

Half-Year Report

For the six months ended
31 December 2019



Legal Notice

NBN Co

NBN Co Limited (NBN Co or the Company) is wholly-owned by the Commonwealth of Australia as a Government Business Enterprise (GBE), incorporated under the *Corporations Act 2001 (Cth)* and operating in accordance with the *Public Governance, Performance and Accountability Act 2013 (Cth)* (PGPA Act).

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The Chief Financial Officer
NBN Co Limited
Level 13, 100 Mount Street
North Sydney NSW 2060
Australia

Half-Year Financial Report

The Half-Year Financial Report was authorised for issue by the Directors on 4 February 2020. The Directors have the power to amend and reissue the Half-Year Financial Report.

This Half-Year Report is for the six months ended 31 December 2019.

Glossary

Defined terms within this Half-Year Report should be read in conjunction with the glossary of terms within the 2019 Annual Report.

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About NBN Co

Who we are

**NBN Co is the
company building
and operating the
nation's wholesale,
local access
broadband network.**

By providing access to fast, reliable and affordable broadband services, NBN Co is helping Australian homes and businesses realise the social and economic benefits that high-speed broadband can unlock.



NBN Co's purpose is to lift the digital capability of Australia.

NBN Co is accountable to the Commonwealth Government and is working to deliver a National Broadband Network that meets the government's Statement of Expectations¹, 24 August 2016.

The Company is working to complete the network build and ensure that all Australians have access to fast broadband as soon as possible, at affordable prices, and at least cost to taxpayers.

In addition to building and maintaining a network that is resilient and secure, NBN Co is committed to delivering access to peak wholesale download speeds of at least 25 megabits per second (Mbps) to all premises, and at least 50Mbps to 90 per cent of the fixed-line premises². NBN Co will ensure that upgrade paths are available for the network's multi-technology mix as required.

As the network wholesaler, NBN Co provides access to all Retail Service Providers (RSPs) on a non-discriminatory basis. This approach is intended to level the playing field in the Australian telecommunications industry, enhancing competition and providing greater choice for customers³ across the country. It is through RSPs that customers connect to the **nbn**TM network for access to high-speed internet.

NBN Co is delivering high-speed broadband to customers across Australia over an area of more than seven million square kilometres. The Company is committed to working with Delivery Partners, RSPs and stakeholder groups to help more Australians use the network to drive positive benefits for themselves and their communities.

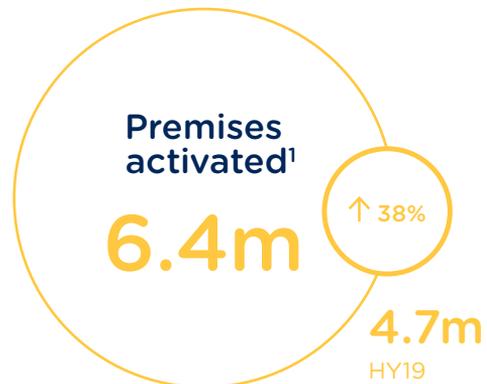
1 <https://www.communications.gov.au/publications/nbnstatementofexpectations>.

2 This will be achieved at the end of co-existence, which refers to the period where there are active Telstra services running over the parts of the legacy Telstra network that NBN Co has acquired from Telstra.

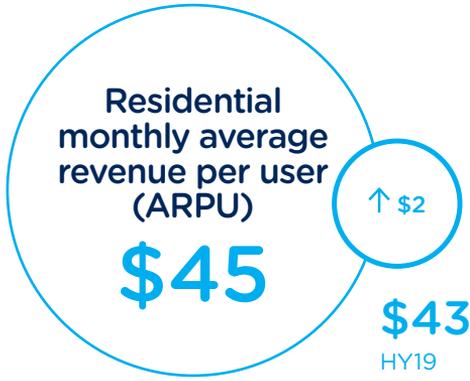
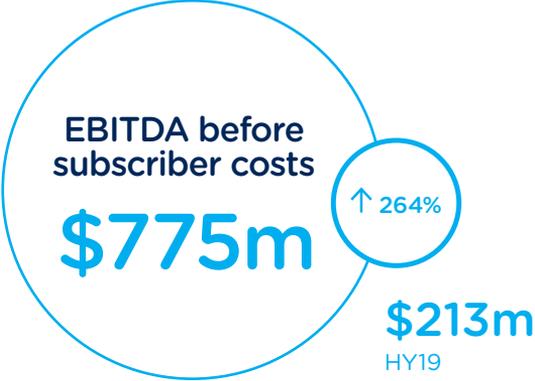
3 Final downstream customers to NBN Co's Retail Service Providers (RSPs).

31 December 2019 Half-Year results summary

NBN Co continues to make significant progress in building the nbn™ access network, growing its customer base and revenues while working to improve the residential and business customer experience.



¹ Cumulative number of premises ready to connect and activated.



2 Refer to pages 12 to 13 for progress against key customer experience metrics.

Directors' report

The Directors of the Company present their report on NBN Co Limited (NBN Co or the Company) and its subsidiaries (the Group or the NBN Co Group), together with the Half-Year Financial Report of the Group for the six months ended 31 December 2019 and the auditor's review report thereon.





Operating and financial review

The principal activities of NBN Co are to build and operate the nbn™ access network, which has been structured as a wholesale-only access network available on equivalent terms to all access seekers.

Our business

1 NBN Co's purpose

To lift the
digital
capability
of Australia

2 What are NBN Co's goals?

Complete the volume
build by 30 June 2020¹

Enhance the network
capability over time to
meet the growing and
diverse needs of
Australian homes
and businesses

¹ NBN Co's volume build completion commitment is that all standard installation premises in Australia are able to connect to the nbn™ access network as at the volume build completion date. This excludes premises in future new developments which will be an ongoing activity for the Company beyond the volume build completion date. It also excludes a small proportion of premises defined as 'complex connections' – which includes properties that are difficult to access, culturally significant areas and heritage sites – where connection depends on factors outside of NBN Co's control such as permission from traditional owners, and where network construction to allow such premises to connect will be an ongoing activity of NBN Co beyond the volume build completion date.

3

What are NBN Co's priorities?



Ensure all Australians have access to **high-speed, resilient and secure broadband**



Keep NBN Co a great place to work, **underpinned by a customer-led culture**



Deliver a customer experience that drives **satisfaction, use and network preference**



Develop a product and pricing portfolio that **addresses customers' diverse needs**



Strengthen relationships with government, industry and community to **optimise customer benefits**



Build capabilities for the future and grow profitability to **enable re-investment to benefit our customers**

4

Supported by

6,300

NBN Co staff¹

More than 100

Retail Service Providers selling services over the **nbn™** access network

¹ This figure includes NBN Co employees and contractors.

Our progress and performance

NBN Co continues to make significant progress in building the nbn™ access network, growing its customer base and revenues, while working to improve the residential and business customer experience.

Progress on network build

After ten years of building this critical infrastructure for the nation, the Company remains on track to complete the volume build¹ of the nbn™ network by the end of June 2020.

The results for the first half of FY20 show significant progress towards this important milestone of making 11.5 million Australian premises Ready to Connect (RTC).

During the six month period ended 31 December 2019 an additional 667,000 new premises were made RTC. As a result, 10.5² million premises were declared RTC as at the end of December 2019. This means that more than 90 per cent of Australian premises can now order a service over the nbn™ access network.

Growth in customers

Customer take-up continued to grow during the first half of FY20, with activations increasing by 38 per cent compared to 31 December 2018. In the past six months, more than 900,000 homes and businesses connected to services over the nbn™ access network.

The strong take up of nbn™ services means that more than 6.4 million Australian homes and businesses are now connected to the nbn™ access network.

Growth in revenue

The Company generated revenue of \$1.8 billion during the first half of FY20, a 39 per cent increase compared to the first half of FY19. The growth in revenue was primarily driven by the significant increase in the number of homes and businesses connected to the nbn™ access network.

Residential ARPU continues to track strongly at \$45 per month, up from \$43 per month in the first half of FY19. The growth in residential ARPU is primarily driven by the continued trend in customers either selecting or upgrading to higher speed tiers. More than two thirds of all nbn™ customers are on speed tiers of 50Mbps or faster³.

NBN Co continued to make strong inroads in the business segment. Business segment revenue increased by 49 per cent year on year to \$319⁴ million for the first six months of FY20, up from \$214⁴ million in the first half of FY19.

1 Refer to footnote 1 on page 8.

2 Following the completion of a full analysis of available premises data for Satellite and Fixed Wireless areas, the number of premises within these areas has been reduced. This reduction has been applied to the reported premises RTC figure as at 31 December 2019.

3 Refer to the uptake to higher speed wholesale plans footnote on page 54.

4 NBN Co has revised the data parameters used to identify business and residential customers. This has resulted in an increased number of locations being identified as businesses and a correlated growth in business segment revenue. NBN Co has restated prior period revenue allocations for comparative purposes.

Improving customer experience¹

NBN Co continues to execute its customer experience strategy that aims to improve access, affordability and use for all Australians on the **nbn**TM access network.

This commitment continued throughout the first half of FY20 to drive collaboration with retail partners, the industry, regulators and the government to help ensure customers get the best possible experience from their **nbn**TM service.

NBN Co’s customer experience strategy sets clear expectations for the Company to meet as customers are connected, as well as improving their everyday experience and ensuring any issues are resolved promptly.

A number of NBN Co’s key customer experience metrics remained steady through the six months to 31 December 2019, with Right First Time installations of **nbn**TM equipment coming in at 91 per cent; agreed installation times met on 96 per cent of occasions; and a monthly average of just 8 faults per 1,000 premises post connection.

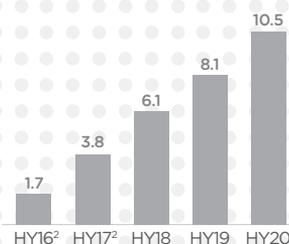
Efforts to improve pricing and data capacity certainty for retail service providers also continued with the conclusion of NBN Co’s Wholesale Pricing Review.

This review targeted five key areas: lifting take-up in underserved customer segments; promoting higher speed wholesale plans; improving support for RSPs in the face of increasing demand for broadband; creating a regular cadence for future pricing consultations; and making it simpler and easier for RSPs to do business with NBN Co.

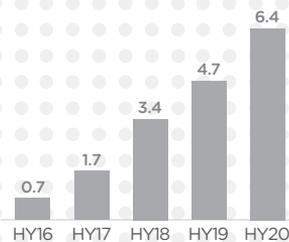
The changes announced through NBN Co’s Wholesale Pricing Review included new high speed wholesale plans and discount bundles, price reductions on key entry-level wholesale products and substantial increases in the data capacity inclusions across most of the Company’s discount bundles.

These initiatives are designed to help RSPs continue to offer affordable **nbn**TM services, particularly for price-sensitive customers.

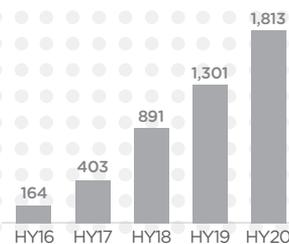
Cumulative RTC Premises (million)



Cumulative Activations Premises (million)



Revenue (\$ million)



¹ Please refer to pages 12 to 13 for progress against key customer experience metrics.

² Number of RFS premises – RTC premises not reported in HY16 or HY17.

Our customers

To give the public a clear understanding of our progress, NBN Co is reporting key customer experience metrics publicly through a monthly progress report. The recently reported metrics show good progress in many areas, but the Company also acknowledges that it has more work to do to improve the customer experience.

Progress



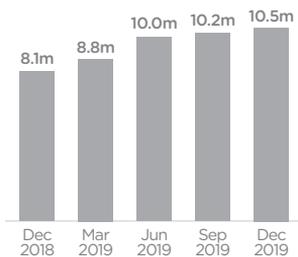
Connect



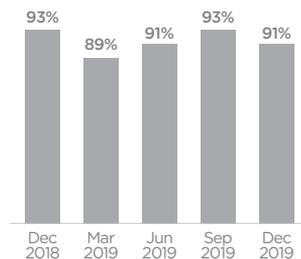
Use



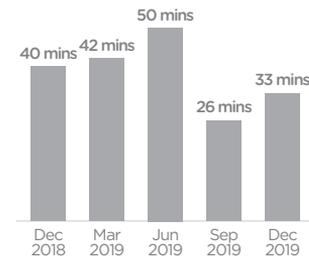
Homes and businesses ready to connect¹



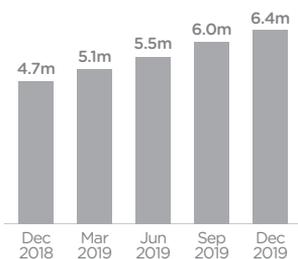
Right first time installations of nbn™ equipment³



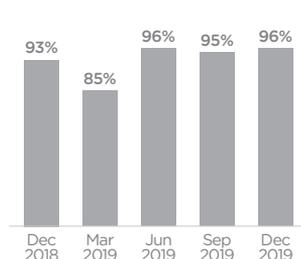
Average network bandwidth congestion (per week)⁵



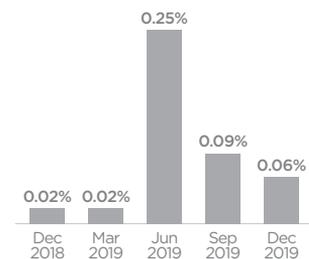
Homes and businesses connected²



Meeting agreed installation times⁴



Fixed-line network congestion^{6,13}



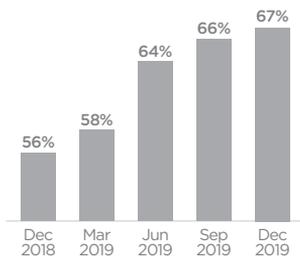
^{1,2} Cumulative number of premises ready to connect and connected homes and businesses.

^{3,4,5,6,7,8,9,10,11,12} Refer to pages 53 to 55 for further details on how the performance against key metrics has been calculated.

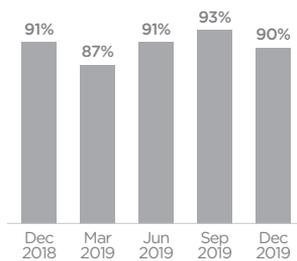
Fix



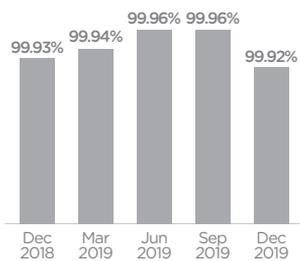
Uptake to higher wholesale plans (50Mbps or higher plans⁷)



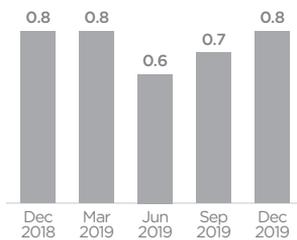
Meeting agreed fault restoration times⁹



Network availability⁸



Faults after connection completed (per 100 connected homes and businesses)¹⁰



Fixed Wireless busy hour

December 2019



¹³ While there were record low levels of bandwidth congestion experienced on the fixed-line network in FY18, it was anticipated that these levels would fluctuate as promotional discounts ended in October 2018, and as NBN Co helps RSPs adopt the new wholesale discount bundles. NBN Co continues to closely monitor network demand and data flow across the network and to work closely with RSPs to help them manage their capacity.

Our financial results

Financial highlights

For the six months ended 31 December	2019 \$m	2018 \$m	2017 \$m	2016 \$m	2015 \$m
Financial performance					
Total revenue	1,813	1,301	891	403	164
Operating expenses	(1,038)	(1,088)	(1,022)	(858)	(644)
EBITDA before subscriber costs	775	213	(131)	(455)	(480)
Subscriber costs	(1,438)	(690)	(1,246)	(549)	(208)
EBITDA ¹	(663)	(477)	(1,377)	(1,004)	(688)
Net loss after tax	(2,817)	(2,152)	(2,643)	(1,829)	(1,239)
Financial position					
Total assets	35,527	30,648	26,155	20,978	15,340
Contributed equity	29,500	29,500	29,500	23,805	16,385
Capital expenditure ²	2,517	2,908	2,837	2,839	2,127
Related party borrowings	16,214	9,228	1,610	-	-

1 EBITDA is defined as earnings before interest, tax, other income, depreciation and amortisation.

2 Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment classified as inventories.

NBN Co recorded strong growth in its earnings during the first six months of the 2020 financial year with EBITDA before subscriber costs of \$775 million, up from \$213 million in the corresponding prior period.

The growth in EBITDA before subscriber costs was driven by the 39 per cent increase in revenue to \$1.8 billion.

Operating expenses have decreased due to the adoption of the new accounting standard on leases (AASB 16 *Leases*). In accordance with the requirements of this standard, certain lease and right-of-use arrangements are no longer accounted for as operating expenses but instead are recognised on the balance sheet. Adjusting for the impact of AASB 16, operating expenses have increased in line with expectations by approximately 4 per cent, primarily due to higher direct network costs associated with operating the expanded network and servicing the growing customer base.

Subscriber costs of \$1.4 billion continue to reflect payments to Telstra for the disconnection of existing services and to Optus for the migration of subscribers to services over the **nbn**TM access network.

These costs are expected to virtually cease by FY22 and, therefore do not reflect ongoing activities.

The statutory net loss after tax of \$2.8 billion is in line with expectations and reflects the current stage of business maturity with significant upfront investment in the network and customer activations, illustrated through depreciation and amortisation expense and subscriber-related expenditure.

Capital expenditure of \$2.5 billion during the period reflects the continued investment in the deployment of the **nbn**TM access network.

Related party borrowings as at 31 December 2019 was \$16.2 billion, with the cost of debt remaining fixed at 3.96 per cent.

The drawdown of debt funds in the period was used primarily to fund subscriber-related expenditure and network construction.

Revenue

For the six months ended 31 December	2019 \$m	2018 \$m	2017 \$m	2016 \$m	2015 \$m
Telecommunications revenue	1,718	1,208	813	375	159
Other revenue	95	93	78	28	5
Total revenue	1,813	1,301	891	403	164

Total revenue for the first half of FY20 increased by \$512 million (39 per cent) compared to the corresponding prior period to \$1.8 billion.

Telecommunications revenue increased by \$510 million (42 per cent) to \$1.7 billion driven by the significant growth in the customer take-up of services with more than 6.4 million homes and businesses now connected to services over the **nbn**TM access network.

Telecommunications revenue includes residential and business revenue. Residential telecommunications revenue increased by \$405 million (41 per cent) during the period to \$1,399 million. Residential ARPU continues to track strongly, increasing to \$45 per month, up from \$43 per month in the corresponding prior period. Residential ARPU increased due to the take-up of higher speed plans by customers and the increased demand for data.

The accelerated push into the Australian business market has continued with strong gains in the period with business telecommunications revenue increasing to \$319 million, up from \$214¹ million in the corresponding prior period.

Other revenue of \$95 million includes revenue from developers, commercial works activities and the Technology Choice Program, as well as licensing fees.

1 Refer to footnote 4 on page 10.

Operating and other expenditure

For the six months ended 31 December	2019 \$m	2018 \$m	2017 \$m	2016 \$m	2015 \$m
Operating expenditure					
Direct network costs	327	359	329	246	173
Employee benefits expenses	439	430	406	362	280
Other operating expenses	272	299	287	250	191
Total operating expenditure	1,038	1,088	1,022	858	644
Other expenditure					
Subscriber costs	1,438	690	1,246	549	208
Depreciation and amortisation expense	1,488	1,240	1,028	658	402
Net finance costs	677	448	245	170	147

Following the adoption of the new accounting standard AASB 16 *Leases* from 1 July 2019, certain operating expenses and right-of-use arrangements are no longer accounted for as operating expenses but instead are recognised on the balance sheet as a right-of-use asset and lease liability. The impact of these accounting requirements has resulted in lower reported operating expenses of approximately \$90 million in comparison to the corresponding prior period. The reduction in the reported operating expenditure is offset by increased depreciation and amortisation expense and finance costs.

Total reported operating expenditure has decreased by \$50 million in comparison to the prior period. However, after adjusting for the impact of AASB 16, total operating expenditure has increased by 4 per cent compared to the corresponding prior period. The increase is in line with expectations and is primarily driven by direct network costs.

Operating expenditure

- Adjusting for the impact of AASB 16, direct network costs have increased by approximately 12 per cent compared to the corresponding prior period. These costs directly relate to operating the **nbn**TM access network and have increased due to the expanded footprint of the network and

the growth in the number of residential and business customers. The increase in these costs primarily relates to assurance, maintenance and restoration services, rental of network infrastructure, site access, and network power.

- Notwithstanding a 4 per cent reduction in the average number of employees and temporary contractors over the past twelve months, employee benefits expenses have increased by 2 per cent due to annual CPI increases, higher restructuring costs and a change in the resourcing needs as the Company continues to evolve. Employee benefits expenses include costs of NBN Co employees, as well as temporary contractors (net of amounts that have been capitalised and included in the cost base of non-current assets).
- Adjusting for the impact of AASB 16, other operating expenses were consistent with the corresponding prior period. These include costs associated with IT and software applications, outsourced business operations, strategic consulting, legal and regulatory services, communication and public information, marketing, commercial properties and other employee-related expenditure.

Other expenditure

- Subscriber costs increased by \$748 million (108 per cent) to \$1.4 billion and reflect the significant growth in customer activations and the timing of associated disconnections and migrations.
- Depreciation and amortisation expense increased by \$248 million (20 per cent) to \$1.5 billion due to the ongoing investment in the network.
- Net finance costs include interest income and expenditure, and primarily relate to interest on borrowings and finance charges relating to the accounting convention for assets under a lease or right-of-use arrangement. These charges have increased in line with the growth in borrowings and infrastructure supplied by Telstra under right-of-use arrangements and the recognition of a greater number of leases following the adoption of AASB 16.

Cash flows

For the six months ended 31 December	2019 \$m	2018 \$m
Net cash flows used in operating activities (excluding subscriber costs)	642	111
Payments for subscriber costs (excluding GST)	(1,405)	(739)
Net cash flows used in operating activities (including subscriber costs)	(763)	(628)
Net cash flows used in investing activities	(2,813)	(2,922)
Net cash flows provided by financing activities	3,445	3,400
Net decrease in cash and cash equivalents	(131)	(150)

- Net cash flows used in operating activities (excluding subscriber costs) continues to improve driven by the significant growth in revenue.
- Payments for subscriber costs have increased during the period and are reflective of the timing of activations and associated cash payments.
- Net cash flows used in investing activities primarily reflect NBN Co's ongoing capital investments in the network.
- Net cash flows provided by financing activities reflect the drawdown of debt (\$4,161 million) offset by interest payments on borrowings (\$289 million) and payments for finance leases primarily relating to right-of-use arrangements over infrastructure provided by Telstra (\$427 million).

Capital expenditure¹

For the six months ended 31 December	2019 \$m	2018 \$m	2017 \$m	2016 \$m	2015 \$m
FTTP network	238	193	175	294	669
FTTN/B network	379	564	883	1,016	599
FTTC network	669	674	266	5	-
HFC network	635	836	746	631	151
Fixed Wireless network	245	204	159	177	180
Satellite network	34	43	45	158	91
Transit network	88	115	245	191	109
Common capital expenditure	229	279	318	367	328
Total capital expenditure	2,517	2,908	2,837	2,839	2,127

During the first half of FY20, the Company invested \$2.5 billion dollars in capital expenditure. In addition to building the network and connecting customers at scale, significant investments have continued in customer experience initiatives to raise the quality and performance of the network.

Capital expenditure has continued on the FTTP network, relating to the Greenfields network, and connecting customers to the Brownfields network. In addition, investments in the development of enterprise grade capabilities and products to service the business segment, which include extending fibre infrastructure to businesses, are reported in this category and have continued to grow.

Capital expenditure on the FTTN/B, FTTC and HFC networks primarily relates to construction and connection activities in the rollout of these technologies.

As NBN Co moves closer to completing the initial Fixed Wireless build, the Company has intensified its focus on upgrading the network. As a result, approximately two thirds of the capital expenditure on the Fixed Wireless network during the period relates to upgrades to enhance capacity and the wholesale speeds available in the future.

Capital expenditure on the Transit network has continued to cater for both the demand for increased capacity and the growth in the customer base. In addition, investment has continued on network platforms, business support systems, product development and data quality, which is reflected in common capital expenditure.

¹ Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment classified as inventories.

Cost per Premises

Cost per Premises (CPP) is an internal management calculation used to assess the comparative incremental costs of initial construction of each access technology. The CPP reported is a weighted average over the full period of the build and depends on some factors such as geographic build conditions, distances from exchanges, the population density of the area considered, the number of premises per multi-dwelling unit, and the extent of re-use of existing infrastructure.

The CPP reflects capital and lease costs associated with the initial construction of each access network and excludes common capex (such as IT and transit network), early release or pilot sites, subsequent capital investment in network capacity, and net operating losses.

Brownfields FTTP network

The CPP has remained in line with 30 June 2019.

Greenfields FTTP network

The CPP decrease during the period is driven by efficiencies in the build.

FTTN/B network

The CPP increase during the period was primarily driven by higher civil works, the increasing percentage of FTTB premises across the build, and higher connection costs for activations.

FTTC network

The CPP increase is due to greater civil works required in the build and higher customer connection costs.

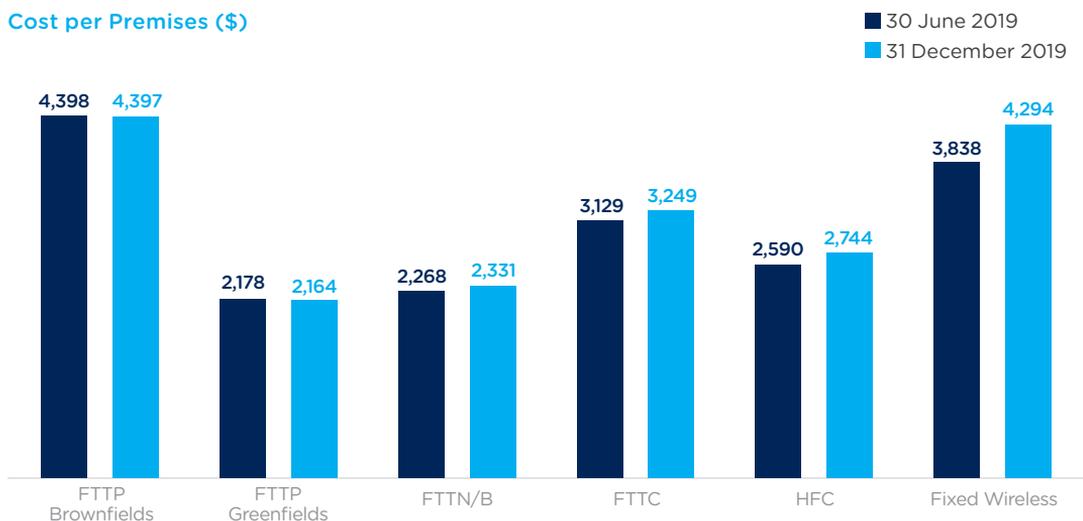
HFC network

The CPP increase during the period reflects further capacity upgrades and the higher volume of new lead-in conduits and civil works required in the later stages of the initial build.

Fixed Wireless network

The CPP increase during the period is due to premises dilution. The CPP at 31 December 2019 includes the impact of a reduction of approximately 90,000 premises from the estimated number of premises within areas serviced by the Fixed Wireless network. As outlined in the Corporate Plan 2020-23, the premises dilution has been applied following a full analysis of available premises data for these areas.

Cost per Premises (\$)



Our approach to risk management

Risk management framework

NBN Co's Board of Directors and Management are committed to a robust risk management framework that enables effective identification, quantification, mitigation, and management of the Company's business risks.

How does NBN Co manage its risks?

NBN Co's Group Risk and Compliance team is responsible for ensuring NBN Co's key risks are identified, assessed and reported to the Executive Committee and the Audit and Risk Committee on a regular basis. This also includes working with the Audit and Risk Committee to oversee and manage NBN Co's Enterprise Risk Management Framework, including the Risk Management Policy, Risk Management Standard and Risk Appetite Statement.

Management and staff play a key role in identifying, assessing and managing their business risks; including providing assurance through formal Executive Governance channels (including the Board and Audit and Risk Committee). These roles and accountabilities are formalised through NBN Co's Risk Management Operating Model, which sets specific requirements for how risks are managed and reported for the attention of Management, Executive Committee and the Board.

NBN Co's annual planning cycle forms an important part of developing a complete forward looking view of the Company's Risk Profile that considers both operational and strategic risks. The Audit and Risk Committee, Management and the Board review these material risks on a regular basis. In the event there are material events or changes to either, more frequent reviews will occur.

Overview of risks

The Company's key risks remain consistent with those reported in the Corporate Plan 2020-23. In particular, completion of the network rollout safely, maintaining sustainable Delivery Partner capacity to achieve network deployment targets, and delivering a network experience that meets customer expectations.

Board of Directors

The names and details of the Directors in office during the half-year and the period until the date of this report are as follows:



Dr Ziggy Switkowski AO
FAA FTSE FAICD
Chairman/Non-Executive Director

Term of Office

Dr Switkowski was first appointed Executive Chairman of NBN Co effective 3 October 2013, and reverted to the role of Non-Executive Chairman from 2 April 2014 following the appointment of Mr Bill Morrow as Chief Executive Officer. His current term will expire on 2 October 2022.

Skills, Experience and Qualifications

Dr Switkowski is a former Chairman of the Suncorp Group, the Australian Nuclear Science and Technology Organisation and Opera Australia. He has previously held positions as Chief Executive Officer of Telstra Corporation Limited and Optus Communications Ltd.

He has also served as a non-executive director of listed companies Healthscope, Oil Search, Lynas and Amcor.

Dr Switkowski is a Fellow of the Australian Academy of Technological Sciences, the Australian Academy of Science and the Australian Institute of Company Directors. He has a Bachelor of Science (Honours) and PhD (Nuclear Physics) from the University of Melbourne.

Current Company Directorships

Dr Switkowski is a Director of Tabcorp Holdings Limited.

Other Current Appointments

Dr Switkowski is Chancellor of RMIT University.

Board Committee Memberships

Dr Switkowski is Chair of the NBN Co's Nominations Committee and People and Remuneration Committee, and attends NBN Co's Audit and Risk Committee.



Mr Drew Clarke AO PSM Non-Executive Director

Term of Office

Mr Clarke was appointed as a Director effective 22 August 2017. His current term will expire on 21 August 2020.

Skills, Experience and Qualifications

Mr Clarke has extensive public policy experience, having served in a range of senior government positions. These include Secretary of the Department of Resources, Energy and Tourism from 2010 to 2013, Secretary of the Department of Communications from 2013 to 2015, and Chief of Staff in the Office of the Prime Minister from 2015 to 2017. Mr Clarke's earlier public sector career included leadership roles in energy policy and in mapping, science and innovation agencies.

Mr Clarke was awarded the Order of Australia in 2016 for distinguished service to public administration and the Public Service Medal in 2009 for his energy policy work.

Mr Clarke is a Fellow of the Australian Academy of Technological Sciences and Engineering. He has a Master of Science from Ohio State University, a Bachelor of Applied Science (Surveying) from RMIT, and a Diploma from the Australian Institute of Company Directors.

Current Company Directorships

Mr Clarke is Chairman of the Australian Energy Market Operator and a Non-Executive Director of the CSIRO.

Board Committee Memberships

Mr Clarke is a member of NBN Co's Nominations Committee, and People and Remuneration Committee.



Ms Shirley In't Veld Non-Executive Director

Term of Office

Ms In't Veld was appointed as a Director effective 2 December 2015. Her current term will expire on 1 December 2021.

Skills, Experience and Qualifications

Ms In't Veld has extensive experience as a senior executive including as Managing Director of Verve Energy, Vice President of Primary Business Development for Alcoa Australia and Managing Director of Alcoa Australia Rolled Products. In 2014, Ms In't Veld was Chairman of the Queensland Government Expert Electricity Panel and a member of the Renewable Energy Target Review Panel for the Department of Prime Minister and Cabinet and was until recently a Council member of the Australian Institute of Company Directors (WA) and an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong).

She has a Bachelor of Laws (Hons) and a Bachelor of Commerce from the University of Melbourne.

Current Company Directorships

Ms In't Veld is a Non-Executive Director of APA Group, a Non-Executive Director of Northern Star Resources Limited, Deputy Chairperson of the CSIRO and a Board member of the COAG Energy Independent Energy Appointments Selection Panel.

Other Current Appointments

Ms In't Veld is a member of the Australian Government Takeovers Panel.

Board Committee Memberships

Ms In't Veld is a member of NBN Co's Audit and Risk Committee, and Nominations Committee.



Mr Michael Malone
Non-Executive Director

Term of Office

Mr Malone was appointed as a Director effective 20 April 2016. His current term will expire on 19 April 2022.

Skills, Experience and Qualifications

Mr Malone founded iiNet Limited, an ASX listed telecommunications company in 1993 and continued as CEO until his retirement in 2014. As CEO, Mr Malone led a relentless focus on customer service in an industry that is often perceived as being more concerned with technology than people. iiNet's values reflected Mr Malone's own belief in the life changing benefits of connecting people and communities.

Mr Malone's former directorships include Autism West (as founder and Vice Chairman) and .au Domain Administration (as a founder and Chairman). Mr Malone has received a number of prestigious industry recognitions including 2012 Australian Entrepreneur of the Year, Communications Alliance Ambassador, and is a holder of the Telecommunications Society Charles Todd Medal. Mr Malone is also a past Advisory Council Member of the Australian Institute of Management (WA) and a past member of the Commonwealth Consumer Affairs Advisory Council and the WA State Training Board.

Mr Malone is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Australian Computer Society. He has a Bachelor of Science (Mathematics) and a post graduate Diploma in Education both from the University of Western Australia.

Current Company Directorships

Mr Malone is Chair of the Board of ASX listed Superloop Ltd. He is also a Director of Seven West Media Ltd, Speedcast International Ltd and the Axicom Group, and a Committee member of the Advisory Council for the Regional and Small Publishers Innovation Fund.

Board Committee Memberships

Mr Malone is a member of NBN Co's Audit and Risk Committee, People and Remuneration Committee, and Nominations Committee.



Ms Kate McKenzie
Non-Executive Director

Term of Office

Ms McKenzie was appointed as a Director effective 1 December 2019. Her current term will expire on 30 November 2022.

Skills, Experience and Qualifications

Ms McKenzie is a highly regarded and experienced telecommunications executive. Most recently she was Chief Executive Officer of Chorus NZ from 27 February 2017 to 20 December 2019.

Prior to joining Chorus, Ms McKenzie was Chief Operating Officer of Telstra. She joined Telstra in 2004 and held a range of senior executive roles in strategy, marketing, products and wholesale. Ms McKenzie has a passion for innovation and technology and for customer centricity and has an impressive track record in delivering growth, productivity and change management.

Ms McKenzie also has significant corporate governance experience having previously been on the Boards of Foxtel, Sydney Water, Reach, CSL and Workcover. Prior to her experience at Telstra, Ms McKenzie was involved in a number of micro-economic reform initiatives, including the sale of a bank and an insurance company, the sale of water assets and the establishment of the national electricity market.

Ms McKenzie has a Bachelor of Arts and Bachelor of Laws with a strong track record in understanding government and regulatory environments. She is also a member of Chief Executive Women, has served on the Telstra Foundation, Telstra's philanthropic arm and has had a long history of involvement in promoting the interests of Indigenous communities.

Current Company Directorships

Ms McKenzie is a Non-Executive Director of Allianz Australia Limited and Stockland Corporation Limited.

Board Committee Memberships

Ms McKenzie is a member of NBN Co's Audit and Risk Committee, Nominations Committee, and People and Remuneration Committee.



Ms Zoe McKenzie

Non-Executive Director

Term of Office

Ms McKenzie was appointed as a Director effective 1 July 2018. Her current term will expire on 30 June 2021.

Skills, Experience and Qualifications

Ms McKenzie is principal of Trade and Investment Advisory, a firm which advises Australian and international entities on their market expansion into Australia or into one of Australia's current or future Free Trade Agreement partners.

Prior to this role, Ms McKenzie was Chief of Staff to the Trade and Investment Minister and has held senior policy development roles in Federal and State Governments. Before working in Government, Ms McKenzie practiced as an employment and industrial relations lawyer in one of Australia's largest law firms, and was a strategic adviser to the CEO of a major professional services firm.

Current Company Directorships

Ms McKenzie is a board member of the Australia Council for the Arts and the French Australian Chamber of Commerce and Industry.

Board Committee Memberships

Ms McKenzie is a member of NBN Co's Audit and Risk Committee, and Nominations Committee.



Mr Stephen Rue

Managing Director and
Chief Executive Officer

Term of Office

Mr Rue was appointed as Chief Executive Officer (CEO) and an Executive Director of NBN Co effective 1 September 2018. His current term as CEO will expire on 31 August 2023 and as an Executive Director on 31 August 2021.

Skills, Experience and Qualifications

As CEO, Mr Rue is responsible for implementing strategic objectives and policies, and NBN Co's Corporate Plan and budget as approved by the Board. In his role as an Executive Director of NBN Co, Mr Rue is cognisant of the role of the Board of Directors to provide stewardship, strategic leadership, governance and oversight to NBN Co.

Mr Rue joined NBN Co in July 2014 as a member of the Executive Committee in the role of Chief Financial Officer, bringing with him a wealth of knowledge in financial management and high profile company transformation.

Prior to joining NBN Co, Mr Rue spent 17 years in various leadership roles at News Corp Australia including a decade as Chief Financial Officer. He also served as a Director on a number of associated boards, including Foxtel, Fox Sports, REA Group and Australian Associated Press, as well as Chairman of the Community Newspaper Group in Perth and Melbourne Storm Rugby League Club.

Mr Rue holds a Bachelor of Business Studies from Trinity College Dublin, a Diploma in Professional Accounting and is a member of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Board Committee Memberships

Mr Rue attends Audit and Risk Committee, Nominations Committee, and People and Remuneration Committee meetings ex officio.



Dr Kerry Schott AO
Non-Executive Director

Term of Office

Dr Schott was first appointed as a Director effective 28 September 2012. Her current term will expire on 5 October 2021.

Skills, Experience and Qualifications

Dr Schott has worked in numerous senior executive roles including as Managing Director and CEO of Sydney Water, Managing Director of Deutsche Bank and Executive Vice President of Bankers Trust Australia. Prior to becoming an investment banker, Dr Schott was a public servant and an academic.

Dr Schott has a Doctorate of Philosophy from Oxford University, a Master of Arts from the University of British Columbia, Vancouver, a Bachelor of Arts (First Class Honours) from the University of New England, and Honorary Doctorates from the University of Sydney, the University of Western Sydney, and the University of New England.

Current Company Directorships

Dr Schott is Chairman of the Energy Security Board.

Board Committee Memberships

Dr Schott is Chair of NBN Co's Audit and Risk Committee and a member of NBN Co's Nominations Committee.

Former Directors

Mr Patrick Flannigan
Non-Executive Director

Mr Patrick Flannigan was a Director of NBN Co effective 11 November 2013 until the end of his second term of appointment on 10 November 2019.

Mr Justin Milne
Non-Executive Director

Mr Justin Milne was a Director of NBN Co effective 11 November 2013 until the end of his second term of appointment on 10 November 2019.

Company Secretaries



Ms Debra Connor

Appointed in June 2010
Company Secretary

Skills, Experience and Qualifications

Ms Connor has a Bachelor of Laws from the Queensland University of Technology and a Graduate Diploma in Corporate Governance from the Governance Institute of Australia. She has also completed post graduate courses through Stanford and Columbia Universities in the US and Italy, respectively.

Prior to joining NBN Co, Ms Connor was Board Secretary of Port of Melbourne Corporation from January 2007, and prior to that she was in-house Counsel and Company Secretary with SMS Management & Technology Limited, a publicly listed management consulting company based in Melbourne with an international presence in the UK and Asia. Ms Connor joined SMS in January 2000.



Ms Kylie Brown

Appointed in August 2015
Company Secretary

Skills, Experience and Qualifications

Ms Brown joined NBN Co in June 2011 and was appointed as a Company Secretary of NBN Co in August 2015.

Ms Brown has a Bachelor of Laws and Bachelor of Arts from Macquarie University and a Certificate in Governance Practice from the Governance Institute of Australia. She is currently a General Counsel in NBN Co's Legal team.

Prior to joining NBN Co in 2011, Ms Brown was a Senior Associate in private practice at Corrs Chambers Westgarth from 2000 to 2010 and a lawyer at Moray & Agnew from 1997 to 2000.

Other information

Corporate information

NBN Co is an unlisted public company limited by shares that is incorporated and domiciled in Australia. The registered office of the Company is Tower 5, Level 14, 727 Collins Street, Docklands Victoria 3008. NBN Co is wholly-owned by the Commonwealth of Australia.

Significant changes in the state of affairs

Other than the information set out in the operating and financial review section, there were no significant changes in the state of affairs of the Group during the period.

Dividends

No dividends have been paid or declared since the Group was established in April 2009.

Directors' interests

The Directors of NBN Co have no interests in the shares of NBN Co.

Rounding of amounts

The Group is of a kind referred to in ASIC Corporation (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Half-Year Financial Report and Directors' Report have been rounded off to the nearest million dollars, unless otherwise stated.

Auditor independence

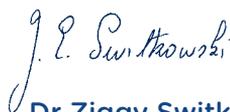
The Directors received an independence declaration from the Auditor-General. A copy of this report has been included with the Half-Year Financial Report.

Significant events subsequent to reporting date

No matter or circumstance has arisen since 31 December 2019 to the date of the signing of this report that has significantly affected, or may affect:

- The Group's operations in future financial years
- The results of those operations in future financial years
- The Group's state of affairs in future financial years.

Signed in accordance with a resolution of the Directors, approving the Half-Year Report.



Dr Ziggy Switkowski AO
Chairman



Stephen Rue
Chief Executive Officer

4 February 2020

Auditor's Independence Declaration



Auditor-General for Australia



Dr Ziggy Switkowski AO
Chairman of the Board
NBN Co Limited
Level 13, 100 Mount Street
North Sydney NSW 2060
Australia

NBN CO LIMITED HALF-YEAR FINANCIAL REPORT 2019–20 AUDITOR'S INDEPENDENCE DECLARATION

In relation to my review of the Half-Year Financial Report of the NBN Co Group (comprising NBN Co Limited and the entities it controlled at the period end or from time to time during the period) for the half-year ended 31 December 2019, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

A handwritten signature in cursive script that reads 'Grant Hehir'.

Grant Hehir
Auditor-General

Canberra
4 February 2020

Half-Year Financial Report

The Half-Year Financial Report, comprising the consolidated financial statements, selected explanatory notes to the consolidated financial statements and a Directors' declaration, for the six months ended 31 December 2019, includes the Company and its subsidiaries (together referred to as the NBN Co Group or the Group).



Statement of profit or loss and other comprehensive income

NBN Co Group			
For the six months ended	Notes	31 December 2019 \$m	31 December 2018 \$m
Revenue	B	1,813	1,301
Direct network costs		(327)	(359)
Employee benefits expenses		(439)	(430)
Other operating expenses		(272)	(299)
Subscriber costs		(1,438)	(690)
Depreciation and amortisation expense	C1 & C2	(1,488)	(1,240)
Other income		11	11
Net finance costs	C3	(677)	(448)
Loss before income tax		(2,817)	(2,154)
Income tax benefit		-	2
Loss for the period		(2,817)	(2,152)
Loss attributable to the shareholder		(2,817)	(2,152)
Other comprehensive (loss)/gain			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		(1)	3
Total other comprehensive (loss)/gain for the period, net of tax		(1)	3
Total comprehensive loss for the period		(2,818)	(2,149)
Total comprehensive loss attributable to the shareholder		(2,818)	(2,149)

The above statement should be read in conjunction with the accompanying notes.

Statement of financial position

NBN Co Group			
As at	Notes	31 December 2019 \$m	30 June 2019 \$m
Current assets			
Cash and cash equivalents		389	520
Trade and other receivables		511	444
Inventories		40	39
Derivative financial assets		6	6
Other current assets		88	116
Total current assets		1,034	1,125
Non-current assets			
Derivative financial assets		1	2
Property, plant and equipment	C1	32,341	29,443
Intangible assets	C2	2,119	2,144
Other non-current assets		32	43
Total non-current assets		34,493	31,632
Total assets		35,527	32,757
Current liabilities			
Trade and other payables		2,421	2,751
Other liabilities		25	24
Other financial liabilities	C3	1,351	276
Provisions		150	160
Total current liabilities		3,947	3,211
Non-current liabilities			
Trade and other payables		3	5
Other liabilities		835	811
Other financial liabilities	C3	9,959	8,277
Provisions		50	63
Related party borrowings		16,214	13,053
Total non-current liabilities		27,061	22,209
Total liabilities		31,008	25,420
Net assets		4,519	7,337
Equity			
Contributed equity		29,500	29,500
Other reserves		6	7
Accumulated losses		(24,987)	(22,170)
Total equity		4,519	7,337

The above statement should be read in conjunction with the accompanying notes.

Statement of changes in equity

NBN Co Group				
	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m
Balance at 30 June 2018	(17,292)	29,500	4	12,212
Loss for the period	(2,152)	-	-	(2,152)
Other comprehensive gain	-	-	3	3
Total comprehensive (loss)/gain for the period	(2,152)	-	3	(2,149)
Balance at 31 December 2018	(19,444)	29,500	7	10,063
Balance at 30 June 2019	(22,170)	29,500	7	7,337
Loss for the period	(2,817)	-	-	(2,817)
Other comprehensive loss	-	-	(1)	(1)
Total comprehensive loss for the period	(2,817)	-	(1)	(2,818)
Balance at 31 December 2019	(24,987)	29,500	6	4,519

The above statement should be read in conjunction with the accompanying notes.

Statement of cash flows

	NBN Co Group	
For the six months ended	31 December 2019 \$m	31 December 2018 \$m
Cash flows from operating activities		
Receipts from customers	1,935	1,393
Payments to suppliers and employees	(2,702)	(2,026)
Interest received	4	5
Net cash used in operating activities	(763)	(628)
Cash flows from investing activities		
Payments for property, plant and equipment	(2,603)	(2,686)
Payments for intangible assets	(210)	(236)
Net cash used in investing activities	(2,813)	(2,922)
Cash flows from financing activities		
Principal repayment of lease liabilities	(76)	(16)
Interest paid on lease liabilities	(351)	(140)
Proceeds from borrowings	4,161	3,697
Interest paid on borrowings	(289)	(141)
Net cash provided by financing activities	3,445	3,400
Net decrease in cash and cash equivalents	(131)	(150)
Cash and cash equivalents at the beginning of the period	520	593
Cash and cash equivalents at the end of the period	389	443

The above statement should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

A. About this report

NBN Co Limited (NBN Co, the Company or the parent entity) is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly-owned by the Commonwealth of Australia. The Half-Year Financial Report, comprising the consolidated financial statements, selected explanatory notes to the consolidated financial statements and a Directors' declaration, for the six months ended 31 December 2019, includes the Company and its subsidiaries (together referred to as the NBN Co Group or the Group).

NBN Co is a for-profit entity for the purpose of preparing the Half-Year Financial Report.

Basis of preparation

This non-statutory Half-Year Financial Report has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*.

The Half-Year Financial Report does not include notes of the type normally included in an Annual Financial Report and should be read in conjunction with the most recent Annual Financial Report for the year ended 30 June 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the most recent Annual Financial Report.

The Half-Year Financial Report has been prepared on a going concern basis and in accordance with the historical cost convention and does not take into account changing money values or fair values of assets unless otherwise stated.

The Company is incorporated under the *Corporations Act 2001 (Cth)* and is subject to (inter alia) the *National Broadband Network Companies Act 2011* and the *Public Governance, Performance and Accountability Act 2013 (Cth)* (PGPA Act).

Going concern

The Financial Report has been prepared on a going concern basis.

The Directors are of the view that the Commonwealth Government will continue to operate in accordance with the policy objectives as set out in the Statement of Expectations (SOE) as issued by the Shareholder Ministers to NBN Co on 24 August 2016.

The \$19.5 billion loan facility with the Commonwealth Government is due to be repaid by 30 June 2024 and has a fixed interest rate of 3.96% per annum. As at 31 December 2019, \$16.2 billion has been drawn down from this facility. The Group's current liabilities exceed its current assets by \$2,913 million as at 31 December 2019.

As outlined in the Corporate Plan 2020-23, the Commonwealth Government has agreed to allow NBN Co to acquire private sector long-term debt.

During the period, the Company commenced the process to raise private sector debt. At the date of signing this report, NBN Co has received offers from a number of financial institutions for committed credit facilities. NBN Co is currently reviewing the offers and determining the most optimal capital structure. Based on the substantial interest from financial lenders and the committed letters of offer received to date, nothing has come to the Directors' attention that would suggest that there is a material risk over the acquisition of sufficient funding to meet the estimated future cash flow requirements of the Group.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest million unless otherwise stated.

Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability. The Group's significant accounting policies are outlined in the 2019 Annual Report. With the exception of the adoption of AASB 16 *Leases* from 1 July 2019, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The impact of the changes in accounting policy due to the adoption of AASB 16 is outlined in Note E4.

Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events.

Estimates and judgements which are material or have the potential to be material to the Half-Year Financial Report are consistent with those referred to on page 112 of the 2019 Annual Report and outlined in Note E4.

These estimates have been consistently applied to all periods presented, unless otherwise stated.

B. Revenue

This section provides information that is most relevant to understanding revenue during the period.

Revenue from contracts with customers

The Group's operations and main revenue streams are consistent with those described in the 2019 Annual Report.

	NBN Co Group	
	31 December 2019 \$m	31 December 2018 \$m
For the six months ended		
Telecommunications revenue	1,718	1,208
Other revenue	95	93
Total	1,813	1,301

Further disaggregation of revenue

The Group has not provided further disaggregation of revenue based upon the timing of recognition (i.e. whether products are transferred at a point in time or over time) as the revenue transferred at a point in time is not material.

C. Assets and liabilities

This section provides information relating to financial, tangible and intangible assets and their related liabilities. NBN Co's tangible assets are primarily constructed assets or items of infrastructure acquired through right-of-use arrangements.

C1 Property, plant and equipment

NBN Co Group						
	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m	Total \$m
At 30 June 2019						
Cost	17	187	22	174	35,865	36,265
Accumulated depreciation	-	(123)	(18)	(134)	(6,547)	(6,822)
Net book value	17	64	4	40	29,318	29,443
Period ended 31 December 2019						
Opening net book value	17	64	4	40	29,318	29,443
Transition - right-of-use assets	19	114	11	-	1,400	1,544
Additions	-	-	2	29	2,366	2,397
Additions - right-of-use assets ¹	-	118	7	-	110	235
Disposals - right-of-use assets	-	(2)	-	-	-	(2)
Depreciation	-	(39)	(7)	(9)	(1,221)	(1,276)
Net book value	36	255	17	60	31,973	32,341
At 31 December 2019						
Cost	36	415	42	203	39,741	40,437
Accumulated depreciation	-	(160)	(25)	(143)	(7,768)	(8,096)
Net book value	36	255	17	60	31,973	32,341

¹ Following the adoption of AASB 16 on 1 July 2019, the additions balance includes the recognition of newly acquired right-of-use assets and the impact of the remeasurement of existing right-of-use assets.

C. Assets and liabilities *continued*

C1 Property, plant and equipment *continued*

Property, plant and equipment at net book value is analysed as follows:

	NBN Co Group	
	31 December 2019 \$m	30 June 2019 \$m
Constructed and purchased assets	20,160	19,073
Assets in the course of construction	3,054	2,828
Right-of-use assets - land	19	-
Right-of-use assets - buildings and leasehold improvements	203	-
Right-of-use assets - furniture and equipment	14	-
Right-of-use assets - network assets	8,030	-
Leased assets	-	6,707
Assets acquired for no consideration and under government grant	861	835
Property, plant and equipment - net book value	32,341	29,443

Assets in the course of construction

The carrying value of property, plant and equipment includes \$3,054 million (30 June 2019: \$2,828 million) of expenditure on assets which are in the course of construction. The majority of assets in the course of construction are network assets. As these assets have not been installed and are not ready for use, no depreciation is charged on these assets.

Right-of-use assets

NBN Co adopted AASB 16 *Leases* on 1 July 2019. This resulted in the recognition of \$8,251 million right-of-use assets. As at 31 December 2019, the carrying value of property, plant and equipment includes \$8,266 million related to right-of-use assets. During the period, depreciation of \$223 million was charged on right-of-use assets. Refer to Note E4 for further information on the impact of the adoption of AASB 16.

Leased assets (classified as a finance lease under AASB 117)

As at 30 June 2019, the net carrying amount included in property, plant and equipment was \$6,707 million for network assets.

Following the adoption of AASB 16, these leased assets have been reclassified as right-of-use assets. Refer to Note E4 for further information on the impact of the adoption of AASB 16.

Assets acquired for no consideration or under government grant

Included within network assets are assets acquired from developers for no consideration and an indefeasible right-of-use arrangement with the Department of Communications and the Arts to use certain Regional Backbone Blackspots Program assets for no consideration.

Non-current assets pledged as security

None of the non-current assets have been pledged as security by the Group.

C2 Intangible assets

	NBN Co Group			
	Software \$m	Licences \$m	Other \$m	Total \$m
At 30 June 2019				
Cost	3,514	173	145	3,832
Accumulated amortisation	(1,504)	(134)	(50)	(1,688)
Net book value	2,010	39	95	2,144
Period ended 31 December 2019				
Opening net book value	2,010	39	95	2,144
Additions	166	-	21	187
Amortisation	(196)	(4)	(12)	(212)
Net book value	1,980	35	104	2,119
At 31 December 2019				
Cost	3,680	173	166	4,019
Accumulated amortisation	(1,700)	(138)	(62)	(1,900)
Net book value	1,980	35	104	2,119

Assets in the course of construction

The carrying amount of intangible assets includes expenditure recognised on software assets which are in the course of construction. As these assets have not been installed and are not ready for use, no amortisation is charged on these assets. Total software assets in the course of construction are \$135 million (30 June 2019: \$186 million).

C. Assets and liabilities *continued*

C3 Other financial liabilities

	NBN Co Group	
	31 December 2019 \$m	30 June 2019 \$m
Current		
Working capital facilities	1,000	-
Lease liabilities and right-of-use licences	351	276
Total	1,351	276

	NBN Co Group	
	31 December 2019 \$m	30 June 2019 \$m
Non-current		
Lease liabilities and right-of-use licences	9,959	8,277
Total	9,959	8,277

Working capital facilities

The Group has entered into short-term working capital management facilities which are payable in full within twelve months. The average floating interest rate during the period was 1.72%.

Lease liabilities and right-of-use licences

The majority of the Group's lease liabilities relate to right-of-use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre. The terms of these right-of-use licences are governed by the Revised Definitive Agreements (RDAs) with Telstra. The Group also leases certain commercial properties, commercial vehicles, and wireless base stations with various terms that are due to expire within one to thirty years. Lease payments generally comprise a base amount plus an incremental contingent rental amount based on movements in the Consumer Price Index and periodic reviews to market-based levels.

In the prior period, the Group only recognised lease liabilities in relation to leases that were classified as finance leases under AASB 117 *Leases*. As of 1 July 2019, the Group adopted AASB 16 which resulted in the recognition of additional lease liabilities for leases previously classified as operating leases under AASB 117, as well as the remeasurement of existing lease liabilities for leases previously classified as finance leases under AASB 117. For further information on the adoption impact of AASB 16 refer to Note E4.

Lease commitments

The aging profile of future lease and right-of-use licence payments is shown below. This includes the payments associated with the additional leases recognised on the balance sheet following the adoption of AASB 16.

In the prior year, the Group only recognised lease liabilities in relation to leases that were classified as finance leases under AASB 17 *Leases*.

	NBN Co Group	
	31 December 2019 \$m	30 June 2019 \$m
Finance lease and right-of-use licences are payable as follows:		
Within one year	1,192	985
Later than one year but not later than five years	3,852	3,297
Later than five years	20,134	18,708
Minimum lease payments	25,178	22,990
Future finance and other charges	(14,868)	(14,437)
Recognised as a liability	10,310	8,553
Representing finance lease and right-of-use licence liabilities:		
Current	351	276
Non-current	9,959	8,277
Total	10,310	8,553

Net finance costs

Net finance costs primarily relate to the right-of-use licences to access Telstra's network infrastructure.

	NBN Co Group	
	31 December 2019 \$m	31 December 2018 \$m
For the six months ended		
Finance charges on lease arrangements	(405)	(311)
Unwinding of the discount on other lease related provisions	(1)	(1)
Interest on related party borrowings	(282)	(141)
Interest on working capital facilities	(7)	-
Other net interest income	18	5
Total	(677)	(448)

D. Significant contractual arrangements and commitments

NBN Co has entered into a number of contracts that will underpin the delivery of the **nbn**[™] access network. In addition to entering into contractual arrangements with Delivery Partners for the build of the network, NBN Co has entered into strategic agreements with Telstra and Singtel Optus (Optus) that provide NBN Co with the required infrastructure to deliver fast broadband to all Australians. These strategic agreements are essential to NBN Co in regard to its ability to achieve its short-term and long-term objectives.

NBN Co's significant contractual arrangements are set out on pages 134-135 of the 2019 Annual Report and have not significantly changed from 30 June 2019.

D1 Commitments

Capital commitments

Total capital expenditure contracted for at the reporting date but not provided for in the Statement of financial position is as follows:

	NBN Co Group	
	31 December 2019 \$m	30 June 2019 \$m
Within one year	3,256	4,130
Later than one year but not later than five years	183	175
Later than five years	337	307
Total capital commitments	3,776	4,612

Capital commitments include committed right-of-use and infrastructure ownership payments under the RDAs with Telstra, fixed term commercial contracts and other ordered capital expenditure.

Given the long-term nature of NBN Co's capital commitments under the RDAs, which include right-of-use payments that will occur until 2047 and scheduled infrastructure ownership payments throughout the rollout period, capital expenditure commitments relating to the RDAs in periods beyond 12 months have been discounted for the purpose of the disclosure above.

Payments to Telstra in exchange for Telstra disconnecting premises from its copper and HFC networks are excluded from the disclosure above as the payments do not constitute capital expenditure.

E. Other financial information

This section provides information on further disclosures required by the Australian Accounting Standards and the *Corporations Act 2001 (Cth)*.

E1 Contingent assets and contingent liabilities

NBN Co's significant contingent assets and contingent liabilities are set out on page 149 of the 2019 Annual Report. There have been no significant changes to these contingent assets and contingent liabilities during the period.

E2 Related party transactions

Parent entity

The parent entity within the Group is NBN Co Limited. The ultimate parent entity and ultimate controlling entity is the Commonwealth of Australia.

Acquisitions

There were no acquisitions in the period.

Subsidiaries

The interest in the subsidiaries is set out on page 145 of the 2019 Annual Report and remains unchanged.

Transactions with related parties

The following transactions occurred with related parties:

	NBN Co Group	
	31 December 2019	31 December 2018
For the six months ended	\$	\$
Loans from the Commonwealth of Australia		
Balance at 1 July	13,053,334,593	5,531,165,018
Loans advanced during the period	3,161,000,000	3,697,000,000
Interest charged on government borrowings	282,305,471	140,958,099
Interest paid on government borrowings	(282,521,372)	(140,846,676)
Balance at 31 December	16,214,118,692	9,228,276,441

Other Directors' interests

Certain Directors of NBN Co are also Directors and/or shareholders of other companies that supply NBN Co with goods and services or acquire services from NBN Co. The contractual agreements governing these transactions are approved in line with NBN Co's delegated limits of authority. The Directors of NBN Co do not participate in the decisions to enter into these transactions, unless Board approval is required. Where Board approval is required and where a Director of NBN Co has a material personal interest, then in accordance with NBN Co's Conflict of Interest (Directors) (including External Securities Declaration of Interests) Policy, and as required by the *Corporations Act 2001 (Cth)*, the Director concerned will not vote upon the decision nor take part in the consideration of the relevant transaction. Further details of these transactions are provided below.

Mr Milne was Chairman and a Non-Executive Director of NetComm Wireless Ltd which is a supplier of telecommunications equipment to NBN Co. Mr Milne retired as Chairman effective 1 July 2019. There were no matters considered by the Board during the period which required Mr Milne to recuse himself from a Board meeting. In the prior period, Mr Milne recused himself from NBN Co Board meetings when the supply of NetComm Wireless Ltd or competitive telecommunications equipment was discussed.

E. Other financial information *continued*

E2 Related party transactions *continued*

During the period, Mr Malone was a Non-Executive Director of Speedcast International Limited. NBN Co has contracts with Speedcast Australia Pty Ltd and Speedcast Managed Services Pty Ltd, both subsidiaries of Speedcast International Limited. There were no matters considered by the Board during the period which required Mr Malone to recuse himself from a Board meeting. In the prior period, Mr Malone recused himself from the Board meeting held on 11 December 2018 when a matter involving Speedcast was discussed.

The following aggregate payments for goods and services (excluding GST) occurred with the above related parties:

NBN Co Group		
For the six months ended	31 December 2019 \$	31 December 2018 \$
Payments for various goods and services (excluding GST) from entities with common key management personnel	55,987,849	63,034,288

During the period, Mr Milne's and Mr Flannigan's terms of office came to an end effective 10 November 2019. NBN Co engaged the services of Mr Milne and Mr Flannigan at a number of Board and Committee meetings held in December 2019 through their respective entities, CicoMilne Pty Ltd and WGK Investments Pty Ltd. This engagement came to an end in respect of both Mr Milne and Mr Flannigan effective 17 December 2019. Both Mr Milne and Mr Flannigan were paid \$12,601 each (including GST) for these services.

E3 Fair value measurement of financial instruments

The Group uses the following fair value hierarchy for determining and disclosing the fair value of financial instruments.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of derivative assets and liabilities

The Group's derivative financial assets and liabilities are the only assets and liabilities carried at fair value in the Statement of financial position. The fair value of these instruments is determined using valuation techniques with observable market data, categorised as Level 2.

The fair value of derivatives used for hedging is determined using forward exchange rates at the reporting dates.

There has been no transfer between hierarchy levels during the period.

Fair value of other financial instruments

In line with accounting standards, the Group has a number of financial instruments which are not measured at fair value in the Statement of financial position. Their carrying amounts are materially consistent with their fair value as at the reporting date.

E4 Changes in significant accounting policies

Except for the changes below, the Group has consistently applied the accounting policies, as outlined in the 2019 Annual Report, to all periods presented in these consolidated financial statements.

The Group adopted AASB 16 *Leases* with an initial adoption date of 1 July 2019. As a result, the Group has changed its accounting policies as detailed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim consolidated financial statements of the Group.

AASB 16 Leases

AASB 16 replaced the previous definitive guidance and interpretations found within: AASB 117 *Leases*; IFRIC 4 *Determining whether an arrangement contains a lease*; SIC-15 *Operating leases - Incentives*; and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 introduced a new definition for leases and for lessee accounting applied a single, on-balance sheet lease accounting model. This effectively removed the classification of leases as either operating or finance leases. As a result, the Group has recognised right-of-use assets representing its right to use the underlying asset and lease liabilities representing its obligation to make lease payments for certain assets for which it is the lessee. There has been no significant change to lessor accounting as a result of this new accounting standard, i.e. lessors continue to classify leases as either finance or operating leases.

The accounting policy with respect to lease accounting and a summary of the adoption impact of AASB 16 are outlined below.

Accounting policy

The Group will recognise leases where the Group has the right to control the use of an identified asset for a period of time in exchange for consideration. The majority of the Group's leases relate to right-of-use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre. The terms of the right-of-use licences are governed by the Revised Definitive Agreements (RDAs) with Telstra. The Group also leases certain properties, commercial vehicles, poles infrastructure and wireless base stations with various terms that are due to expire within one to thirty years. Lease payments generally comprise a base amount plus an incremental contingent rental amount based on movements in the Consumer Price Index and reviews to market-based levels.

Leases in which the Group is a lessee

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group, except where the Group applies the practical exemption to not apply AASB 16 for leases of low-value assets. Management considers low-value assets as those assets valued at less than \$10,000, with this assessment based upon the value of the asset when it is new. The payments for these low-value assets will be recognised as operating expenditure on a straight-line basis (or other systematic basis).

E. Other financial information *continued*

E4 Changes in significant accounting policies *continued*

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate that are known at the reporting date
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest charged on the lease liability and decreased by lease payments made. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is remeasured when there is a change in future lease payments. The lessee shall recognise the amount of any remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group applies judgement to determine the lease term for some lease contracts in which it is a lessee that include purchase, renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the value of lease liabilities and right-of-use assets recognised.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability,
- Any lease payments made at or before the commencement date less any lease incentives received,
- Any initial direct costs, and
- Restoration costs.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

Leases in which the Group is a lessor

The Group does not have significant leases where it acts as the lessor. Under AASB 16, the Group will continue to classify each lease as either an operating lease or a finance lease. A lease will be classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

The Group recognises rental income on a straight-line basis for operating leases entered into as a lessor.

AASB 16 transition approach

The Group has applied the modified retrospective approach for the adoption of AASB 16. Under this approach, the cumulative effect of adopting AASB 16 has been recognised as an adjustment to the opening balance sheet on 1 July 2019 and there is no restatement of comparative information, which continues to be reported under AASB 117.

In adopting AASB 16 the Group has used the following practical expedients permitted by the standard:

- Apply the 'grandfather' exemption to maintain the previous assessment as to whether a contract contains a lease which was made under AASB 117 and Interpretation 4 *Determining whether and Arrangement contains a Lease*. Therefore, no formal reassessment of existing contracts is required.
- Apply the expedient to continue to account for low-value leases, previously classified as operating leases, on a straight-line basis over the lease term. This is consistent with NBN Co's ongoing accounting policy.
- Use of a single discount rate across a portfolio of leases with reasonably similar characteristics.
- Rely on NBN Co's assessment of whether leases are onerous under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as at 30 June 2019 as an alternative to performing an impairment review upon adoption. The carrying value of the right-of-use assets is adjusted by the amount of any provision for onerous leases held as at 30 June 2019.
- Exclude initial direct costs from the measurement of the right-of-use asset upon transition.
- Where practicable, and by class of underlying asset, arrangements that contain both lease and non-lease components will be accounted for as though they comprise a single lease component.

AASB 16 adoption impact

In line with the requirements of AASB 16, the Group has recognised lease liabilities and associated right-of-use assets for all leases that do not meet the low-value asset exemption criteria. The adoption impacts for both leases previously classified as finance leases and leases previously classified as operating leases are discussed below.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. Therefore, there is no AASB 16 adoption impact for leases previously classified as finance leases. However, the measurement principles of AASB 16 differ to those of AASB 117. Lease payments under AASB 16 now include lease payments due to contingent rental payments that depend on an index or rate and non-lease component payments for certain asset classes. The measurement principles of AASB 16 were applied immediately after the initial application of AASB 16 resulting in adjustments of \$1,005 million to reflect the increased lease payments under AASB 16, excluding any reclassification of accruals previously recognised under AASB 117. The remeasurements of the lease liabilities were recognised as adjustments to the related right-of-use assets. The impact of this remeasurement has been presented as an adoption impact of AASB 16 as it was applied from 1 July 2019.

E. Other financial information *continued*

E4 Changes in significant accounting policies *continued*

For leases previously classified as operating leases under the principles of AASB 117 *Leases*, the Group recognised additional lease liabilities of \$558 million. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's estimated incremental borrowing rate applicable to the specific assets as at 1 July 2019.

Associated right-of-use assets of \$8,251 million were recognised equivalent to the value of the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

As a result of the AASB 16 adoption approach and elections applied, there has been no impact on the accumulated losses of the Group.

There was no significant adoption impact for lessor accounting.

The impact of AASB 16 transition is summarised below (only financial statement items affected by AASB 16 are shown):

	30 June 2019 (under AASB 117) \$m	Adoption Impact \$m	1 July 2019 (under AASB 16) \$m
Land – right-of-use assets	–	19	19
Buildings and leasehold improvements – right-of-use assets	–	114	114
Furniture and equipment – right-of-use assets	–	11	11
Network assets – right-of-use assets	–	8,107	8,107
Leased assets	6,707	(6,707)	–
Right-of-use assets	6,707	1,544	8,251
Other current assets	116	(24)	92
Current trade and other payables	(192)	1	(191)
Current accruals	(2,440)	42	(2,398)
Other balance sheet items	(2,516)	19	(2,497)
Current lease liabilities	(276)	(62)	(338)
Non-current lease liabilities	(8,277)	(1,501)	(9,778)
Lease liabilities	(8,553)	(1,563)	(10,116)
Accumulated losses	(22,170)	–	(22,170)

F. Events occurring after the reporting period

No matter or circumstance has arisen since 31 December 2019 to the date of signing of this report that has significantly affected, or may affect:

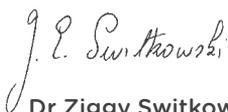
- The Group's operations in future financial years
- The results of those operations in future financial years
- The Group's state of affairs in future financial years.

Directors' declaration

- (1) These non-statutory Half-Year financial statements and notes set out on pages 30 to 49 are in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001 (Cth)* and the *Public Governance, Performance and Accountability Act 2013 (Cth)*, giving a true and fair view of the NBN Co Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (2) There are reasonable grounds to believe that the NBN Co Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Signed in accordance with a resolution of the Directors.



Dr Ziggy Switkowski AO

Chairman
4 February 2020



Mr Stephen Rue

Chief Executive Officer
4 February 2020

Independent auditor's review report



Auditor-General for Australia



Independent Auditor's Review Report

To the members of NBN Co Limited

Conclusion

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the Half-Year Financial Report of NBN Co Limited does not give a true and fair view of the financial position of the NBN Co Group as at 31 December 2019 and its financial performance for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

The NBN Co Group comprises NBN Co Limited and the entities it controlled at 31 December 2019 or from time to time during that half-year.

The Half-Year Financial Report of NBN Co Limited, which I have reviewed, comprises the following statements as at 31 December 2019 and for the half-year then ended:

- Statement of financial position;
- Statement of profit or loss and other comprehensive income;
- Statement of changes in equity;
- Statement of cash flows;
- Notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory notes; and
- Directors' declaration.

Directors' responsibility for the Half-Year Financial Report

The Directors of NBN Co Limited are responsible for the preparation of the Half-Year Financial Report that gives a true and fair view in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation of the Half-Year Financial Report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

My responsibility is to express a conclusion on the Half-Year Financial Report based on my review. I conducted my review in accordance with the Australian National Audit Office Auditing Standards which incorporate the Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to my attention that causes me to believe that the financial report does not give a true and fair view of NBN Co Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of NBN Co Limited, ASRE 2410 requires that I comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-Year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing

Independent auditor's review report *continued*

Standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Independence

In conducting my review, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office



Grant Hehir
Auditor-General

Canberra
4 February 2020

Additional footnotes

Outlined below are footnotes in respect to customer experience metrics disclosed on pages 12 and 13. These footnotes further explain what each metric is measuring and how each metric has been calculated. These metrics do not cover services supplied by RSPs to customers. This is a guide only, and relates only to the areas in which NBN Co is taking action. All of the metrics are based on averages, summaries and simplifications – what customers experience may vary considerably – and may fluctuate over time. The graphs on pages 12 to 13 plot performance at different points in time. Performance between these points may vary.

Right first time installations of nbn™ equipment

3. The percentage of homes and businesses that have their nbn™ equipment installed without additional work from NBN Co the first time the installation is attempted. Typically NBN Co excludes customer cancellations, customer or RSP initiated reschedules, customer premises ‘shortfalls’ and other things outside of NBN Co’s control such as bad weather. This measure covers the installation of equipment that does not require more than one appointment. It does not cover successful connections to a plan over the nbn™ access network through an RSP.

Meeting agreed installation times

4. The percentage of premises that NBN Co connects to the nbn™ access network within its target timeframes with RSPs. The target timeframes vary by nbn™ access network type and available infrastructure at the premises. This measure does not include Priority Assistance connections or Accelerated Connections.

Average network bandwidth congestion (per week)

5. The average number of minutes of bandwidth congestion per week/per service. This is calculated across all bandwidth purchased by all RSPs across the entire network (CVC congestion). Please note that while bandwidth congestion is caused by the level of provisioning of capacity by the RSP, there are also other types of congestion which may occur on the nbn™ access network. See the Fixed-line network congestion metric for an example of this.

Fixed-line network congestion

6. This metric reflects the estimated monthly average percentage of homes and businesses that experience nbn™ access network congestion (as per NBN Co’s congestion measures for fixed-line networks). Congestion metrics vary between fixed-line technologies. This excludes nbn™ Fixed Wireless and Sky Muster™ satellite. The speeds actually achieved over the nbn™ access network also depend on factors outside NBN Co’s control including the customer’s equipment quality, software, signal quality, broadband plans and how the RSP designs its network.

Additional footnotes *continued*

Uptake to higher speed wholesale plans

7. This includes wholesale plans available to RSPs with download speeds of 50Mbps and 25–50Mbps. The **nbn**[™] access network is being designed to provide these peak speeds to NBN Co's RSPs at NBN Co network boundary. The **nbn**[™] wholesale speed tiers available to RSPs vary depending on the **nbn**[™] access network technology in the customer's area. The customer's experience including the speeds actually achieved over the **nbn**[™] access network depends on the network type, technology, whether the customer is using the internet during the busy period and configuration over which services are delivered to the customer's premises. Customer experience will also be affected by some factors outside of NBN Co's control including the customer's equipment quality, software, signal quality, broadband plans and how the RSP designs its network. Speeds may be impacted by network congestion on NBN Co's Fixed Wireless network, including during busy periods. Satellite customers may experience latency.

Network availability

8. Percentage of time the **nbn**[™] access network is available and operating. For this measure, the network is considered 'unavailable' during the time NBN Co is restoring services following the raising of a fault. It doesn't include periods where the network is unavailable due to operational outages for network upgrades and improvements or events beyond NBN Co's control. This metric has been rounded to the nearest two decimal places.

Meeting agreed fault restoration times

9. The percentage of time NBN Co resolves accepted faults within NBN Co's target timeframes with RSPs. This measure tracks individual service faults, not network related faults which are tracked separately. The fault restoration measure does not include restoration for faults reported to us relating to Priority Assistance Faults or Enhanced Faults, network upgrades and improvements, and events beyond NBN Co's control. NBN Co's target timeframes apply to faults raised by RSPs and accepted by NBN Co and vary depending on the location of the premises, and are different for the Sky Muster[™] satellite network.

Faults after connection completed (per 100 connected homes and businesses)

10. The number of faults on the **nbn**[™] access network per 100 premises per month (excluding faults within 10 business days of the connection). This measure tracks individual service faults, not network related faults which are tracked separately. It excludes faults not related to the **nbn**[™] access network. The calculation of this metric has changed from October 2018. The new calculation of this metric excludes faults within 10 business days of the connection. This provides a better representation of the performance of the network post any connection related issues. This metric should not be compared with the old 'Faults per 100 connected homes and businesses' metric.

Fixed Wireless busy hour cell performance

11. The percentage of **nbn**[™] Fixed Wireless network cells that do not, or are forecast not to, meet NBN Co's design threshold of a 30 day average of 6Mbps download throughput in the busiest hour of the day for that cell (averaged across all active services connected to that cell in the applicable hour). This metric is used to prioritise NBN Co's Fixed Wireless capacity upgrade program and does not reflect any targeted timeframes of NBN Co's products. It is not indicative of actual customer experience (which depends on a wide range of factors).

Fixed Wireless busy hour backhaul performance

12. The percentage of **nbn**[™] Fixed Wireless network cells that connect via backhaul links that exceed, or are forecast to exceed, NBN Co's threshold of a 28 day average of 0.25% or more packet loss in the busiest hour of the day for that link. This metric is used to prioritise NBN Co's Fixed Wireless capacity upgrade program and does not reflect any targeted timeframes of NBN Co's products. It is not indicative of actual customer experience (which depends on a wide range of factors).

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