



THE MARKET

Telecommunications remains a dynamic and exciting industry and will continue to have a significant impact on every Australian and the well being and prosperity of this country.

Mobile phones now outnumber fixed line connections. Telstra's national digital GSM and CDMA networks provide more than 97 per cent of Australians with access to a mobile phone service.

Most Australians have online access either at home or at work. The ABS figures to March, 2002 reveal Australia had 4.2 million Internet subscribers – 3.7 million households and just over 0.5 million business and government.

Since then, the amount of time Australians are spending online passed six billion minutes a month – a figure that is growing rapidly, encouraged by the availability of broadband connections. BigPond's Broadband subscribers increased to 287,724 in the second half of 2002, more than double

the same period in 2001, and are on track towards the overall target of one million subscribers by 2005.

Australians make around one billion local phone calls a month and spend about four billion minutes a month talking on the phone

SMS is becoming a recognised tool for businesses to improve productivity. SMS activity grew substantially in the second half of 2002, and in December alone, Australians sent each other over 250 million messages with almost 18 million sent across all mobile networks on New Year's Eve.

ACHIEVEMENTS

Recently, as Official Worldwide Telecommunications Partner, Telstra was responsible for providing telecommunications services for the Rugby World Cup 2003 tournament across all venues in Australia - helping to bring alive the excitement of one of 2003's biggest international sporting events.

HISTORY

In 1901 the Postmaster General's Department (PMG) was established to manage all domestic telephone, telegraph and postal services. The year 1914 saw the debut of automatic telephony.

In 1946 the Commonwealth established the Overseas Telecommunications Commission to manage Australia's growing international telecommunications.

The 1960s gave telephone users the convenience of automatic STD dialling. It was an era that saw PMG develop into one of the country's most significant construction companies, as technicians crossed the land connecting north to south and east to west; a massive automation project that reached completion almost 30 years later in Mudgee, west of NSW's Blue Mountains.

By 1975, the Commonwealth Government separated the functions of post office and domestic telecommunications, creating Australia Post and the Australian Telecommunications Commission, trading as Telecom Australia. The Overseas

Telecommunications Corporation continued to handle international access.

In 1989 the Commission became the Australian Telecommunications Corporation, and three years later OTC and Telecom Australia merged to create the Australian and Overseas Telecommunications Corporation Limited (AOTC).

By 1993 the deregulation of the domestic market was under way. On July 1, 1995, the organisation's local trading name changed to Telstra.

In early 2003, Telstra connected its 12 millionth mobile service and launched new technology which combines voice, data, internet access and computing functions in a single, hand-held mobile communication device, known as a BlackBerry.

Today, Telstra faces the future confident in the achievements of a century of service, and continuing to lead the way in the evolution of telecommunications as Australia's leading global, full service provider.

THE PRODUCT

Telstra has recently invested in developing and introducing new fixed-line products, launching state-of-the-art technology that enables customers to tell the phone what to do. The voice command system '1 # Telstra Feature Assistant™' activates features such as Call Waiting and Call Forward. July 2003 saw the launch of 'Telstra Home Messages 101™' - a free message service for residential customers.

A revolution is already occurring in wireless data. Usage of traditional SMS is increasing, as are new wireless data applications such as entertainment and transaction, information and location services. As well as voice, today's mobiles can transmit text messages, access the internet, download emails, buy a soft drink from a vending machine and pay for parking. The mobile can be a phone, an organiser, a radio, an electronic wallet, a video camera, a still camera and an email centre all in one.

The internet has increasingly become a natural part of how we work, study, live, relax and keep in

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touch. Reliable dial-up internet is available across Australia via a fixed telephone line. Broadband has become the next wave, taking Australians another step towards utilising the internet to its full potential.

RECENT DEVELOPMENTS

Telstra plays a critical role in influencing future communications technology, and is always looking for innovative ideas. In the future, Telstra sees a range of new applications, based on mobile data, interactive TV and voice technology:

WLAN (Wireless Local Area Network): Telstra 'Wireless Hotspots' deliver high-speed internet without wires. WLAN technology enables users to connect wirelessly to their existing home or office internet, potentially at speeds as fast as a home broadband connection, all through their laptop or handheld computer (where coverage allows). Customers can charge their usage directly to their Telstra mobile phone accounts.

Lyrebird: Developed by Telstra Research Laboratories, Lyrebird is a tool for developers to rapidly create and deploy complex and high-quality natural language speech applications, which enable people to speak naturally to a computer.

SMS FIND: is a prototype service developed by Telstra Research Laboratories that will allow users to search for facilities and services in a desired area. To find the nearest chemist, for example, users need only to type the word 'chemist' into their mobile phone and SMS FIND will respond via SMS with the information.

Mobile EFTPOS: allows retail EFTPOS transactions (debit and credit) to take place over the Telstra GSM network using either GSM (Circuit Switch) or GPRS. The service gives identical functionality to a fixed EFTPOS service. It offers a payment option when there is no fixed phone line, such as in a taxi or at the markets.

PROMOTION

Telstra is committed to the Australian community and this support extends to sport, arts and community sponsorships, enabling Telstra to connect with communities across a broad range of interests, supporting vital services for the benefit of the community and making the arts more accessible to the wider community. This is being achieved through a range of initiatives including free entry to exhibitions, online programs, workshops and regional tours.

- Telstra introduced the Telstra and Australian Governments' Small Business Awards in 1992 to recognise the achievements and enterprising spirit of small businesses across Australia. Telstra developed the awards to help profile Australian small businesses.

- The Telstra Business Women's Awards is a unique program designed to recognise and celebrate the remarkable achievements of Australian business women. The awards were created by Telstra in 1995 and recognise the enormous contribution women make to both the business



sector and the general community

- Bangarra Dance Company reflects the life experiences and attitudes of contemporary indigenous communities.

- Telstra's association with The Australian Ballet is now in its 20th year.

- Telstra's sponsorship of the National Aboriginal and Torres Strait Islander Art Award has helped raise the profile of indigenous artists and has contributed to it being

recognised as the most prestigious award for indigenous art in Australia.

- Telstra's support of the MCA (Museum of Contemporary Art), located in Sydney, makes modern art accessible to more people by funding the free admission policy. Telstra's support of regional tours and online chats with artists via Telstra.com has further widened MCA's ability to bring art to the people of Australia.

- Telstra is Principal Partner of the Sydney Cancer Centre as well as principal sponsor of the Sydney Cancer Centre's Telemedicine Outreach Program which aims to help enhance the delivery and improve the quality of care, access, education and research for cancer patients and families in rural Australia.

- Telstra's support of Child Flight enables medical retrieval when needed by sick babies and children. Each helicopter carries two intensive care units, four medical staff and two pilots and each has a faster response time than any other helicopter used for medical retrieval in New South Wales or the Australian Capital Territory.

- In 2001, Telstra pledged \$1.25 million over five years to the Victor Chang Cardiac Research Institute to assist a major research project on exploring muscle cell development and biology, and the molecular machinery regulating protein production in the heart and other tissues.

- Telstra's commitment to sport in Australia covers a diverse range of sporting properties, which

includes supporting the development of athletes, from the elite through to grassroots participation. Australian Swimming, Australian Paralympic Committee, Athletics Australia, National Rugby League, and Surf Life Saving Australia. This also includes BigPond's sponsorship of the V8 Supercars.

Telstra also provides support to state-of-the-art sporting and entertainment venues: Melbourne's Telstra Dome and Sydney's Telstra Stadium.

Through initiatives such as Telstra HeroMessaging, hosting and development of official websites, development clinics, regional road shows, promotions and competitions, Telstra aims to provide Australians with greater access to their sporting heroes, support community participation in sport and enhance the development of sport in Australia.

BRAND VALUES

As Australia's connection to the future, Telstra's mission is to develop, design and deliver great communications solutions to every customer.

To support this business vision, Telstra's brand strategy focuses on three core brand messages - caring, clever and trustworthy. Telstra strives to be caring by being warm, friendly and listening to customers needs; clever by delivering products/services which solve every day issues; and most of all trustworthy, by providing leadership, keeping promises and being community oriented.

The focus is to ensure that Telstra delivers on each of these messages in every one of its customer touch-points.

THINGS YOU DIDN'T KNOW ABOUT TELSTRA

- On a typical working day, Telstra's people:
- connect around 30 million calls;
 - receive approximately 130,000 retail customer enquiries;
 - install more than 3,600 services; and
 - receive more than 850,000 directory assistance calls.