

# Strong and Growing

Half-year Report 2001



network



data and Internet



wireless



voice

# Contents

Chairman and CEO's message  
See page 1

Financial highlights  
strong and growing  
See page 4

Voice  
meeting competition by  
focussing on service  
See page 6

Wireless  
the leading cellular network  
See page 7

Data and Internet  
at the leading edge  
See page 8

Networks  
delivering high speed access  
See page 9

Regional and Rural Australia  
local managers improving service,  
Internet access and mobiles  
See page 10

Environment  
taking responsibility  
See page 11

Summary of Financial Statements  
See page 12

Investor information  
See page 16

Financial calendar  
See inside back cover

Contact details  
See inside back cover

These results are very satisfying, particularly given the current industry dynamics

# Dear Shareholders

## message from the Chairman and CEO

It's been a very successful first half of the financial year for Telstra Corporation.

- > **FINANCIALS** Telstra's underlying earnings before interest and taxes were strong, up 10.4% to \$3.5 billion resulting in a net profit after tax of \$2.6 billion. Sales revenue increased by 5% to \$9.75 billion and our rigour on cost reduction is starting to impact. Our balance sheet remains very strong.

The Board has declared an 8 cent, fully franked, dividend for the 6 months ended 31 December 2000 which will be distributed to shareholders on 27 April 2001 (for shareholders registered as at 23 March 2001).

- > **RECENT ACHIEVEMENTS** There have been a number of significant strategic and operational events during the period. These include:
  - Delivering double-digit EBIT growth in a challenging period where competition is intense and telcos internationally are facing difficult times. Telstra stands out from many global telco peers by retaining significant financial flexibility and delivering on its growth strategy.
  - Implementing our cost reduction program is clearly delivering the results required to boost growth, and contain costs.
  - Completing the first stage of our Asian expansion strategy. We have reached a major milestone with the launch on 8 February this year of our joint ventures with Pacific Century Cyber Works and Hong Kong Telecom. These ventures give us a voice, data and Internet connectivity services business, a mobiles business and a new data business in one of the world's highest growth regions.
  - Successfully developing bundles and packages of our diverse product range to retail consumers – something that a number of other telcos have tried, and have yet to succeed. We are utilising the integrated, full service model, providing products across all communications space to all Australians, which is, and will be, our primary strategy.
  - Introducing a series of new prices and options (including lower call prices) for residential calling, whilst at the same time increasing the line rental charge to bring it closer to what it actually costs Telstra to provide the service.
  - Reducing complaints by 75% since July, largely flowing from empowering our front of house staff. We are committing ourselves to year on year improvement in customer service levels.



Telstra's networks reach virtually every household and business in Australia

- Launching Asymmetric Digital Subscriber Line (ADSL), our main broadband solution for the retail market which is delivered on a normal copper telephone line (our Public Switched Telephone Network – PSTN). As at the end of February 2001 we had more than 400 exchanges around Australia with ADSL capability. This equates to an ADSL capability for about 50% of our PSTN customers – a tremendous achievement in a very short space of time.
- Establishing a nationwide General Packet Radio Service (GPRS) network to provide a faster wireless data service, which has been publicly demonstrated on a number of occasions during the last year. We were the first carrier in Australia to do this.
- Demonstrating outstanding operational skills to the world with our successful involvement in the Sydney 2000 Olympic Games – one of Telstra's finest achievements. By way of example Telstra MobileNet® carried more than half a million mobile phone calls during the opening ceremony.

> **STRATEGY** These and other achievements have come about through the four primary elements of Telstra's strategic thinking, which are intended to deliver growth. The four points on what we refer to as our strategic compass are – domestic retail, international, wholesale, applications and content.



- Our domestic retail business still remains our most important. Make no mistake, this is still Telstra's lifeblood (and will be for some time to come), providing the cash flow to continue to invest and develop the business. It includes mobiles and our fixed line business, where a number of significant pricing and packaging changes have been implemented.
- International is about achieving growth beyond our shores through focussing on the mobiles and data businesses, particularly in Asia, which is important when there is active competition in the domestic market.
- Wholesale – we get three out of every four communications dollars spent in Australia – that still leaves our competitors getting the other one. There are many of them in the Australian market today and by us offering attractive products and solutions to them, they are encouraged to buy from us – not somebody else – and we gain additional revenue.
- Applications and content become more and more important as the market and industry moves further and further into the data paradigm. Telstra is moving its business up the value chain – growing our skills base, expertise and portfolio in this area, either by developing content in our own right, or – and this is generally more likely – forging strategic commercial relationships with content providers.

All of these components of our strategy are delivered over robust, ubiquitous networks and systems. We are the only carrier whose networks reach virtually every household and business in Australia, with a diverse and integrated product range.

- > **INDUSTRY & REGULATION** The growth of competition over the past six months has been accompanied by major changes in the shape of the Australian telecommunications industry.

Competition has boomed and, like all carriers, Telstra suffers from the pressures that result from vigorous competition. In some cases competition has pushed call prices below the true cost of building the infrastructure needed to operate and sustain quality services in the long term.

Pressure on the industry has been exacerbated by delays in regulatory determinations on how much Telstra can charge other carriers and service providers for their use of Telstra's network. Telstra is also in dispute over the ACCC's use of controversial pricing methodologies to value the use of our network.

We have warned previously that this puts at risk the ability of the whole industry to invest in new technology and services in response to the growing expectations of consumers.

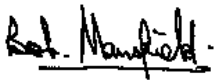
- > **CONTINUED INVESTMENT DISCIPLINE** In a capital-hungry environment, we are aware of the continuing need to allocate capital carefully. We will continue to impose a high level of commercial discipline on where and when we invest. Under a business restructure announced last year, Telstra Retail, OnAir and Telstra Country Wide™ will buy telecommunications services from Telstra Infrastructure Services and Wholesale – on commercial terms at market prices.

The telecommunications market has matured to a point where Telstra no longer necessarily needs to build and own all the network infrastructure used to deliver customer service. If appropriate we will buy additional capacity from other providers.

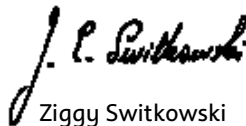
The new system will require that Telstra businesses achieve the highest rates of return from investments in infrastructure and ensure that regulators can assess the impact of their pricing determinations on new investments.

- > **NEW DIRECTORS AND CFO** Finally, we extend a warm welcome to our new Directors, voted onto the Board at our last AGM: Catherine Livingstone, Sam Chisholm and John Fletcher.

We also welcome David Moffatt, our new Chief Financial Officer. David succeeds Paul Rizzo who made an extremely valuable contribution to the company during his seven years of service.



Bob Mansfield  
Chairman



Ziggy Switkowski  
Chief Executive Officer and Managing Director

Telstra is strong financially; a strong balance sheet, cash flow, access to capital and strong A+/Aa3 credit rating

# financial highlights

## strong performance continues

### 1 Total revenue



### 2 Normalised EBIT



### 3 Earnings per share



### 4 Dividend per share

**8.0¢**  
fully franked

#### Consolidated Profit and Loss

	6 months to Dec '00 A\$m	6 months to Dec '99 A\$m	change %
<b>1</b> Total revenue	11,324	9,668	17.1
Total expenses	(7,282)	(6,592)	10.5
<b>2</b> Normalised EBIT <sup>(a)</sup>	3,543	3,208	10.4
Profit before income tax expense	4,042	3,076	31.4
Net profit attributable to shareholders	2,623	2,093	25.3
<b>3</b> Earnings per share	20.4¢	16.3¢	25.3
<b>4</b> Dividend per share	8.0¢	8.0¢	-
Return on equity	42.3%	38.8%	n/a
Number of full-time employees	47,075	51,667	(8.9)

<sup>(a)</sup> Earnings before interest and taxes (EBIT), normalised for asset sales, investment write-downs and superannuation write-back.

In relative terms, Telstra's share price has outperformed US and European Telco indices

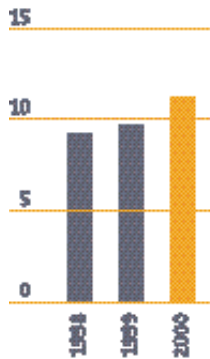
### Shareholder split as at December 2000

Billions of shares



### Total revenue

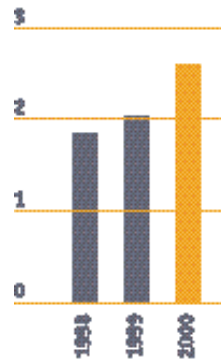
Billions of dollars



3 months to Dec '98,  
Dec '99, Dec '00

### Net profit attributable to shareholders

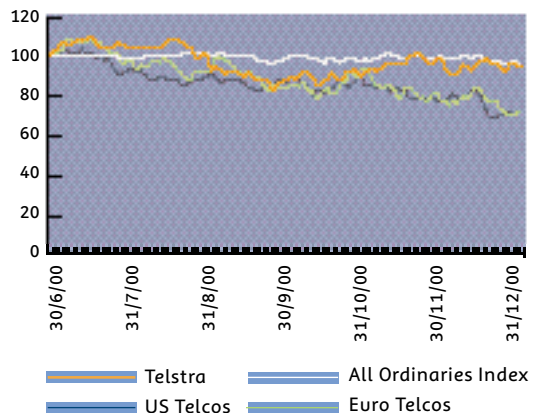
Billions of dollars



6 months to Dec '98,  
Dec '99, Dec '00

### > TELECOMMUNICATIONS

Six months relative performance – during the six months to 31 December 2000, Telstra's share price moved from \$6.78 to close at \$6.42. The graph on the right shows that in relative terms Telstra's share price has performed significantly better than key US and European telco indices. (Telstra's share price and the indices have been indexed at 100 as at 30 June 2000 to allow a meaningful comparison)



# voice

## meeting competition by focussing on service

- > **RETAIL CUSTOMERS** A string of innovative products and a sharp focus on service have reduced customer complaints by an impressive 75% and reduced net consumer churn (disconnection) to almost zero. One such innovation is to reward customers with discounts for their breadth of relationship with Telstra – a customer with a Telstra fixed line, a mobile phone and Internet access may receive a discount of 10% (conditions apply).

This quality of service works in concert with the Telstra brand – the value of which cannot be overstated. Our business requires a high public profile, and securing the naming rights as the sponsor of the National Rugby League competition for the next six years supports this objective.

Our service improvement has been introduced during a period of increased operational efficiency, driven in part by the introduction of new technology such as our 'voice response service', which uses natural voice commands to access Directory Assistance information.

- > **BUSINESS CUSTOMERS** Naturally, our service improvement extends to our business customers. For each corporate customer, we have established a dedicated customer care team to provide cohesive 'enterprise solutions'. Our aim is to become a one stop 'managed solutions' shop for our business customers. This approach has been instrumental in winning some major accounts.

We have been selected as a partner with IBM GSA for the provision of Westpac's telecommunication services, one of Australia's largest telecommunications outsourcing contracts.

ANZ Banking Group has selected Telstra as preferred supplier of telecommunications technologies and services, including assistance with developing its e-commerce strategy and managed services.

Our strategic alliance with Qantas is set to generate additional revenues for both companies – Qantas Frequent Flyers will be offered co-branded Telstra services and Qantas has become an 'anchor' tenant on telstra.com™.

An agreement to supply Australia Post with telecommunications services is another example of major contracts won by Telstra.

*Our aim is to become a one stop 'managed solutions' shop for our business customers.*

Growth indicators (approximate): Half-year ended December	2000	1999	% change
Local Calls (number of calls)	5,675,000,000	5,645,000,000	0.5
National Long Distance Minutes	6,086,000,000	6,352,000,000	(4.2)
International Outgoing Minutes	473,000,000	451,000,000	4.9
International Incoming Minutes	650,000,000	502,000,000	29.5
Easycall® Call Waiting (customers)	5,610,000	5,605,000	0.1



The largest cellular phone network in Australia and one of the largest anywhere in the world

# wireless

## the leading cellular network

Telstra MobileNet® ended the first half of the financial year with more than 4.7 million customers – that’s a staggering growth of nearly a million customers – and a churn rate of less than 2 percent. This highlights strong customer loyalty, even by international standards, and reflects on the quality of our networks and service. It positions Telstra well in the lead up to the introduction of mobile number portability in September 2001.

During the period under review we expanded our CDMA Freedom® network making it indisputably Australia’s largest cellular mobile phone network and one of the largest networks anywhere in the world. The network’s coverage footprint now exceeds one million square kilometres – twice the size of Australia’s second largest cellular mobile phone network, MobileNet® GSM Digital.

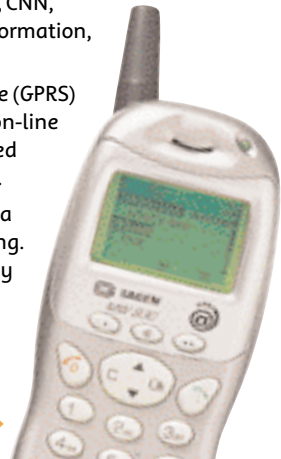
*Looking ahead, we see our wireless revenue streams evolving. Data over wireless devices is becoming increasingly important to us.*

Looking ahead, we see our wireless revenue streams evolving. Data over wireless devices is becoming increasingly important to us and accordingly, we are increasing our data services. We’ve introduced new WAP applications (like Internet over a mobile phone). Customers now enjoy more than 80 applications, including: Banking, Stock Broking, Surf & Ski reports, Wireless games, CNN, Directories, TV Guide, Flight Schedules, Real-time Flight information, ATM locator, Wine Guide and Audio Based content.

Further, we are now rolling out General Packet Radio Service (GPRS) technology, which means our WAP customers will have ‘on-line all the time’ capability. They will also experience improved application responsiveness and faster data transfer rates.

Short Messaging Service (SMS) is another example of data over wireless devices, and the growth has been astonishing. For example, between Christmas 2000 and New Year’s Day 2001 MobileNet® customers sent more than 18.7 million messages. On New Year’s Day alone, customers sent 3.2 million messages.

*Our new GPRS service will mean customers can access data when they need it. Customers can be on-line all the time. →*



Growth indicators (approximate): Half-year ended December	2000	1999	% change
Mobile telephone minutes	2,712,000,000	2,132,000,000	27.2
Mobile telephone customers			
Digital – GSM	4,333,000	3,322,000	30.4
Digital – CDMA	395,000	154,000	156.5
Analogue	–	291,000	(100.0)
Total mobile customers	4,728,000	3,767,000	25.5

# data & Internet

## at the leading edge

*The new ADSL services cement Telstra's broadband access strategy to offer high-speed Internet services.*

- > **HIGH SPEED INTERNET** The most exciting development in this strongly growing area was the launch of Asymmetric Digital Subscriber Line (ADSL) in August 2000. The broadband technology provides customers with superfast Internet access over their ordinary telephone lines, complementing our broadband cable and satellite services. Although available for just a short time, we've received a strong expression of interest in ADSL, and with access prices among the world's lowest, we expect this interest to continue.
- > **telstra.com™** To enhance Telstra's position as an online content aggregator and manager, a number of new services have been rolled out, including:
  - The HealthAnswers health and lifestyle portal providing consumers and healthcare professionals with information for healthcare management.
  - Insurance Express† enables customers to buy home, motor vehicle, term life and health insurance online, powered by InsNet Pty Ltd†, a fully owned Telstra subsidiary company.
  - Continuous coverage of test cricket and one-day matches and 24 hour a day coverage of the Telstra Sydney to Hobart Yacht Race through telstra.com™ sport.
  - Alliance with online education provider, myInternet.com.au, to provide access to telstra.com™ for school children and their families.
  - To support our customers whilst web surfing, Telstra iCall™ Waiting was introduced, which diverts incoming telephone calls directly to the customer's computer in the form of a pop-up message.
- > **ONLINE SECURITY** Naturally, our customers demand security whilst 'online', and we work hard to ensure that this is delivered. During the period under review, we reached an e-security solutions agreement with Baltimore Technologies, which enables us to establish an advanced online security (Public Key Infrastructure) environment for government agencies and businesses requiring the use of government services online.

Growth indicators (approximate): Half-year ended December	2000	1999	% change
FaxStream® services access lines	425,000	416,900	1.9
Total on-line customers	1,318,000	654,000	101.5
Pay TV services in operation	700,000	575,000	21.7

The rollout of core DMO network infrastructure that commenced in late 1999 is expanding

# networks

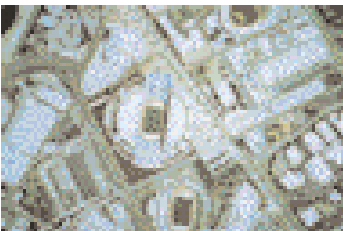
## delivering high speed access

- > **NETWORKS** Telstra is continuing to develop its ability to support emerging Internet protocol (IP) based services, with the Data Mode of Operation project (DMO). The rollout of core DMO network infrastructure that commenced in late 1999 is expanding, driven by service growth and new service opportunities. Phase 1 of 'Telstra Private IP', one of the products based on this new core infrastructure, was launched on schedule at the end of June 2000. Telstra Private IP provides customers with a 'carrier grade IP' network with levels of security and reliability impossible to deliver over the broader Internet. It offers multiple qualities of service, meaning customers can separate high priority voice traffic from less demanding email and file transfer traffic, among other things.

ADSL facilitates high speed Internet access, and as of February 2001, there were more than 400 exchange areas upgraded for ADSL. This means that, together with our broadband cable and satellite services, anyone in Australia can access high speed Internet. Telstra's deployment plans aim to make ADSL available at over 550 exchanges by the end of this financial year.

Telstra's Code Division Multiple Access (CDMA) wireless network was trialed as a platform for fixed Public Switched Telephone Network (PSTN) access on King Island, with a view to deploying this solution more generally. This initiative is aimed at improving delivery times for new services and compliance with Telstra's customer service guarantee.

- > **WHOLESALE** In December 2000, Telstra Wholesale launched Telstra Wholesale Internet and MegaPoP™ access, making Internet access more cost effective for customers of Internet Service Providers (ISPs) who use this product. MegaPoP™ provides dial up access service to ISPs, connecting their customers into their network points of presence so they can access services such as e-mail and Internet. Telstra developed MegaPoP™ to enable ISPs to grow without having to face significant capital expenditure when looking to upgrade or expand.



↑ *The Sydney 2000 Olympic Games represented the largest peacetime communications project in history, and showcased around the globe Telstra's world-class provision of telecommunications.*

Growth indicators (approximate): Half-year ended December	2000	1999	% change
Basic access lines in service			
Residential	6,200,000	6,730,000	(7.9)
Business	2,400,000	2,520,000	(4.8)
Domestic wholesale	1,470,000	640,000	129.7
Total	10,070,000	9,890,000	1.8
ISDN access lines (equivalents)	1,175,200	861,300	36.4

# regional & rural Australia

## local managers improving service, Internet access and mobiles coverage

A major new business unit, Telstra Country Wide™, was launched on 4 June 2000. Its national administration and operations centre is located in Albury-Wodonga.

This unit is responsible for improving Telstra's services and business performance to three million customers outside the mainland cities. Regional and rural customers served by TCW account for over \$3 billion in revenue.

Our key strategy is to establish a strong, business focused management presence in regional Australia. To achieve this, Area General Managers and support teams have been appointed in 28 areas throughout the nation. Our priorities are to improve basic telephony, Internet and mobile services.

Local teams are working to improve management of faults and prioritise investment. We are demonstrating high speed Internet products to regional businesses and customers, as well as increasing access to other Internet services.

Telstra Country Wide™ and Telstra OnAir have successfully applied for Networking the Nation funds in partnership with local communities to install new CDMA base stations and improve mobile telephone coverage.

Telstra Country Wide™ principally supplies infrastructure, retail products and services developed by Telstra's other business units. A limited number of products are currently being developed within Telstra Country Wide™ to meet specialised regional needs.

During the reporting period, Telstra Country Wide™ prepared a response to a government tender to provide untimed local calls to calling areas in the Outer Extended Zone. The value of the tender is \$150 million and during February 2001 it was announced that Telstra had been selected as preferred tenderer. The zone covers approximately 40,000 services and 28,000 customers in many of the remotest areas of Australia.

We have been encouraged by the strong support shown by communities and stakeholders to the formation and activities of Telstra Country Wide™.

*Telstra Country Wide™ announced in December a significant upgrade of 1,250 telephone exchanges in rural and regional areas to provide Easycall® features to an additional 150,000 customers.*



Telstra is currently installing smart payphones that consume significantly less power

# environment

## taking responsibility

Everybody wants a better, cleaner environment. We believe that environmental management can be integrated with everyday business operations so that caring for the environment is a natural part of what we do.

Telstra is a responsible corporate citizen and in the interests of our stakeholders – customers, shareholders, employees, suppliers, contractors and government authorities – we practise sound and accountable environmental management.

We train our employees to be environmentally aware and to understand their environmental obligations, and we demand that our suppliers and contractors meet the same standards.

In aspiring to the highest environmental goals, Telstra seeks to go beyond basic compliance. We strive to be pro-active, open, diligent and sensitive.

Some exciting Telstra achievements are:

- Developing a company-wide system that promotes ‘best practice’ waste management, to deliver extensive waste reduction and recycling results;
- Introducing new electronic processes that allow customers, suppliers and employees to do business interactively. These electronic processes save on resources used in travel and information transfer;
- Improving efficiencies in energy use and reducing greenhouse emissions, by:

- Installing smart payphones that consume significantly less power;
- Investigating alternative fuels for our fleet vehicles;
- Using solar power for remote locations and payphones.

Our environment commitment creates the opportunity to work towards common goals with government, local councils and communities for the betterment of the environment for us today and for future generations.



↑  
 We are pleased to announce  
 the release of Telstra's first  
 public environment report.  
[www.telstra.com.au/investor](http://www.telstra.com.au/investor)

# profit and loss statement

	6 months to Dec '00 A\$m	6 months to Dec '99 A\$m	change %
Sales revenue	9,746	9,285	5.0
<b>1 Total revenue</b>	<b>11,324</b>	<b>9,668</b>	<b>17.1</b>
<b>2 Total expenses</b>	<b>(7,282)</b>	<b>(6,592)</b>	<b>10.5</b>
<b>3 Normalised EBIT<sup>(a)</sup></b>	<b>3,543</b>	<b>3,208</b>	<b>10.4</b>
Profit before income tax expense	4,042	3,076	31.4
<b>Income tax expense</b>	<b>(1,420)</b>	<b>(988)</b>	<b>43.7</b>
Net profit	2,622	2,088	25.6
Minority interests	1	5	(80.0)
<b>Net profit attributable to shareholders</b>	<b>2,623</b>	<b>2,093</b>	<b>25.3</b>
Dividend declared*	1,029	1,029	–
<b>Interim dividend per share (cents)*</b>	<b>8.0</b>	<b>8.0</b>	<b>–</b>
<b>Basic Earnings per share (cents)</b>	<b>20.4</b>	<b>16.3</b>	<b>25.3</b>
Dividend franking percentage at 34% tax rate (1999: 36%)	100.0%	49.17%	

<sup>(a)</sup> Earnings before interest and taxes (EBIT), normalised for asset sales, investment write-downs and superannuation write-back.

\* The 31 December 2000 interim dividend is scheduled to be paid on 27 April 2001, to shareholders who are registered as a shareholder on 23 March 2001, and will be fully franked at an income tax rate of 34% reflecting the new company tax rate (Class C dividend). The income tax payments anticipated in the future should be sufficient to allow full franking of the final 2001 dividend from earnings in the current year.

# discussion and analysis

➔ **1 Total revenue**  
 **17.1%**

Total revenue grew by **17.1%** to **\$11,324m** due to:

- sales revenue increased by 5.0% to \$9,746m with data and internet services, intercarrier and mobile services being the main areas of growth. While revenue from basic access (rental) also grew strongly this was offset by a fall in local call revenue. A primary reason for this shift was the rebalancing (or changing of tariffs and rates) for access and local call charges that took place in March 2000.
- other revenue increased significantly to \$1,578m (1999: \$383m) mainly due to the following items:
  - the once off book profit arising from a write back of a previously recognised liability of \$725m following the release from our obligations under the Telstra Additional Contributions (TAC) agreement to the superannuation fund; and
  - higher proceeds of sale from assets and investments of \$652m (1999: \$188m). \$386m in the current period was from the sale of part of our interest in Computershare Limited (Computershare).

➔ **2 Total expenses**  
 **10.5%**

While total expenses grew \$690m (or **10.5%**) to **\$7,282m**, this increase needs to be considered in the light of some items that were either 'once off' or occurred due to change in asset sales or investment carrying values. These items account for \$476m of the \$690m increase as shown below:

	In 6 mths to Dec	
	2000	1999
	\$m	\$m
Investment write downs (mainly in Solution 6, Sausage Software and Station 12 BV in which we hold a 35% interest)	140	1
Cost of asset sales (with the main item in the current period being the book value of shares in Computershare of \$199m)	425	88
<b>Total</b>	<b>565</b>	<b>89</b>
Net increase in total expenses	<b>476</b>	

Other factors influencing total expenses were:

- continued focus on costs as well as lower full time staff assisted in reducing expenses;
- higher network payments to other carriers for calls terminating on their networks increased our cost of sales; and
- increased borrowing costs due to a higher level of average net debt in the current period after payment of a special dividend of \$2,059m on 29 October 1999.

➔ **3 Normalised EBIT<sup>(a)</sup>**  
 **10.4%**

Shows underlying operating performance

## balance sheet

	As at Dec '00 A\$m	As at Jun '00 A\$m
Cash	941	751
Other current assets	4,669	4,138
<b>1 Total current assets</b>	<b>5,610</b>	<b>4,889</b>
Property, plant and equipment	22,537	22,316
Other non-current assets	3,114	3,134
<b>2 Total non-current assets</b>	<b>25,651</b>	<b>25,450</b>
Total assets	31,261	30,339
Current borrowings	3,658	3,316
Other current liabilities	5,189	6,105
Non-current borrowings	6,554	6,505
Other non-current liabilities	2,626	2,811
<b>3 Total liabilities</b>	<b>18,027</b>	<b>18,737</b>
Shareholders' equity	13,234	11,602

## statement of cash flows

	6 months to Dec '00 A\$m	6 months to Dec '99 A\$m
<b>4 Net cash provided by operating activities</b>	<b>2,665</b>	<b>2,947</b>
Net cash used in investing activities	(1,480)	(2,386)
Net cash used in financing activities	(999)	(1,203)
Net increase/(decrease) in cash	186	(642)



# discussion and analysis

## 1 Total current assets

 14.7%

**Total current assets** increased by \$721m to **\$5,610m** due to higher levels of cash, accounts receivable and inventories. The main increase was in accounts receivable due to:

- amounts charged to customers since 1 July 2000 includes a goods and services tax (GST) component that is collected for and remitted to the Australian Taxation Office (ATO);
- higher sales revenue is reflected in higher amounts billed and not yet collected; and
- lower provisions for debtors as a result of settlement of some outstanding issues for which a higher provision had been made in prior years.

## 2 Total non-current assets

 0.8%

**Total non-current assets** increased marginally by \$201m to **\$25,651m** due to normal capital expenditure and capitalised software additions (net of depreciation and amortisation) during the period being offset in part by the net reduction in the book value of investments of \$226m. These lower book values of investments arose due to the sale of some investments (particularly part of our interest in Computershare) as well as write downs in the carrying values of other investments.

## 3 Total liabilities

 3.8%

**Total liabilities** decreased by \$710m to **\$18,027m**. While borrowings have increased during the period since 30 June by \$391m the net decrease is mainly due to decreases in provisions and liabilities including:

- a reduction in our liabilities due to the release from our obligations to make further payments under the TAC to the superannuation fund. At 30 June 2000 our accounts included a liability to the TAC of \$725m. This was reversed in the current period with the net effect (after taking into account the accounting tax effect of this) being a reduction of total liabilities of \$478m ie \$725m less \$247m (or \$725m\* 34% which is the current company tax rate);
- general decreases in employee provisions due to lower staffing levels since 30 June 2000; and
- a lower provision for dividend reflecting the lower interim dividend payable of 8 cents per share (\$1,029m) compared with the final dividend included in the 30 June 2000 accounts of 10 cents per share (\$1,287m).

## 4 Operating/investing cash flows

**Net cash provided by operating activities** decreased by \$282m to **\$2,665m** compared with the prior corresponding period. A primary reason for the reduction was the payment of an additional income tax instalment of \$274m following the introduction of the new business tax system.

**Net cash used in investing activities** in the current period included operational capital expenditure of \$2,039m (1999: \$2,197m) and a further \$100m for investments (1999: \$438m).

# investor information

The Telstra Share Registrar is accessible via the Internet.

Our share registrar, ASX Perpetual Registrars Limited, provides a website ([www.registrars.aprl.com.au](http://www.registrars.aprl.com.au)) that will allow shareholders access to the following information about their holdings:

- current and previous holdings balances
- annual report election, i.e. whether you have elected to receive the full annual report, short-form annual report or none
- whether a Tax File Number (TFN) has been quoted
- dividend information, such as banking instructions.

## > ON-LINE ACCESS AND UPDATE

Shareholders are now able to update their personal security holding details over the Internet in respect of:

- annual report election
- lodge TFN/ABN number.

You can access this information via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and your surname/company name and postcode.

## > SHARE REGISTRY FORMS

There are also a number of forms, including amalgamation of securityholding, change of address notification, deceased estate, dividend instruction forms etc, which are available to download from the website.

## > UNCASHED CHEQUES

Shareholders should be aware that any cheques, which remain uncashed after approximately two years from a dividend payment are required to be handed over to State Trustees under the Unclaimed Monies Act.

Shareholders are reminded to cash cheques immediately or have their dividends directly deposited into their bank accounts.

## > DIRECT CREDIT OF DIVIDEND

Dividend payments may be credited directly into a shareholder's nominated bank, building society or credit union account in Australia. Further details and a Request for Direct Credit of Dividend form can be requested from our Share Registrar by calling Freecall™ 1800 06 06 08\*.

## > TAX FILE NUMBER (TFN)/AUSTRALIAN BUSINESS NUMBER (ABN)

If you have an ABN and are making this investment in the course of a business or enterprise carried on by you, you may quote your ABN instead of your TFN. Quotation of an ABN or TFN is not compulsory, but Telstra is obliged to deduct tax at the top marginal rate plus medicare levy from dividends, to the extent that they are not fully franked, payable to Australian resident investors who have not supplied their TFN or ABN or claimed an exemption.

## > REMOVAL FROM ANNUAL REPORT MAILING LIST

Shareholders would have received a form with their Half Year Report allowing them to elect not to receive any future reports and be notified by email when they are available on the Internet. To make this election, complete the form and return it to the Share Registry.

Any change in the type of annual report information you wish to receive can also be done through the share registry's website at [www.registrars.aprl.com.au](http://www.registrars.aprl.com.au).

\* A free call except for a mobile phone, which will be charged at the applicable mobile rate.

# Financial calendar 2001

Full-year end	30 June 2001
Annual result announced	29 August 2001
Ex-dividend share trading starts	17 September 2001
Record date for final dividend	21 September 2001
Final dividend paid	26 October 2001
Annual General Meeting	16 November 2001

Note: Timing of events can be subject to change

## Contact details

### Telstra Corporation Limited

Incorporated in the Australian Capital Territory

Telstra is listed on Stock Exchanges in Australia, New Zealand (Wellington), and USA (New York)

### Registered Office

Level 41, 242 Exhibition Street  
Melbourne Victoria 3000 Australia

Michael Montalto  
Company Secretary  
Ph: (03) 9634 6400

### Principal Australian Offices

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Melbourne Victoria 3000 Australia

231 Elizabeth Street Sydney  
New South Wales 2000 Australia

### Investor Relations Unit

Level 36, 242 Exhibition Street  
Melbourne Victoria 3000 Australia

Wayne Treeby  
General Manager  
Ph: (03) 9634 8632

### The Telstra Share Registrar

ASX Perpetual Registrars Limited  
PO Box 14300 Melbourne City MC  
Victoria 8001

Australia: FREECALL™ 1800 06 06 08\*  
All other: (613) 9615 9999  
Facsimile: (613) 9615 9911

### Website

The Half-year Report can also be found via Telstra's Investor Relations home page at:  
<http://www.telstra.com.au/investor>

\*A free call unless from a mobile phone which will be charged at the applicable mobile rate.

Everyone, everywhere,  
needs to communicate,  
**everyday.**



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