



10 August 2007

The Manager

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

**Office of the Company Secretary**

Level 41  
242 Exhibition Street  
MELBOURNE VIC 3000  
AUSTRALIA

Telephone 03 9634 6400  
Facsimile 03 9632 3215

**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Transcript from Full Year 2007 Results – Media Briefing**

In accordance with the listing rules, I attach a copy of the transcript from today's Full Year 2007 Results analysts briefing for release to the market.

Yours sincerely

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

**Douglas Gratton**  
Company Secretary

TELSTRA CORPORATION LIMITED

2006/2007 FULL-YEAR RESULTS

Heritage Room  
Westin Hotel  
1 Martin Place  
Sydney NSW 2000

9 August 2007 at 9am

MR MAIDEN: Ladies and gentlemen, welcome to this press conference. Welcome to our guests in Sydney and Melbourne and those watching via the webcast. I remind you that there is a press conference to be held by the Chairman of Telstra, Donald McGauchie, immediately following this. Please stay with us. We'll have some opening comments from Sol Trujillo, and then we'll take questions in Sydney and in Melbourne. I remind you that a transcript of today's proceedings will be disclosed to the ASX late this afternoon. With that, I will invite Sol to the stage.

MR TRUJILLO: Good morning, everybody. I'm here today obviously to update everybody on our numbers and our performance. Let me start by saying how pleased I am with the performance during the past year. We've beaten our own forecasts, and clearly for those of you who remember when we had our half-year results, some of the guidance and estimates that others had for us, we've dramatically surpassed everybody's forecasts. So we've beaten the market expectations.

The best news is that as we looked at first half versus second half, our earnings were up 42 per cent and our guidance for the second half of this year was 37 to 40 per cent. In the case of sales revenue, our guidance was 2.5 to 3 per cent. We came in at 4.2 per cent, again beating our own guidance and, in particular, anybody's estimates in the market.

In terms of profit after tax for the full year, it was up 2.9 per cent. The key thing, though, is that when I look at our underlying profit performance - because again we still have a lot of the transformation costs built into our business and, in particular, when we look at profits, we had a write-down in terms of Trading Post - when you adjust for the write-down and you look at our underlying performance, it was up 7.1 per cent year on year.

Our mobile revenues grew 13.9 per cent - again, terrific performance. We're winning 60 per cent of all 3G adds in Australia. Our broadband revenue is up 66 per cent, and, again, we've grown our market share during the year three full percentage points.

In the case of PSTN, which was another issue that

we've talked about in the past, our PSTN loss rate fell to 2.5 per cent in the second half, again reflecting strong performance by Telstra.

While I talk about the financial numbers, the one thing that I always pay attention to - and I've said this in the past - is what's happening with our service. So we're increasing financial performance significantly and the underlying cost take-out and all the things that we're doing, but what's happening at the customer level? Clearly, the poll that I always say that I take and the poll that I pay attention to is what's happening with our customers? Are they buying more? Clearly, they're buying more. We're growing market share. Our growth rates are fairly impressive.

But what about our service? The service levels that we report to the governmental authorities, the service levels that we keep track of here inside the company as we manage the business - they are also at record levels, record levels of performance in terms of all of that.

So let me be clear: this has been a very good year for our shareholders at Telstra. It has been a very good year for our customers and it has been a very good year for the people inside the business that are delivering on these results.

So to close and open it up for questions, as we have talked about before, we are delivering on our promises. We are delivering value to customers and shareholders. We are driving revenue growth and taking out costs. Service continues to improve. We are investing aggressively for future growth and to be able to differentiate in the marketplace. And we are, again, moving on this transformation to becoming not just a telecom company but a true media-comms business. The punchline is we're on or ahead of plan on virtually everything that we've said.

The final thing I will say is that in terms of our 2010 objectives, the question that always comes up from the investor community is: how are we doing relative to that? We're not changing a thing. We're confident that we will be able to hit the numbers that we've talked about in the past.

With that, I will stop and I'll open it up for

questions.

MR HOGAN: Jesse Hogan from the Age. With the CDMA numbers, you still have about 1.2 million there. How are you going to double the migration rate in the last six to seven months that you plan to keep the network open and have you considered a free handset changeover from a CDMA handset to a Next G handset for some of those users?

MR TRUJILLO: The answer to the last part of your question is no. There is so much value, as customers who are migrating are already seeing. We now have more than a million customers on Next G. We have more Next G customers than we do CDMA already. We're talking about having launched in October of the last calendar year, and we're only in August of this year.

So, number one - lots of value. Customers are expressing that value. We're seeing the ARPU lift of \$20. We're seeing people buying data cards and spending about \$100 a month in terms of ARPU. So there is plenty of value being "voted on" by customers every single day.

In terms of the remaining CDMA customers and the conversion, this is part of our plan. We did expect, in the first half of our fiscal year, the second half of the calendar year, that we would then accelerate the migration rate, and that is simply because, early on, we didn't have a lot of the car kits and some of the other auxiliary kind of equipment that we now have. We have the handsets and all that sort of thing, so now it's in our stores, in our shops, and we're already seeing now the acceleration of some of that migration. We have plenty of capacity and plenty of volume in terms of the channels and our retail distribution.

MR HOGAN: Is it making it harder to persuade them to switch over when the Government is coming out and saying, "We'll keep this network open" and suggesting that there will not be an imminent closure of it?

MR TRUJILLO: Again, I'm a believer that politicians, regulators, all have their views and opinions about things. But we ultimately like to let the customers vote. Clearly, customers are voting pretty big, pretty strong where we continue to lead the marketplace.

MR HOGAN: Enterprise and Government revenue is pretty

flat, and there was no mention in the briefing before about what you will do with KAZ. Do you still have plans for that, or could that possibly be sold off during the year?

MR TRUJILLO: Again, enterprise and Government. The revenue growth adjusted for the sales that we had last year of AAS - it actually grew 2 per cent year on year. If you look at it versus the market growth in the enterprise sector, it was equal to or slightly better than market growth, so it did relatively well there in a competitive context.

In the sense of KAZ, we're exploring alternatives. Clearly, the integration capabilities associated with KAZ are important to us. At the same time, there are other pieces of the business that are not so critical strategically to the company. As you've seen, we will only do those things that are strategic. We will focus and we will keep on driving the business the way that we have done over the past couple of years.

MR HOGAN: Lastly, you said that not having FTTN will not affect your five-year transformation savings. Will it at all have any impact on the fact that having to keep these exchanges open, exchanges that might otherwise have been sold if there were nodes and you had the soft switches being able to replace a lot of that equipment - does that possibly mean you will have to keep exchanges open that would otherwise have been sold off if there was an FTTN?

MR TRUJILLO: Just to slightly correct what you implied in your question, I think there was a question earlier this morning about not doing FTTN, "If that doesn't happen, will that require a change essentially in your 2010 five-year guidance in terms of targets?" My answer was no, because everything in terms of cash flow generation, EBITDA, all the metrics that we've talked about, are always a function of top-line growth and bottom-line growth.

As most of you know, most of you who covered our announcement back in November 2005, most of the analysts' estimates for our revenue growth were about a third of what it has been. So we're running ahead of plan in terms of our top-line growth. And our costs take-out, as you've seen, with primarily the things that we control in

terms of people - you can see that we're well on plan there. We're not blinking about any of the targets that we've set.

MS LEE: It's Tracy Lee from the Financial Review. I have three questions. I might take them one at a time, if you don't mind. The first question relates to the case at the moment that you have against the Department of Communications. Is the objective of that case to unwind the funding procedure that has chosen the Opel consortium, and, if that is not the objective, can you explain how it's not a waste of shareholders' funds?

MR TRUJILLO: Everything that we do is in the best interests of our shareholders. Every action that we take is always about what protects their interests. In this case, there was a process, there was an RFP, as we understood it, a tender, in essence, that said, "We want to take taxpayer money here in Australia and essentially spend it on bringing new services to people that do not get services today, and place your bids accordingly."

What appears to be a decision that was made is that there is a decision that reflects a lot of redundant spend, a lot of duplication essentially of what Telstra does and a small portion that's associated with serving unserved customers.

The decision made by the Government in the selection keeps a thousand communities, a thousand communities in Australia, from getting broadband services under the Telstra plan. So if the objective was about serving underserved areas of Australia - and that is the logic of the tender - it doesn't seem as though the selection made a lot of sense, so what we're trying to do is understand what was the logic, what was the rationale. A lot of that detail and data has not been revealed.

So if we get that detail and that data, and the logic stands consistent with what the purpose of the tender was, so be it. If it doesn't, then I think there are other questions that get raised. It's as simple as that, and that's what our shareholders always want to make sure - that as we compete in a marketplace, we're competing on fair and equal terms, that there are no discriminatory processes and, again, that we have no artificial imbalances in the competitive marketplace.

MS LEE: My second question, then. You talked a lot about the customer acquisition on the Next G mobile service. Obviously, some of that will have come from, I guess, customers migrating from CDMA to Next G. What's the number of net adds to all of your mobile services?

MR TRUJILLO: I'm sorry, I didn't quite follow the question. Can you repeat it?

MS LEE: I would have thought that with the number of customers you are getting on Next G, not all of the ones that are new to Next G will just be brand-new customers to Telstra; I would imagine that some of them would also have come from CDMA migration. Is that right?

MR TRUJILLO: Yes, some of our customers are new to Telstra and some are essentially 2G customers that move to 3G or Next G.

MS LEE: I guess the question was, how many were actual net adds to Telstra?

MR TRUJILLO: The number of net adds is 700,000, according to the expert sitting here, Mr Moffat.

MS LEE: Finally, obviously there is a bit of flexibility left in the balance sheet. Do you expect to be able to use that to make acquisitions within the coming year?

MR TRUJILLO: That is a question I really can't answer at this stage. Yes, we do have gearing flexibility. We're very particular about how we use our shareholders' money and how we leverage, or essentially decide our financial gearing policies. Nothing has changed up to this point. Whether we do any M&A or not will be a function of whether we think that there are opportunities that make good sense for our shareholders. Beyond that, I won't say anything.

MR SAINSBURY: Michael Sainsbury from the Australian. I have just a couple of questions on Sensis first. Can I double-check the number on the Yellow Pages print - was that up or down 2.6 per cent, John?

MR STANHOPE: The whole of Yellow Pages is up 2.6 per cent, which includes the online. Print was slightly negative.

MR SAINSBURY: Just on the total number, I think you were aiming for double-digit revenue growth, so it looks as though you've missed that a little bit, Sol. What was the reason for that? I think you said earlier that you expect the business to perform better next year, so does that mean that we will see more than 8 per cent next year?

MR TRUJILLO: I'll answer your question in sequence here. In terms of this year's performance, we talked about the print portion of Trading Post being a disappointment, and the classifieds segment of the market, whether it be us or newspapers or whoever else that plays in that space, has been a big negative for everybody. So it has been a heavy weight on the Sensis numbers.

The second thing is that the print directories business was slightly negative. I think it can be a positive growth part of our portfolio, and that's part of what I'm looking for in the coming year.

There will be other things happening in terms of how we think about growth in the online portion of our business, which also is important, and you saw some of the other new media kinds of capabilities that Sensis offers. So, in the aggregate, we're not giving guidance specifically for Sensis, but I do expect that we will continue to improve in our Trading Post portion of the business and the print product portion of the business.

MR SAINSBURY: Just a question on PSTN - the retail performance was good. Is there a blended figure? The total number of lines across retail and wholesale was down 1.8 per cent. Is there a blended figure for where the revenues across the wholesale and retail PSTN went, if retail was minus 2.5?

MR TRUJILLO: You're saying the net or the aggregation of --

MR SAINSBURY: The aggregation. Obviously, there has been some movement from wholesale across to retail, which has improved your retail performance.

MR TRUJILLO: John, do you have that number?

MR STANHOPE: I think I said that a 3.8 per cent decline, or somewhere like that, was retail and then 5.9 or 5.8 per cent was the wholesale decline to get to the minus 4.1. So the aggregate is minus 4.1.

MS NICHOLAS: Katrina Nicholas from the Financial Review. Sol, I have a question on Wimax. You mentioned the funding that the Federal Government is giving for that type of technology, and with products expected to hit the market, what sort of impact could that potentially have on wireless broadband and your Next G network?

MR TRUJILLO: Clearly, it's inferior to what we offer, so in terms of what the impact is, it's always a function of pricing, it's always a function of issues that we're not clear on, and it may be even a function of whether they're capable of turning it up.

MR CORNER: Stuart Corner from iTWire. I have a couple of questions, Sol. On the Next G network, you said earlier that it would upgrade to 14.4 Mbps for 98.8 per cent of the population. I wonder if you would qualify that. Telstra has made numerous criticisms of Wimax in that it won't deliver the maximum rate for the full distance. Next G is subject to the same laws of physics. What sort of equipment would people need at that distance from a base station to get that 98.8 per cent coverage? Presumably, it wouldn't be a laptop with a data card in it. You would need some sort of external antenna. Are you really saying that they will get the full 14.4 Mbps over the whole coverage area, serving 98.8 per cent of the population?

MR TRUJILLO: The conversation that we've always had has been that our network today, for example, sends packets, if you will, at 14.4 Mbps. The actual delivered speed to a user is a function of, as you say, where they're located and it's a function of the handset or the data card or whatever the piece of equipment is. The conversation we always have is up to 14 megabits, the network will deliver at a certain speed, and then what I personally experience may be up to that amount, but it can vary.

MR CORNER: Your presentation earlier said 14.4 to 98.8 per cent. It didn't say "up to" 14.4, hence my question.

MR TRUJILLO: I stand corrected.

MR CORNER: So you will really be able to achieve that?

MR TRUJILLO: Up to 14 Mbps, and that will work. And all the technologists - I think if you were sitting in a room of technologists from Ericsson, from any of the vendors, there is no hesitation about getting to those speeds with HUPA capabilities.

MR CORNER: The second question concerns the upgrade of the HFC network. Your other presentation said 1.7 million homes, I believe, would get up to 30 Mbps. My understanding is that the network passes about 2.5 million homes. Could you confirm that, and could you say why you are not upgrading the whole network to provide 30 Mbps to the full 2.5 million, or whatever it is?

MR TRUJILLO: Again, what I said this morning is all I'm going to say in terms of the details of what we're going to do. We're in the process of upgrading the capabilities on our existing footprint of HFC to be able to deliver up to 30 Mbps. There is a cost associated with it. There is a marketing strategy associated with it. There are business elements to what we decide and do. When we're ready to talk about it in detail, we will.

MR CORNER: Can you just confirm how many homes the current network passes?

MR TRUJILLO: The current network passes 2.7 million homes.

MR CORNER: So you won't say any more about your plans for the HFC upgrade at this stage?

MR TRUJILLO: No.

MS HEWITT: Jennifer Hewett from the Australian. So, the Government released the specifics yesterday of the tender for FTTN. Can you say that you will definitely participate and why you will participate, if you will, given the impasse you're at with the Government?

MR TRUJILLO: No, I can't answer that "yes" or "no". I haven't seen it. I've been a little bit busy working

on running the company, looking at results, getting ready for today and all that. I haven't seen it.

MS HEWITT: So you can't say whether or not you will participate in the tender process?

MR TRUJILLO: No.

MS HEWITT: In terms of the Labor Party's proposals for a broadband network, have you been in contact with them to discuss what they have in mind, and do you have any confidence that the regulatory environment would be in any way improved if there were a Labor Government?

MR TRUJILLO: The one thing I have learned never to do, in my whole career, is predict what a political party will do or won't do once they're elected. That's not my business. I've not gotten into any kind of detailed conversation, so I can't predict what they would do or not do.

I do know what we will do, with the criteria for what we will do, and it is about bringing broadband to all of Australia. But we will do it under shareholder-friendly terms. If there are no shareholder-friendly terms, then we can't do it. Our shareholders don't want us to go spend money and dilute their returns in terms of the expectations that they have. Otherwise, they'll leave and they'll go put their money somewhere else, and that's not a good thing.

MS PERRY: I'm Kate Perry from Fairfax New Zealand. I have a couple of questions about TelstraClear. Are you happy with the way the business is performing, given the big earnings drop over the year?

MR TRUJILLO: The simple answer is no.

MS PERRY: What will be happening next year to improve things?

MR TRUJILLO: We are obviously working at taking some of the costs out of the business, reducing some of the redundancy on perhaps administrative staff support, some other things. We are looking at turbocharging some of the marketing initiatives that they have within the local market.

The portion of our business that is very strong is the trans-Tasman business. We remain dedicated and committed to serving our customers and doing the best job that we can, and we do do a terrific job for our trans-Tasman customers. It is more on the consumer side where we have some of the issues of performance and, again, our management team is addressing those literally as we speak.

The last part of the question is what happens with the regulatory environment. I think the Prime Minister, I think the Minister, everybody there, wants to see more competition, and how that gets enacted - there has been an early indication in some pricing, but some of the terms and conditions are not yet known, so we can't really say a lot yet until the details are known relative to what we will do in New Zealand or not do in New Zealand.

MS PERRY: Thank you.

MR BAJKOWSKI: Julian Bajkowski from the Financial Review. Sensis was previously positioned by the company as a search media and advertising company. You have said nothing about search at all today and what Telstra's strategy is around that, but you have mentioned that you want to get into the buy and sell area, which is pretty well dominated by eBay. What is the strategy there and how much money is it going to make and what is going to happen?

The other question is about the 130 extra IT systems that you have discovered since your arrival. That is pretty impressive, even in military terms. Where are they, what are they and what is it going to cost to get rid of them?

MR TRUJILLO: In terms of Sensis, it is still doing well as a growth vehicle, and it still includes search, because any time anybody goes into the directory, the print directory, to find a business, that's called a search. If anybody goes on line to find a restaurant, or whatever it is they are looking for, that is called a search.

The definition of the business is about connecting buyers and sellers, and that hasn't changed, and that is what search generally does. That is where Sensis, and in

particular our Yellow Pages and Yellow product capabilities, differentiate themselves from Google and other players. It is not just about search, but it is ultimately helping deliver a buy to a customer, and we have lots of examples in our business today of the true value that we provide in terms of our business.

As you see on our mobile platform now, we have extended our Yellow product onto our mobile platform so that when a customer wants to search for whatever it is - a movie, a theatre, a restaurant - they can find it on our mobile product in addition to the print product, in addition to going online at yellow.com, and they can also now find it in terms of a search on BigPond.

You will see the premier positioning that Yellow has on our business, and that's every time somebody wants to search or find whatever it is that they are looking for. So, yes, search is part of the definition of the business. It is a core part of the definition of the business.

Most recently Bruce has announced the relationship with ninemsn. Any time that you are in ninemsn and you are doing a search for a restaurant, a business, a plumber, or whatever it might be, when you search it is going to be searched on our Yellow platform. So it is part of our business.

MR BAJKOWSKI: Just on that point, searching is different from buying, and that is what eBay does and that is where you had previously positioned Sensis. Is that bet off now?

MR TRUJILLO: Our plans, our transformation plans, haven't changed relative to our Sensis strategies. As you see us evolve over the period of time - '08, '09 and '10 - you will see us play out our full strategy. I won't say anything more at this stage, because, again, I don't like to preannounce tactical things that we will do in the market until we are ready to do it.

MR MAIDEN: There are no questions in Melbourne, so the last question of the morning will go to Matt O'Sullivan.

MR O'SULLIVAN: Hi, Sol. I guess my question is you have renewed your contract today with Telstra, as has Greg Winn. For how long can we expect yourself and Greg

to commit to Telstra?

MR TRUJILLO: We have re-signed up, in essence, with the company, and that is to deliver this transformation. As you have seen with our results today, almost on every front we are ahead of plans in terms of our transformation plan: terrific results at this stage. We have more to do. We are very focused on delivering it, because this is an exciting transformation that we have essentially conceptualised at the beginning with the Board and that we are now in the process of executing.

MR O' SULLIVAN: So you are committing to staying at Telstra until 2010?

MR TRUJILLO: We are committing to staying until we have gotten the transformation as far along as it needs this team and this capability. It is not defined by months and it is not defined by a year or two or three; it is defined by accomplishments.

MR O' SULLIVAN: You are not willing to give a cast-iron guarantee that you will be here standing on the stage in two years time?

MR TRUJILLO: I think at that point in time you will know whether I am here or whether I am not.

MR O' SULLIVAN: Just one final question: it would be fair to say that your or Telstra's relationship with the Government is somewhat stretched. To what extent has it deteriorated over the last couple of months?

MR TRUJILLO: In terms of "deteriorated", we did a report recently, or we had our regulatory folks do it, as we came to year end. They did a report about the last 10 years of the regulatory structure here in Australia.

If you look at the last 10 years, the environment has probably been the most negative environment anywhere in the world and the most backward looking anywhere in the world, and it is not just in the last year or two, but it has been over a period of time. We don't have time to get into all the details of rate reductions and extreme pricings and other things that other countries don't do, but suffice it to say that we are representing our shareholders' interests because value decline did occur, market share loss was occurring and no strategic

differentiation existed in the business because of the policies that had been in place over the last 10 years. So we are not standing up and supporting them, because they are bad for our shareholders. As you have heard me say from the day I got here, we work for the shareholders, and that is our duty, that is our obligation, while at the same time generating differentiation for customers.

The nice thing about what we have done - I have said this over and over again - is it is not governments or politicians who decide who customers do business with, it is the customer, and that is our focus, that is the poll that we take every day and that is what today you get to see in terms of our results: the customers are voting and they like what Telstra is delivering to them. Okay? Thank you.

MR MAIDEN: Thank you, ladies and gentlemen. We will resume in about five minutes time with the Chairman, Donald McGauchie.

END OF SESSION