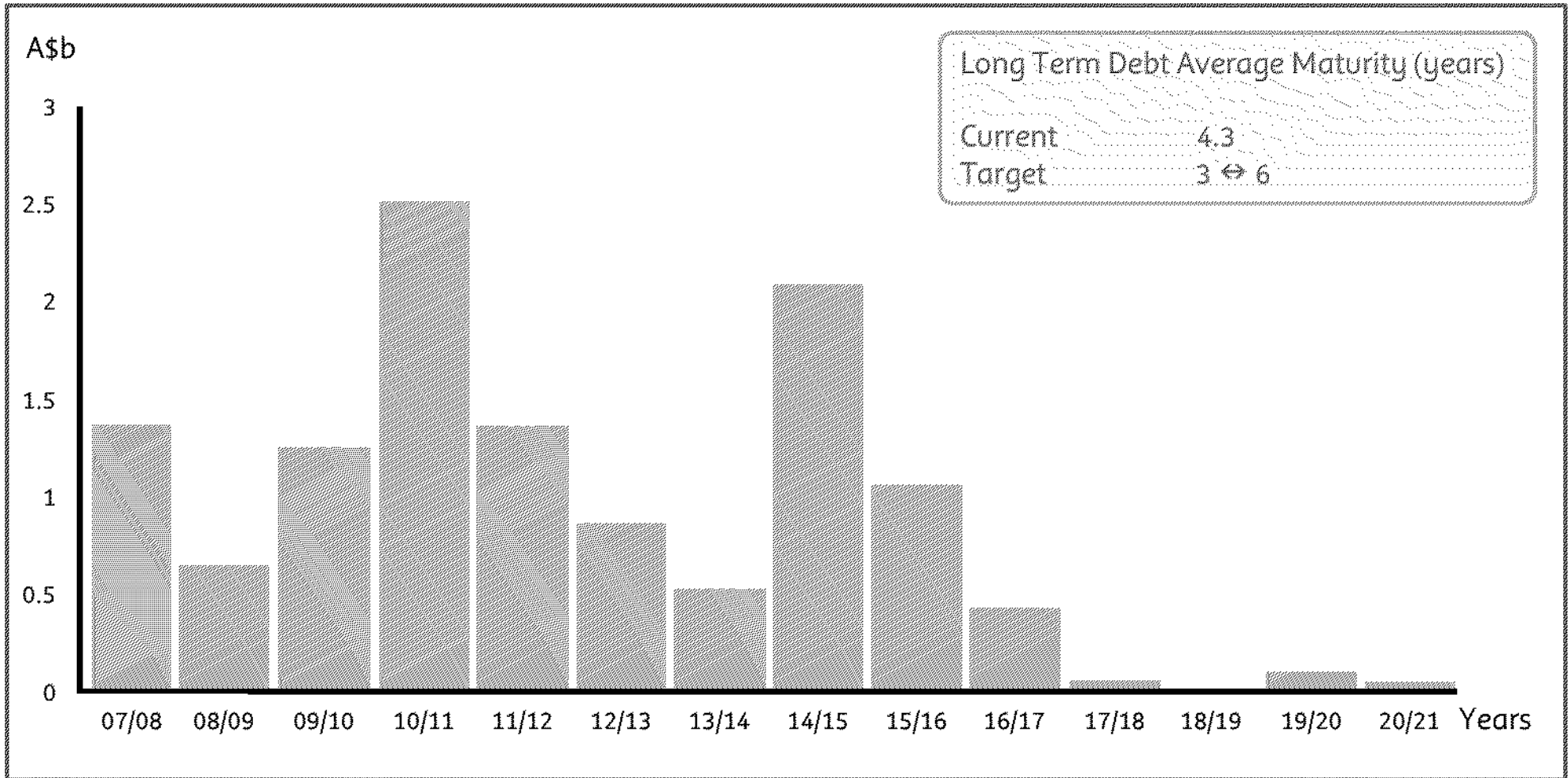
- Interim determination issued in two LSS arbitrations at the rate of \$3.20/month
- Final ACCC pricing determination expected in first half of 2007

## Recent developments

- Telstra has lodged a constitutional challenge in High Court to protect shareholder interest

Debt

# Long term debt maturity profile (February 2007)



Borrowing to lengthen maturity profile

Funding Requirements:	A\$ b
● Maturing long term debt	0.4
● Net internal cash flow	2.1
<b>Total</b>	<b>2.5</b>
Funding Sources	
● Long term borrowings (proposed)	1.6
● Private Placements (completed)	0.6
● Increased short term borrowings	0.3
<b>Total</b>	<b>2.5</b>

**Note:** Approximate only. Are adjusted continually over year to reflect cash flows, capital investments, sales, etc. which are dynamic

# Key debt parameters (30 June)



A\$b	June					Target Zone (set mid-2005)
	2002	2003	2004	2005	2006	
Gross Debt	13.7	12.2	11.8	13.3	13.8	-
Net Debt <sup>(1)</sup>	12.3	10.9	11.1	11.8	13.1	-
Interest Cover <sup>(2)</sup>	10.7	10.2	14.1	11.9	10.3	> 7 times
Net Debt Ratio (%) <sup>(3)</sup>	46.5	41.6	42.1	45.9	50.4	55-75%
Debt Coverage Ratio <sup>(4)</sup>	1.3	1.2	1.1	1.1	1.4	1.7-2.1%

(1) After deducting cash & liquid financial investments from Gross Debt

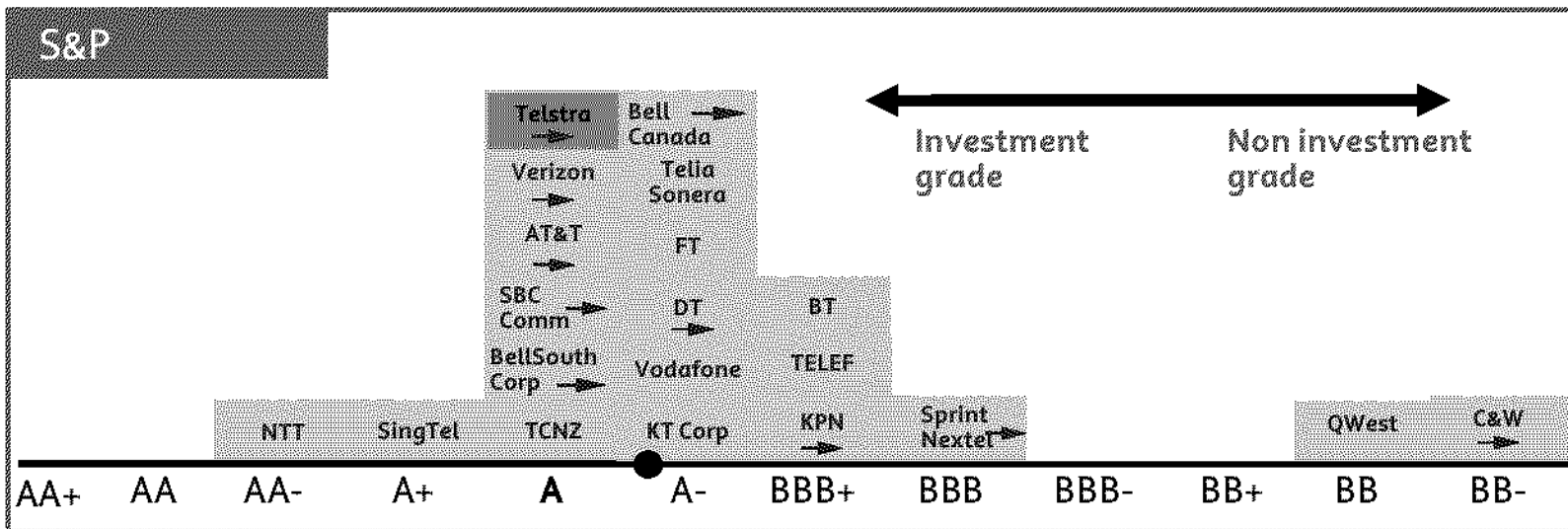
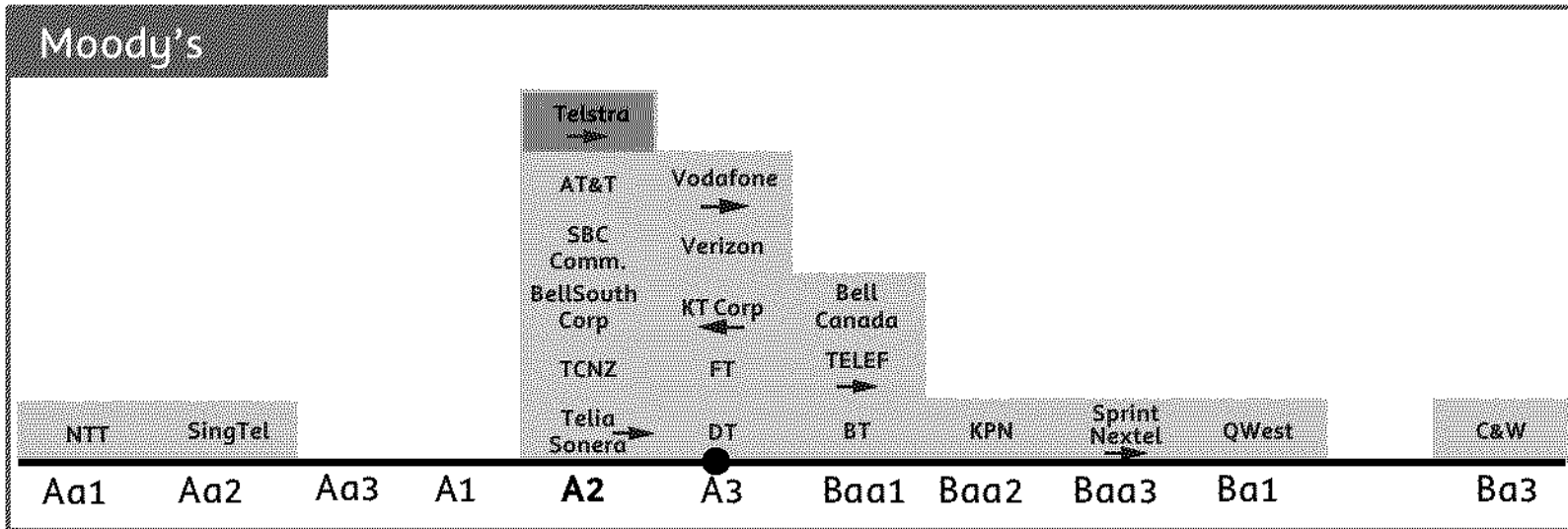
(2) Net interest cover based on EBITDA & includes capitalised interest

(3) Net Debt/(Net Debt + SHF)

(4) EBITDA/Net Debt

Agency	Long	Short	Outlook
Standard & Poor's	A	A1	Negative
Moody's	A2	P1	Negative
Fitch	A+	F1	Negative

# Telco credit ratings (February 2007)



A mid range Telco credit

# Summary

- **Full service and fully integrated telco-** strong position & wide range of products & services
- **Diversity-** from an Australian investment
- **Regulatory regime-** well established competitive environment
- **Strongest Australian-based franchise-** No. 1 position in all domestic segments
- **Proven record in highly competitive environment**
- **Strong cash flows**
- **Transformation Plan-** progressing well and on-track

## Telstra Treasury Website

[www.telstra.com.au/abouttelstra/investor/treasury/index.cfm](http://www.telstra.com.au/abouttelstra/investor/treasury/index.cfm)