

## Delivering on our promise

The world is changing, our customers lives are changing and Telstra is changing. Our customers want more than plain old telephone services (POTS), they want real-time access to information on the move, in the format they choose and where they choose.

To meet these changing needs, Telstra is transforming into a world class media communications company. Telstra is transforming its networks and systems to meet our customer needs. We have a plan and our transformation is in full swing.

During the financial year we built on our track record of delivering on our promises. We:

- Launched the national Next G™ mobile broadband network, no other mobile network in the world is faster, larger or more advanced;
- Launched the Next IP™ network which, together with the Next G™ network, is the world's largest fully integrated wireline and wireless national Internet Protocol (IP) network;
- Became Australia's 3G market leader;
- Trained 12,000 people at the Telstra Learning Academy in its first 11 months;
- Improved workforce culture, with record numbers of employees responding to the 2007 Employee Engagement Survey and employees rating Telstra more favourably than last year.

But this is only the start, we still have a lot to do. We are bringing world class capabilities to Australia, and we are leading the world.

Our broadband business, BigPond®, extended its market leadership through the launch of innovative applications and content for the new media world. During the year we launched or enhanced our interactive offerings including our Second Life presence, expanded the membership of our games arena with members up 40% year-on-year and our BigBlog™ site experienced more than 7,000 unique visitors per week.

BigPond® recently launched mobile BigPond TV and has embraced the web 2.0 world and our new home page personalisation tool I-Pond™ is spearheading our charge to the user-generated internet experience of the future.

In mobiles, we launched the Next G™ network in October, allowing our customers to change the game. Our customers have embraced the speed and simplicity of the Next G™ network and in the second half over 1 million video calls were made and Sensis search visitors were up 39%.

Our Sensis business is a cornerstone of our integrated media communications strategy and the emerging business asset portfolio grew strongly. This included our banner advertising business, Sensis MediaSmart®, and our mapping business, Whereis®. Our directories business continued to manage the migration from print to online while maintaining some of the best directory revenue growth rates and margins in the world.

Our network transformation is making integration a reality and we are building capability to deliver competitive advantage, leverage scale and reduce costs. We are creating a world class set of assets unmatched by our competition.

Our key productivity metrics continued to improve as we remove complexity and inefficiency. Technician productivity is up 17%, customer revisits are down 36% and we are equipping our staff with the skills required in the new Telstra.

We built top line momentum with a strong second half underlying sales performance. As we foreshadowed, transformation spend peaked this year as we invested in future revenue growth, simpler systems and world class networks to provide customers with compelling content, applications and integrated services. The benefits are already starting to emerge as customers vote with their wallets and we win where it matters – in the market.

Our strong performance was achieved despite the regulator helping our competitors. Notwithstanding the unlevel playing field, we will continue to compete hard and win in the market. We will continue to develop our long-term strategy to maximise the value of integrated assets as we become a true media communications player.

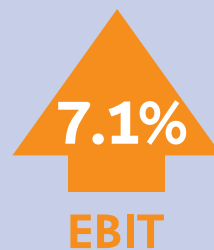
The new Telstra is about adding value to our customer's lives.

### KEY ACHIEVEMENTS:

- ✓ launched world leading Next G™ mobile broadband network in October 2006
- ✓ launched Next IP™ network in April 2007
- ✓ 3G market leader, 4 months ahead of schedule
- ✓ 2 million 3G and over 1 million Next G™ customers

### KEY FINANCIALS:

	2007 \$m	change %
Sales revenue	23,673	4.2
EBITDA	9,861	3.0
EBIT	5,779	5.1
Free cash flow	2,899	(36.7)
Ordinary dividends (cents per share)	28	-



(excludes Trading Post write-down)

We are changing the way we communicate with shareholders - for more information see the enclosed flyer

