



THE MARKET

Communication is at the heart of everyday life in Australia and around the world. Telstra, as Australia's leading telecommunications company, is playing an integral role in its development with an innovative and practical approach.

Millions of people around Australia interact with Telstra networks every day - making phone calls, sending faxes, accessing ATMs, watching cable TV and of course, surfing the Net.

Telstra has a long history of serving Australia, and is continuing to implement its vision of connecting Australians to the world into the 21st Century. In fact, Australians are amongst the world's most avid Internet and mobile users, and Telstra has been instrumental in connecting them. And while this may represent an exciting future, demand for traditional voice services is greater than ever with more than 11 million mobile phones, 2.7 million fixed lines into businesses and 6.9 million fixed lines into Australian homes.

By offering access to 230 countries and territories, Telstra's networks have enabled Australian companies to build successful businesses on a global scale. And its relationship with the community is now closer than ever, with over 1.5 million Australians owning a share of the company.

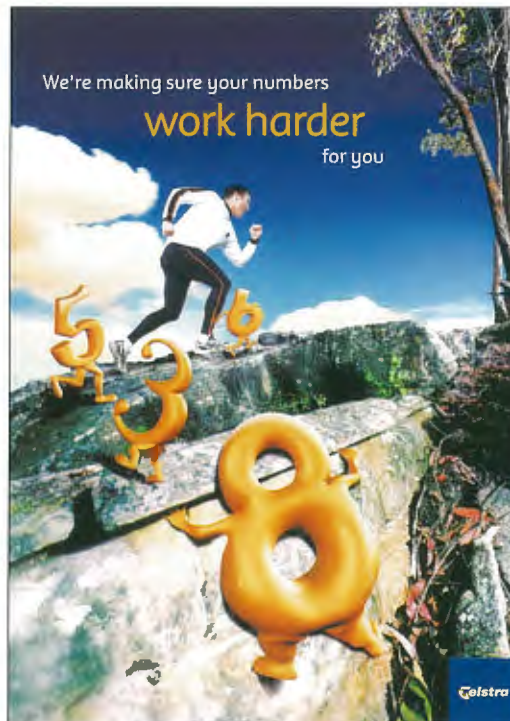
ACHIEVEMENTS

In the year 2000, two major events dominated Australia's cultural, political and sporting landscape. East Timor and the Sydney 2000 Olympic Games. And at both these pivotal moments in history, Telstra was there.

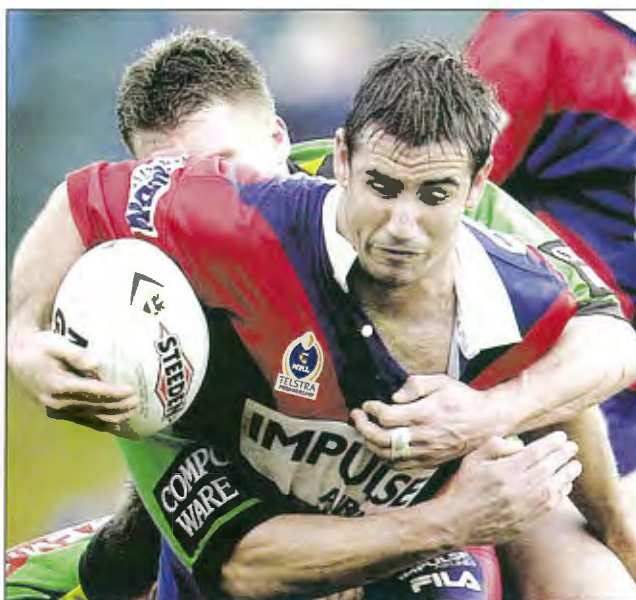
In the aftermath of East Timor's first free election, Australia led the world in a massive campaign of reconstruction. In October 1999 the Department of Defence outlined its communication requirements to Telstra. One week later, Telstra had assembled an expert technical team and one million dollars worth of equipment in Darwin ready to go. Meanwhile, teams from five different Telstra business units spread between Darwin, Sydney, Adelaide, Bendigo and Perth set up the infrastructure linking Timor to the Australian network.

Telstra's mission to East Timor was extremely successful and provided crucial telecommunications infrastructure to the country and its people in their rebuilding phase.

Faced with the prospect of staging memorable sporting events in Sydney,



Australia delivered the 'best' Olympic Games and Paralympic Games the world has ever seen. And it was the first time that one company handled all telecommunications for the entire Games. Telstra was faced with the challenge of cabling and provisioning about 35 Olympic venues, and drew on the depth of experience of all sectors of the company to create end-to-end solutions in video, data, radio, mobile and voice services. Telstra built the Millennium Network, one of the largest, fastest and most sophisticated Olympic communications networks the world has ever seen.



HISTORY

From its beginnings in Australia nearly a century ago, Telstra has become one of the most sophisticated electronic communication and information service companies in the world. Ranked as one of the top companies in the global telecommunications industry by market value, it is listed on the Australian, NZ and US stock exchanges. Its offices span the Asia Pacific region, Europe and the USA.

Throughout its long history, Telstra has always remained committed to serving the people of Australia. Telstra has existed in various forms - East-West Telegraph, the Overland Telegraph, the Postmaster General's Department, the Overseas Telecommunications Commission and Telecom Australia. Perhaps this shows the ever-evolving, progressive nature of Telstra. It changes with the times, according to people's needs.

Responding to community needs, Telstra recently formed a new unit - Telstra CountryWide. This business unit was formed in June 2000 to improve regional telecommunications and business performance all around Australia, through programs that provide fast and affordable Internet access, improved telephone services and increased mobile coverage. Telstra is providing untimed calls at a local call rate in Extended Zones (80% of the continent), to vastly improve the affordability of telecommunications for approximately 28,000 remote area customers after winning a \$150 million Commonwealth Government tender.

As the telecommunications industry continues to rapidly progress, so does Telstra. The natural market for Telstra to expand internationally is Asia. Telstra now has major joint ventures in Hong Kong with Reach and Regional Wireless Company, as well as New Zealand with Telstra Saturn, and in-country operations in Vietnam, UK, USA, Japan, Singapore and Sri Lanka. This makes Telstra a serious global player with a powerful domestic franchise.

THE PRODUCT

With the most diverse range of communication and IT products and services of any company in Australia, Telstra is much more than a traditional phone company.

While the fixed phone network remains a crucial part of what Telstra does, from the simple Local Call to its comprehensive range of call and directory assistance services, there are now so many more facets to Telstra. The range of calling plans allow you to stay in touch with anyone anywhere at a time that suits you.

Telstra delivers Australia's most popular Internet access with around 1 million Australian consumer and business subscribers as at August 2001. And by offering a suite of broadband technologies - cable, ADSL and satellite, Telstra is one of the only companies that can provide superfast broadband Internet access nationwide.

With mobile phones so much a part of modern life, Telstra has created two world class mobile networks and is proud to offer mobile coverage to almost 97% of the Australian population. In doing so, Telstra has established one of the world's biggest cellular networks. And there is no bigger digital cellular mobile network in Australia than Telstra MobileNet CDMA. With over one million square kilometres of coverage, the CDMA network provides excellent metro performance, faster data speeds and clearer voice communication.

Telstra was recently successful in acquiring a national 3G licence, which will enable it to deliver high-speed wireless data applications and services in the future.

Another important element for Telstra has been its product packaging. The successful rollout and customer uptake of consumer packages is testimony to Telstra's commitment to being each customer's single source provider and integrator of choice for communication. Telstra can provide one bill for all fixed, Internet and mobile services. Today over 1 million customers are benefiting from Single Bill. In addition to the convenience and simplicity of Single Bill, Telstra packages recognise and reward customers for their loyalty by offering various discounts.

RECENT DEVELOPMENTS

Telstra has recently moved into the rapidly growing data storage business. Telstra is investing in managed information services to capture new revenue streams at a time when information storage is exploding - growing at more than 100% per annum globally.

Telstra's data storage service will give Australian businesses wide-band access to a super-high availability data centre, housing large scale storage devices, based on a 'pay as you go' model, without the need for infrastructure investment.

The data storage offering forms a core part of Telstra XSP services, designed to provide Australian companies with the ability to manage their IT&T infrastructure more effectively.

On another front, Telstra's Research Laboratory (TRL) is continuing on its mission to deliver sustainable competitive advantage to Telstra's business units through product and infrastructure innovation. Part of the TRL's work includes working with third parties to improve communication technologies globally.



For example, Telstra and The Bionic Ear Institute have had a long standing relationship ever since Telstra technicians assisted Professor Graeme Clark with the circuit design of the first Bionic Ear in the '70s. Since then, Telstra has supported the Bionic Ear Institute in a range of joint research activities, such as its present program that aims to improve Speech Recognition systems. Providing hearing to over 30,000 profoundly or totally deaf people, including 15,000 children in over 60 countries, the Bionic Ear is just one way in which Telstra's research and innovation has helped the community.

PROMOTION

As one of Australia's most recognised brands, Telstra uses a wide range of media to talk to its 6.5 million customers. A strong visual look using blues and oranges has created the easily recognisable Telstra style. This has produced a consistent feel throughout all communication, while still differentiating between consumer and business markets. This look continues to have impact and will progress to demonstrate "numbers" working for its customers across the country.

Telstra also takes its social responsibility seriously. Actively supporting initiatives such as LifeLine and LandCare (among others), Telstra also has an active volunteer staff that supports community initiatives and charities such as Clean Up Australia and The Smith Family.

Telstra is committed to the development of sport in Australia. As the principal sponsor of Australian Swimming Inc and the Telstra Dolphins since 1992, it has provided initiatives and support for swimmers from the elite to the community level. The recent partnership with Athletics Australia also shows its involvement with sport at a grass-roots level. Telstra is working hard to nurture the growth of athletics on and off the track.

Most recently, Telstra has become the naming rights sponsor of the NRL. Again, Telstra wants to make the game more

accessible to the fans. One way in which Telstra achieved this was by taking the Telstra Premiership Rugby League Road Train to the highways on a 47 day road-trip. Packed with interactive rugby league experiences, memorabilia and a tribute to the legends of the game, it crossed three states before finishing at the Grand Final at Stadium Australia.

And with the recent sponsorship of the Bangarra Dance Theatre and ongoing sponsorship of the Australian Ballet, Telstra has further enhanced its position as one of the largest supporters of the arts in Australia.



BRAND VALUES

A strong brand culture is fundamental to Telstra's quest of keeping the customer experience foremost in its decision-making.

The Telstra brand is one of Telstra's greatest assets and one that the company protects vigilantly. It has evolved over time as the company has evolved, and is constantly reviewed to ensure that it maintains its status as one of Australia's great brands.

Telstra has recently embarked on a major effort across the company to build the brand culture going forward. Extensive market research has revealed what Australians want from Telstra. Telstra's brand strategy now focuses on matching these customers needs with three core brand values. Customers want Telstra to be empathetic to their needs; clever in the way it delivers solutions; and, most of all, trustworthy.

Telstra, one of Australia's great brands, is at the start of its journey to becoming Australia's greatest brand. And whilst it may be a challenging vision, it is already partly on the way to meeting one of its core values, trustworthiness, as it was voted Australia's most trusted brand for 2001 in the *Reader's Digest* Who Do You Trust survey.

THINGS YOU DIDN'T KNOW ABOUT TELSTRA

- Telstra is ranked in the top ten global telecommunications companies.
- In the Asia Pacific region alone, more than 200 multinational corporations have chosen Telstra to provide their telecommunication needs.
- Telstra has taken up the sponsorship of Child Flight. The Telstra Child Flight aircraft is the only helicopter in NSW and the ACT providing intensive care emergency service for babies and children.