

# 2023 Half-Year Report

For the six months ended  
31 December 2022



Lifting  
the digital  
capability  
of Australia

## 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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Any request or inquiry to so use the Half-Year Report should be addressed to:

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

## HALF-YEAR FINANCIAL REPORT

This Half-Year Report is for the six months ended 31 December 2022.

The Half-Year Report was authorised for issue by the Directors on 14 February 2023. The Directors have the power to amend and reissue the Half-Year Financial Report.

## GLOSSARY

Defined terms within this Half-Year Report should be read in conjunction with the Glossary on the NBN Co website: <https://www.nbnco.com.au/utility/glossary-of-terms>

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In the spirit of reconciliation, NBN Co acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all First Nations' People today.

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## About NBN Co

### The Company’s purpose is to lift the digital capability of Australia

Established in 2009 as a Government Business Enterprise (GBE), the principal responsibility of NBN Co is to operate and continue to build and upgrade the **nbn**<sup>®</sup> network in accordance with the expectations of the Government.

NBN Co works to fulfil the objectives set out by its Shareholder Ministers in a Statement of Expectations<sup>1</sup> (SoE). On 19 December 2022, the Government issued a revised SoE, which supports the Company in continuing to deliver improvements to the network while keeping prices affordable.

The revised SoE confirms the Government will retain NBN Co in public ownership for the foreseeable future, expand full-fibre access to more homes and businesses, and ensure the **nbn**<sup>®</sup> network delivers for customers and facilitates productivity. In line with the revised SoE, NBN Co will focus on upgrading and improving the network to help enable the use of emerging and future technologies which meet future demand and promote innovation, and on developing new services to meet and anticipate the needs of Retail Service Providers (RSPs) and customers.

### Operating environment

NBN Co was established to deliver wholesale broadband services across the country, while also enabling the provision of reasonably priced services to consumers and businesses via RSPs.

As the network wholesaler, NBN Co provides wholesale broadband services and related activities to access seekers, including RSPs, on a non-discriminatory basis. This approach seeks to help level the playing field in the Australian telecommunications industry, enhancing competition and innovation and providing greater choice for customers across the country. It is through RSPs that customers connect to the **nbn**<sup>®</sup> network for access to high-speed internet.

NBN Co operates in a competitive market, so the Company must think about how it can best

enable customers to make the most of the **nbn**<sup>®</sup> network, and appreciate the difference in service provision between the **nbn**<sup>®</sup> network and other options for connectivity such as mobile, low earth orbit satellites, and private fibre and fixed wireless networks. The Company’s network investment plan is taking fibre deeper into communities, extending Fixed Wireless coverage and improving Fixed Wireless and Satellite capabilities, which are designed to deliver faster speeds and greater capacity, while continuing to deliver an excellent customer experience. The Company endeavours to support both RSPs and customers, so that customers connected to the network and those who connect in the future, can do so at a reasonable price and be assured of receiving high-quality broadband over a fast, secure and reliable network.

### Our strategy is underpinned by six strategic pillars:



**Products & pricing:**

Develop a product and pricing portfolio that addresses our customers’ diverse needs.



**Network:**

Ensure everyone across Australia has access to high-speed, resilient and secure broadband.



**Customer:**

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



**Partnerships:**

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



**Capabilities:**

Build capabilities for the future and grow profitability to enable reinvestment to benefit our customers.



**People:**

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

1. [nbn.com.au/StatementofExpectations22](https://nbn.com.au/StatementofExpectations22)

# Directors' Report

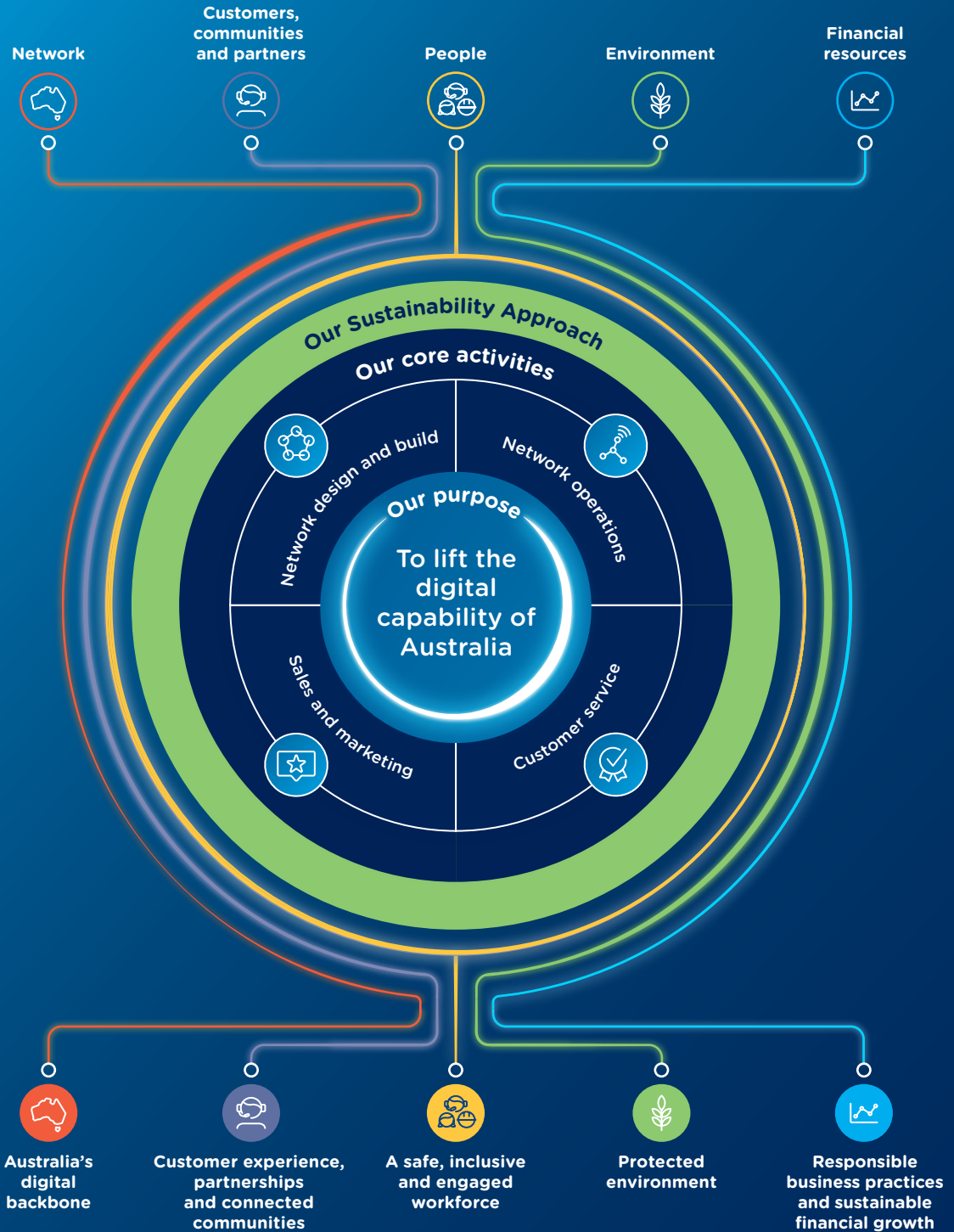
The Directors of the Company present their report on NBN Co Limited (NBN Co or the Company) together with the financial statements of the Company for the six months ended 31 December 2022 and the Independent Auditor's Review Report therein.





# How we create value

## Our resources



## Value creation outcomes

**Our purpose**

**To lift the digital capability of Australia**

**Our values**

**We are one team**

**We deliver**

**We are fearless**

**We care**

**Our resources**

**Network**

A reliable, resilient and secure wholesale broadband network available to people across Australia.

**Customers, communities and partners**

Relationships with RSPs, customers, local communities, suppliers, government, regulators and industry groups.

**People**

Highly capable teams who contribute their knowledge and experience to deliver NBN Co's purpose and strategy.

**Environment**

Efficient use of natural resources to build and operate the network, helping to mitigate the causes and impacts of climate change.

**Financial resources**

Capital from our shareholders and lenders.

**Our core activities**



**Network design and build**



**Network operations**



**Sales and marketing**



**Customer service**

**Our Sustainability Approach**

**Environmental**

Climate adaptation  
Climate change mitigation  
Circularity and waste  
Environmental protection

**Social**

First Nations' People reconciliation  
Digital inclusion  
Decent, healthy and safe work  
Diversity, equity and inclusion

**Governance**

Sustainability governance  
Sustainable finance  
Culture and capability  
Collaborative partnerships

**Value creation outcomes**



**Australia's digital backbone**

As Australia's digital backbone and national telecommunications asset, the **nbn**<sup>®</sup> network is lifting the digital capability of Australia, enabling greater productivity, economic prosperity and social opportunity.



**Customer experience, partnerships and connected communities**

Working collaboratively with our industry, suppliers and partners to deliver excellent customer experience and make meaningful contributions to the communities we serve.



**A safe, inclusive and engaged workforce**

A safe, inclusive and engaged workplace where highly capable and motivated people live NBN Co's values and are empowered to deliver NBN Co's purpose and strategy.



**Protected environment**

A climate-resilient, resource-efficient network and business aligned with the latest climate science, which protects the natural environment and areas of cultural significance.



**Responsible business practices and sustainable financial growth**

Long-term responsible and sustainable financial growth to enable reinvestment in the network to benefit people across Australia.

## Our impact

In the six months to 31 December 2022, NBN Co delivered solid operational and financial results utilising the key resources and relationships it relies on to create value now and into the future.



### Network

**12.2m**

Premises Ready to Connect (RTC)

HY22: 12.1m

**50%**

of nbn® network close to gigabit speed capable<sup>1</sup>

HY22: 38%

**11.6%**

Increase in peak network traffic



### Customers, communities and partners

**8.5m**

Homes and businesses connected

HY22: 8.4m

**21%**

Customers on a wholesale 100 Mbps download plan or higher<sup>2</sup>

HY22: 15%

**98%**

Installations met within agreed timeframes

HY22: 97%



### People

**81%**

Employee engagement score<sup>3</sup>

HY22: 76%

**34%**

Female representation in management

HY22: 33%

**Gold Employer**

for LGBTIQ+ inclusion



### Environment

**SBTi<sup>4</sup>**

Commitment

Submitted and pending validation

**100%**

Renewable electricity purchase target from December 2025

**Awarded**

Australian Sustainability Issuer of the Year  
KangaNews Awards for 2022



### Financial resources

**\$2.6bn**

Revenue

HY22: \$2.5bn

**\$1.8bn**

EBITDA<sup>5</sup>

HY22: \$1.5bn

**\$19.9bn**

Market debt borrowings

HY22: \$17.3bn

1. Regardless of the retail service you purchase, the actual maximum wholesale speeds delivered to RSPs will be less than 1 Gbps due to NBN Co equipment and network limitations. In addition, HFC Home Ultrafast speeds will fall anywhere in the range of 500 Mbps to close to 1 Gbps and operate with a maximum sustained information rate of 750 Mbps. An end customer's experience, including the speeds actually achieved, depends on some factors outside our control (like customer equipment quality, software, and how your retail service provider designs its network) and the NBN Co technology used for your connection.
2. A customer's experience, including the speeds actually achieved over the NBN Co network, depends on the NBN Co access network technology and configuration over which services are delivered to their premises, whether they are using the internet during the busy period, and some factors outside NBN Co's control (like the customer's equipment quality, software, broadband plan, signal reception and how their service provider designs its network). Speeds may also be impacted by the number of concurrent users on the nbn® Fixed Wireless network, including during busy periods. Satellite customers may also experience latency.
3. The July 2022 survey had a participation rate of 93 per cent, compared to 91 per cent in HY22.
4. The Science Based Targets initiative (SBTi) drives climate action in the private sector by enabling organisations to set science-based emissions reduction targets - <https://sciencebasedtargets.org/about-us>.
5. EBITDA is defined as Earnings Before Interest, Tax, Other non-operating income, Depreciation and Amortisation.



## Operational and financial review

### During the six months ending 31 December 2022, NBN Co delivered operational and financial results which demonstrate the execution of the Company's strategies outlined in its latest Corporate Plan.

These results have been achieved by utilising and managing the full range of the Company's resources, across the **nbn**<sup>®</sup> network, customers, people, environment and finances.

All key performance metrics are on track for the Company to meet its Corporate Plan 2023 guidance.

Total revenue for the six months to 31 December 2022 was \$2.6 billion, a 4 per cent increase on HY22. Earnings Before Interest, Tax, Other non-operating income, Depreciation and Amortisation (EBITDA) was \$1.8 billion in the first half, reflecting a \$306 million improvement on HY22.

The solid financial result for the first half was underpinned by strong demand for higher speed broadband plans.

NBN Co closed the half-year with more than 12.2 million premises Ready to Connect (RTC) to the **nbn**<sup>®</sup> network and more than 8.5 million premises connected to the **nbn**<sup>®</sup> network. As at 31 December 2022, 77 per cent of customers were connected to plans based on speed tiers offering wholesale peak download speeds of 50 Mbps<sup>1</sup> and above and 21 per cent of customers were connected to plans based on speed tiers offering wholesale download speeds of 100 Mbps<sup>2,3</sup> and above, compared to 15 per cent at 31 December 2021.

Residential Average Revenue Per User (ARPU) increased to \$47 in the six months to 31 December 2022, up 1 per cent from HY22. The uplift in Residential ARPU was driven by more customers selecting or upgrading to higher speed tier plans.

Revenue from business customers increased to \$549 million in HY23, up 11 per cent from \$493 million in HY22.

NBN Co operates in a competitive market, so the Company must continually think about how it can best enable customers to make the most of the **nbn**<sup>®</sup> network, and appreciate the difference in service provision between this and other options for connectivity such as mobile, low earth orbit satellites, and private fibre and fixed wireless networks.

The Company endeavours to support both RSPs and customers, so that customers connected to the network and those who connect in the future, can do so at a reasonable price and be assured of receiving high-quality broadband over a fast, secure and reliable network.



1. The 50 Mbps (download) wholesale speed plan includes plans available to phone and internet providers with download speeds of 50 Mbps and 25 - 50 Mbps. The **nbn**<sup>®</sup> wholesale speed tiers available to your phone and internet provider vary depending on the **nbn**<sup>®</sup> access network technology in your area. Your experience, including the speeds actually achieved over the **nbn**<sup>®</sup> network, depends on the **nbn**<sup>®</sup> access network technology and configuration over which services are delivered to your premises, whether you are using the internet during the busy period, and some factors outside our control (like your equipment quality, software, broadband plans, signal reception and how your service provider designs its network). Speeds may be impacted by network congestion on the **nbn**<sup>®</sup> Fixed Wireless network, including during busy periods. Satellite users may experience latency.
2. Customer experience, including the speeds actually achieved over the **nbn**<sup>®</sup> broadband access network, depends on the **nbn**<sup>®</sup> access network technology and configuration over which services are delivered to the premises, whether the customer is using the internet during the busy period, and some factors outside of NBN Co's control (like equipment quality, software, chosen broadband plan, signal reception, or how the provider designs its network).
3. NBN Co provides wholesale services to phone and internet providers. **nbn**<sup>®</sup> wholesale speed tiers available to providers vary depending on the access technology in an end users's area.

## Australia's digital backbone

Through ongoing investment in the evolution of the **nbn**<sup>®</sup> network, NBN Co aims to ensure it can keep ahead of data demand to help enable social equity, productivity and economic growth across the nation.

During HY23, the **nbn**<sup>®</sup> network performed well and continued to meet the needs of households, businesses and communities across the nation.

Peak network traffic during HY23 was 23.87 terabits per second, compared to 21.39 terabits per second during HY22, which represents an increase of 11.6 per cent in peak network traffic.

### Network investments – Fixed Line

During HY23, NBN Co welcomed the Government's announcement to invest \$2.4 billion to enable an additional 1.5 million homes and businesses currently served by Fibre to the Node (FTTN) to upgrade to Fibre to the Premises (FTTP). This follows the Company's original program to enable full-fibre upgrades to an initial 2 million premises served by FTTN.<sup>1</sup>

The Company's network investment plan is taking fibre deeper into communities and extending Fixed Wireless coverage and improving Fixed Wireless and Satellite capabilities, which are designed to deliver faster speeds and greater capacity, while continuing to deliver an excellent customer experience.

Design and construction of the local fibre network rollout has so far been completed within many suburbs and towns across Australia, enabling around 550,000 premises served by FTTN to upgrade to FTTP by 31 December 2022.

The Company is also progressing its plan to enable up to 1.5 million homes and businesses currently served by Fibre to the Curb (FTTC) to upgrade to FTTP. By 31 December 2022, approximately 810,000 premises served by FTTC became eligible to upgrade to FTTP.

As a result of the progress on network investments to date, as at 31 December 2022, more than 50 per cent of the **nbn**<sup>®</sup> network was capable of delivering close to gigabit speeds, up from 38 per cent at the end of December 2021.<sup>2</sup>

Following completion of supporting HFC capacity upgrades in the second half of FY22, 100 per cent of the 2.5 million premises in the HFC footprint were able to order the **nbn**<sup>®</sup> Home Ultrafast wholesale speed tier. Approximately 2.2 million premises already served by FTTP infrastructure were able to order the **nbn**<sup>®</sup> Home Ultrafast wholesale speed tier.

NBN Co is on track to enable up to 10 million premises, or around 90 per cent of premises on the Fixed Line network, to access the **nbn**<sup>®</sup> Home Ultrafast wholesale speed tier, which is capable of achieving peak wholesale download speeds of 500 Mbps to close to 1 Gbps, by the end of 2025.<sup>2,3</sup>

1. NBN Co reserves the right to amend the list of targeted suburbs and towns for the local fibre network build at its discretion.
2. Regardless of the retail service you purchase, the actual speeds delivered by NBN Co's highest wholesale speed tiers of 500 Mbps to close to 1000 Mbps will be less than 1 Gbps due to equipment and network limitations and the peak information rate may fall anywhere in this range. In addition, the HFC Home Ultrafast bandwidth profile downstream service provided to retail providers is a ranged profile with a maximum sustained information rate of 750 Mbps. Reference to speeds are not end user speeds; they are wholesale layer 2 peak information rate bandwidth provided to retail providers. An end customer's experience, including the speeds actually achieved over the **nbn**<sup>®</sup> network, depends on some factors outside our control (like equipment quality, software, and how your retail service provider designs its network) and the NBN Co technology used for your connection.
3. An end customer's experience, including the speeds actually achieved over the **nbn**<sup>®</sup> network, depends on the **nbn**<sup>®</sup> access network technology and configuration over which services are delivered to their premises, whether they are using the internet during the busy period, and some factors outside of NBN Co's control (like their equipment quality, software, chosen broadband plan, signal reception, or how their provider designs its network). Conditions, eligibility criteria and costs will apply. Eligibility criteria is expected to include, among other things, being designated by NBN Co as a simple premises (e.g. standalone premises or Single Dwelling Unit (SDU)) and once the program is available for an eligible premises, placing an order for an **nbn**<sup>®</sup> powered plan based on an eligible wholesale speed tier. Additional costs may apply to retail service providers, who may choose to pass this charge onto their customers.



## Network investments - Fixed Wireless and Satellite

In March 2022, the Commonwealth Government and NBN Co announced a \$750 million co-investment commitment to upgrade the **nbn**<sup>®</sup> Fixed Wireless and Satellite networks to help meet the growing needs of homes and businesses in regional Australia.

NBN Co will use the funding to upgrade the **nbn**<sup>®</sup> Fixed Wireless network using 4G technology and software enhancements and the latest 5G mmWave technology to expand the capacity of the network.

NBN Co has completed industry consultations and will introduce two new wholesale higher-speed tiers for the **nbn**<sup>®</sup> Fixed Wireless network.

Fixed Wireless **nbn**<sup>®</sup> Home Fast<sup>1</sup> is expected to be available to 100 per cent of the expanded Fixed Wireless coverage area and be capable of delivering a wholesale peak information rate of 100-130 Mbps download speed and an upload speed of 8-20 Mbps. Fixed Wireless **nbn**<sup>®</sup> Superfast<sup>1</sup> is expected to be available to approximately 85 per cent of the expanded Fixed Wireless coverage area and be capable of delivering a wholesale peak information rate of 200-325 Mbps download speed and an upload speed of 8-20 Mbps.

1. NBN Co is a wholesaler and end customers should contact their preferred RSP to ask about availability. The planned wholesale download speeds for Fixed Wireless **nbn**<sup>®</sup> Home Fast and Fixed Wireless **nbn**<sup>®</sup> Superfast are Peak Information Rates with peak wholesale download speeds of 100-130 Mbps for Fixed Wireless **nbn**<sup>®</sup> Home Fast and 200-325 Mbps for Fixed Wireless **nbn**<sup>®</sup> Superfast.
2. The off-peak 16-hour period for unmetered data is between midnight to 4pm per day (which was an increase from the previous 6-hour off-peak period which ran from 1am - 7am). NBN Co may, at its discretion, shape traffic (in particular, gaming/ software updates and cloud uploads in the evening) to slow wholesale speeds. Fair use conditions apply.

This is a great outcome for regional and peri-urban areas - ensuring people can run their business and work from home, enjoy better access to healthcare, education and other essential services.

Since the announcement of upgrade investment in the **nbn**<sup>®</sup> Fixed Wireless network, significant progress has been made in the planning and design to execute these upgrades. Scale deployment of these upgrades will commence in late FY23.

Enhanced **nbn**<sup>®</sup> Sky Muster<sup>®</sup> Plus services, introduced from 1 July 2022, enable access to Virtual Private Networks (VPN) and video streaming 16 hours a day - between 12am (midnight) and 4pm - without it counting toward eligible customers' monthly data allowance.<sup>2</sup>

Since these latest enhancements were introduced, **nbn**<sup>®</sup> Sky Muster<sup>®</sup> Plus customers now use around 13 per cent more data per month and 81 per cent of their total internet usage does not count towards their monthly data allowance.



## Network co-investment

NBN Co has partnered with government at all levels to co-invest in **nbn**<sup>®</sup> network upgrades and improved services in regional and remote Australia.

In October 2022, NBN Co and the Victorian Government announced the third stage of their landmark co-investment agreement to enhance digital infrastructure within the **nbn**<sup>®</sup> Fixed Line, Fixed Wireless and Satellite footprint across approximately 180 Victorian suburbs and towns, including 150 in regional areas.

The Connecting Victoria Program has also established 31 Business Fibre Zones (BFZs) allowing RSPs to supply Enterprise Ethernet services with zero upfront build costs from NBN Co to providers to around 15,000 businesses across the state, when an eligible plan is ordered.<sup>1</sup> Plus if the provider signs up for a 3 year Enterprise Ethernet plan, there's no up-front connection cost to the provider.

NBN Co has participated in the first two rounds of the Commonwealth Government's Regional Connectivity Program and was awarded funding for 27 full-fibre projects and one fixed wireless project, which will benefit around 10,000 households and businesses across regional and remote Australia. These projects will upgrade the

access technology used to deliver broadband services in a given area. End customers will still be required to order a service via their RSP to access the new technology.

NBN Co's \$300 million Regional Co-investment Fund (RCIF), which was announced in September 2020, is helping deliver access to higher wholesale broadband speed services over the **nbn**<sup>®</sup> network to households and businesses in regional and remote areas of Australia.

The fund is designed to lift digital capability in regional and remote areas, outside capital cities, with the focus on communities that are currently served by NBN Co's Fixed Wireless or Satellite infrastructure, by increasing the number of premises which can access technologies that support higher speeds.

This aims to support improvements to regional digital inclusion and capability, and the Company invites co-investment opportunities from Federal, State, Territory and Local governments.

Through this fund, the Company has announced projects to deliver technology enhancements in more than 55 communities, 27 of these since July 2022.

1. NBN Co is a wholesaler and does not control costs charged by retail service providers. Customers should contact their preferred retail service provider to ask about availability and any fees and charges from their provider that may be applicable. These pricing offers are not available for most premises in the **nbn**<sup>®</sup> Fixed Wireless or Satellite footprints or for most premises which have complex connections – further costs are likely to apply to these premises.



## Providing digital connectivity to new developments

The Company's New Developments team works directly with developer, builder and consultant customers to provide digital connectivity to Australia's newest communities.

This has enabled NBN Co to expand its fibre footprint, providing residents and businesses in new developments with the ability to embrace the digital connectivity that powers smart buildings, communities and cities as well as the possibilities created by the Internet of Things (IoT).

Since its inception, the Company has delivered access to the **nbn**<sup>®</sup> network to more than one million newly built premises nationally, with over 80,000 additional premises made RTC on the **nbn**<sup>®</sup> network in the six months ended 31 December 2022.

## Lifting the digital capability of Australian businesses

The Company's enhanced Enterprise Ethernet service is enabling eligible business customers to order broadband based on wholesale speed tiers of close to 10 Gbps<sup>1,2</sup>, which is up to 10 times faster than previously available on the **nbn**<sup>®</sup> network.

We now have over 20,000 active Enterprise Ethernet services, with 6,000 additional services activated during the half.

**nbn**<sup>®</sup> Enterprise Ethernet is available through RSPs to NBN Co's existing Enterprise Ethernet footprint, including around 900,000 premises located in **nbn**<sup>®</sup> Business Fibre Zones across Australia.

Of the 321 Business Fibre Zones, 142 are located in regional Australia, enabling approximately 318,000 businesses to access Enterprise Ethernet in non-metropolitan areas.

## Investing in innovation

As NBN Co operates in a continually evolving technology environment, the Company makes ongoing improvement across all its domains including product capabilities, operations, systems, networks and security.

NBN Co targets innovation across its entire network, including both metropolitan and regional areas. Examples of recent enhancements include leveraging the Company's network infrastructure to enable IoT applications for smart buildings, communities and cities, as well as undertaking proof of concept trials to deliver meshed Wi-Fi network solutions to remote communities.

During HY23, NBN Co selected Nokia's Optical Line Terminals (MF-14) and the Altiplano Access Controller to deploy on the **nbn**<sup>®</sup> network to help ready it for multi-gigabit speeds and support higher capacity broadband technologies, such as XGS PON, 25GS PON, 50G PON and beyond.

In HY23, the Company also selected Ericsson to supply next-generation 5G technology that will deliver enhanced coverage and speed across the **nbn**<sup>®</sup> Fixed Wireless network. Ericsson's innovative technology solutions will help extend the range of the Company's Fixed Wireless towers from 14 kilometres to at least 29 kilometres for selected **nbn**<sup>®</sup> Fixed Wireless towers (subject to network capacity and topography), resulting in an expansion of the **nbn**<sup>®</sup> Fixed Wireless footprint by up to 50 per cent. This is a key enabler of the Company's delivery of the Fixed Wireless upgrade program.

The Company's Smart Places<sup>3</sup> product takes the power of **nbn**<sup>®</sup> fibre connectivity beyond premises to locations across communities that require fast, reliable, secure and future-proof broadband connectivity. NBN Co works with its developer customers as a critical infrastructure partner to support the ever-changing needs of residents and businesses as they embrace new technology.

This pilot program at 40 locations across the country, supports a wide range of scenarios including traffic lights, electric vehicle charging stations, public parks and skate parks.

The Company is working with the University of Technology Sydney to explore the viability of using sensor and camera-equipped robots to perform tasks such as clearing blocked conduits, hauling cable, and collecting 3D network data. If successful, this will help deliver remotely piloted machines into spaces that no human can access safely and improve the Company's ability to install fibre.

1. Regardless of the bandwidth profile for the service you acquire from your service provider, it may operate at less than 10,000 Mbps (or, in some circumstances, 1,000 Mbps, if that bandwidth profile is acquired) because of normal equipment and network limitations. In addition, your experience, including the speeds actually achieved over the **nbn**<sup>®</sup> network, depends on some factors outside our control (like your equipment quality, software, and how your service provider designs its network). If your service provider has not selected Class of Service High, speeds you experience may be affected by contention on the **nbn**<sup>®</sup> network, particularly in busy periods.
2. Business **nbn**<sup>®</sup> Enterprise Ethernet is only available in the **nbn**<sup>®</sup> Fixed Line network footprint and at limited premises served by the **nbn**<sup>®</sup> Fixed Wireless and Satellite networks.
3. NBN Co's Smart Places is under consultation and subject to change. While not yet available, NBN Co is accepting applications for builds to non-premises locations in new developments. Service connectivity availability will depend on phone and internet providers offering NBN Co Smart Places, and timing of product availability will be at provider discretion.





## Customer experience, partnerships and connected communities

For many people across the nation, access to work, education, shopping, entertainment and essential services such as healthcare has become less about the physical location of those activities and more about the speed and reliability of their internet connection.

As at 31 December 2022, the number of active premises was 8.5 million, up from 8.4 million in HY22. This equates to approximately 20 million people relying on the network every day.

In addition to the volume of customers, the demand for data is increasing the number of customers on higher wholesale broadband speed tiers. As at 31 December 2022, 21 per cent of customers were on a service with a peak download speed of 100 Mbps<sup>1</sup> or above, which had increased from 15 per cent at the end of December 2021.

### Service excellence

The Company works in partnership with RSPs to deliver wholesale broadband services as well as working with service delivery partners to connect customers and restore any faults quickly and efficiently.

Following an extensive strategic program, new capabilities were deployed in HY23 for field technicians, to help improve the experience for customers and RSPs. This included improvements to the utilisation of field technicians, the mobility tools they use in the field, and a new and simplified schedule of rates for completed work.

### Customer experience

Throughout HY23, NBN Co strove to deliver on its commitment to provide great customer experience.

Over the six months ending 31 December 2022, the Company met agreed installation times 98 per cent of the time, an improvement from 97 per cent during the six months ending 31 December 2021. This means customers are receiving a more streamlined and improved connection experience.

Likewise, for customers experiencing service interruptions, faults on the **nbn**<sup>®</sup> network were resolved within agreed timeframes 92 per cent of the time during the half, up from 88 per cent in HY22. This provided improved customer experience with reduced internet and phone outages.

Both results have been made possible due to fewer missed and rescheduled appointments during HY23, reducing customer inconvenience.

NBN Co continues to publish its Monthly Progress Report<sup>2</sup> on the NBN Co website to provide regular updates on the volume of connections, network fault rates, restoration timeframes, and the level of congestion on the **nbn**<sup>®</sup> network.

### Pricing evolution

NBN Co continues to work with the Australian Competition and Consumer Commission (ACCC), RSPs and industry groups on its proposed variations to the Special Access Undertaking (SAU).

This is the framework used to regulate wholesale access to the **nbn**<sup>®</sup> network and for setting price and certain non-price terms of access.

A proposed SAU variation was lodged with the ACCC in late November 2022, with the aim of delivering a new SAU in time to implement changes by 1 July 2023, if the variation is accepted by 31 March 2023, or within three months of acceptance of the SAU variation.

During November and December 2022, the Company released two Wholesale Broadband Agreement (WBA5) consultation papers, focused on how a revised SAU could be implemented, subject to acceptance by the ACCC.

The parallel consultation process on SAU and WBA5 is intended to ensure the modified wholesale pricing and commitments of the revised SAU can be ready for implementation via WBA5 by the latter of 1 July 2023, or within three months of acceptance.

1. Refer to footnote 2 and 3 on page 7

2. <https://www.nbnco.com.au/corporate-information/about-nbn-co/updates/dashboard-december-2022>

## Securing our network

NBN Co's security and privacy approach adopts a converged (all-hazards) model, where physical, personnel, cyber, supply chain and privacy capabilities interconnect and work together.

This is an Enterprise Security Risk Management framework that brings a unified view and approach to managing all security and privacy risks faced by the organisation.

It combines all the skills and expertise of various security disciplines into a coordinated effort. This provides single accountability under the Chief Security Officer, who works closely with Australia's national security agencies to prepare against any potential security threats. These agencies include the Australian Cyber Security Centre (ACSC), the Cyber and Infrastructure Security Centre (CISC), and the Australian Signals Directorate (ASD).

Cybersecurity is a foundation for NBN Co to deliver a secure network and a vital component in its enterprise security and privacy strategy.

As such, the Company created the Security Group Cybersecurity Practice (SGCP), which will become a company-wide centre of excellence for cybersecurity that will implement, operate and evolve contemporary and reputable cybersecurity technology to proactively reduce emerging risks and mitigate threats.

## Making it easier to work with NBN Co

NBN Co's goal is to be easy to do business with, so the Company is transforming its operations by incorporating new and better ways of doing things.

The Company's Enterprise Simplicity Program sets out how it will simplify technology systems architecture to improve interactions with RSPs and enable better service for customers as part of its aim to drive innovation across technologies.

During October 2022, the Company launched its Satellite Service Health Summary, providing RSPs with simplified metrics and information to assist with troubleshooting and resolving customer issues. This has reduced average call centre issues management times by up to 3.5 minutes per call and reduced training time for new RSP operators.

Between June and October 2022, NBN Co implemented an RSP development fund to focus on driving greater customer and operational

efficiency for RSPs. Nineteen RSPs signed up for the development of approved application programming interfaces (APIs) to improve the customer journey across awareness, order, connect, use and fix, and the business processes to support them.

Work continues to simplify and improve partner portals and interfaces where RSPs can self-serve information about products, technology or reporting.

As simplification also drives cost efficiencies, this helps free up resources for crucial initiatives like reinvesting in the network, which helps improve overall customer experience.

## Supporting community wellbeing

The Company is tackling barriers to digital inclusion with programs that address key segments including agriculture, health, education, social housing, seniors and aged care and First Nations' communities.

NBN Co is pleased to deliver the Government's School Student Broadband Initiative commitment to provide 12 months of free internet access for up to 30,000 families with school aged students that do not have **nbn**<sup>®</sup> network broadband connections.

Participating RSPs have been encouraged by the Government to offer services at no monthly cost. NBN Co is providing participating internet providers with rebates for services provided to families under the School Student Broadband Initiative. The Company is also providing a contribution towards the IT establishment costs for participating internet providers to support the initiative.

In October 2022, NBN Co launched its national campaign aimed at seniors, their families and carers. The Made for More Meaningful Connections campaign helps support digital inclusion by connecting seniors with the digital tools they need, through online sessions and community events, to make the most of the **nbn**<sup>®</sup> network.

In November 2022, NBN Co's scams education program, ScamFit, returned for round two. The Company aims to increase the capability of at least 50,000 people across Australia in a series of online and in-person workshops throughout 2023, where they will be upskilled against scammers.

This follows a report from the ACCC’s Scamwatch which revealed that approximately 4,500 people in Australia were targeted by NBN Co impersonation scams between January and September 2022, with reported losses totalling over \$1.5 million.

As NBN Co knows that Australia is seeing an increase in the frequency and intensity of extreme weather, the Company supports communities to prepare for emergencies through education and works to make the network as resilient as possible. Through its engagement teams and public information campaigns, the Company educates communities about the operation of the **nbn**® network before, during and after a disaster event, and the steps they can take to prepare themselves in the event the **nbn**® network is impacted. The Company works closely with emergency services and power companies to prepare for potential disasters and ensure it can repair and restore the **nbn**® network services communities rely on to stay safe and connected with each other in emergency situations.

### Making our network more resilient

NBN Co has worked hard to improve the resilience of the network to the effects of climate change, such as the increasing frequency of extreme weather.

The Company has installed more than 1,000 **nbn**® Disaster Satellite Service units at nominated emergency management sites across Australia to enable people to stay informed and connected with family and friends.

These will provide better communications access and help improve safety at evacuation centres during an emergency via a public Wi-Fi connection, powered by **nbn**® Sky Muster® Plus satellite broadband services.

The installation of these services was made possible by a \$7 million grant provided through the Government’s Strengthening Telecommunications Against Natural Disasters (STAND) program.

In addition, equipment has been strategically placed in areas across the country so it can be deployed in the case of an emergency event as soon as it is safe to do so, to keep vital lines of communication operational for communities and first responders.

This includes Multi Technology Trailers, Network on Wheels, Wireless Mast Trailers and Hybrid Power Cubes. This \$6 million package of

emergency infrastructure was partially funded by the STAND program and joins the Company’s fleet of Sky Muster® Trucks and portable satellite kits.

In October and November 2022, NBN Co trialled new temporary network infrastructure that can be deployed at a local exchange to restore and maintain services should damage occur to critical infrastructure.

The trial involving a Point-of-Interconnect (POI) On Wheels semi-trailer set up at Traralgon, Victoria, tested the functionality of the equipment, and was designed to ensure it can work at all 121 **nbn**® POI network sites. Each POI serves tens of thousands of customers, and in some cases, entire regions or regional cities and towns.

### First Nations’ People

The Company continues to dedicate significant resources and capital to helping remote and regional areas of Australia to get and stay connected.

This includes a focus on First Nations and isolated communities, through collaboration with government agencies, peak organisations and engaging with regional stakeholders and communities.

The Communities in Isolation program was established to connect remote communities through a single wireless access point within key locations in the community, such as healthcare centres or community halls. To date, NBN Co has delivered 102 community installations.

The Company is also undertaking a community-wide Wi-Fi proof of concept trial which has connected four remote communities via a meshed Wi-Fi solution which is being used extensively by community members. These services will remain in operation for an initial three-year period.

During HY23, progress has been made to increase the engagement of NBN Co’s people in reconciliation through an uplift in cultural competence to support the employment, development and retention of First Nations’ People.

In support of its commitments to reconciliation and First Nations’ Peoples’ employment, development and retention outcomes, the Company participated in the inaugural Indigenous Employment Index, overseen by the Minderoo Foundation.

NBN Co has also commenced development of its fifth Reconciliation Action Plan (RAP), with the process underway with Reconciliation Australia.



## A safe, inclusive and engaged workforce

One of NBN Co's highest priorities is building and maintaining an engaged, diverse and inclusive purpose-led workforce.

A safe, diverse and inclusive workplace will allow the Company to leverage different perspectives, backgrounds and experience – to create enhanced outcomes and deliver better solutions for communities and customers across the nation.

### Employee engagement

Employees throughout the organisation are highly motivated by the Company's purpose and have a desire to support the digital needs of people across Australia.

The Employee Engagement survey, conducted in July 2022, achieved a participation rate of 93 per cent and an engagement score of 81 per cent. This compares to a participation rate of 91 per cent and an engagement score of 76 per cent in HY22.

NBN Co has an ongoing commitment to achieving employee engagement scores that place the Company in the top quartile of Australian companies.

Voluntary disclosure of diversity demographics increased across all demographic areas, an indication of increased psychological safety of NBN Co's people.

### Gender equity

NBN Co participated in the Workplace Gender Equality Agency (WGEA) reporting for the first time in 2022, as will be required of all GBEs from 2023.

NBN Co has a strong commitment to pay equity at point of hire and throughout an employee's career, including undertaking comprehensive gender pay equity analysis through the annual remuneration review process.

In HY23, the Company maintained its commitment to pay equity, with a gender pay gap of less than 1 per cent as at 31 December 2022.

The Company is committed to increasing female representation in the workforce and achieving 40 per cent female representation in management by 2025. As at 31 December 2022, 34 per cent of management positions were held by women.

The Employee Engagement survey in July 2022 showed female and male engagement at an equal level, which was an uplift of 4 per cent in engagement for females from the prior year results.

The Company is also working with external partners to encourage girls and young women to consider careers in STEM (Science, Technology, Engineering and Maths).

## LGBTIQ+ inclusion

NBN Co participates in the Australian Workplace Equality Index (AWEI), an external benchmarking tool for LGBTIQ+ inclusion.

During HY23, the Company was recognised as a Gold employer for LGBTIQ+ inclusion for the second year running, as measured by the AWEI, putting NBN Co in the top 10 per cent of reporting employers in Australia.

## Cultural diversity

The Company is committed to supporting the career and development of culturally and linguistically diverse employees. In HY23, NBN Co once again supported the Dr John Yu Fellowship program, selecting two culturally diverse future leaders to participate in the program.

NBN Co's cultural diversity pillar is key to uplifting the cultural capability of its people, celebrating the Company's cultural diversity day, in addition to sharing the diverse stories of NBN Co team members via the Humans of NBN initiative.



## Accessibility and inclusion

NBN Co is committed to accessibility and inclusion and has taken steps towards publishing its second Accessibility and Inclusion Plan (AIP) and fifth Reconciliation Action Plan (RAP), including establishing a team dedicated to developing a long-term strategy and delivering a short-term uplift program.

The Company's accessibility pillar is key to uplifting the awareness and capability of its people, conducting company-wide training on disability confidence and lived experience as well as celebrating International Day of People with Disability with company-wide training on inclusive design.

## People, safety and wellbeing

As a national company that employs approximately 4,600 people across Australia, and with offices in every State and Territory, the health, safety and wellbeing of its people, partners, customers and the community is paramount.

NBN Co's Safety and Wellbeing team provides strategies, systems, support and programs, which aim to enhance the physical health and mental wellbeing of all its people.

The team is also tasked with ensuring the safety of the **nbn**<sup>®</sup> network and its associated infrastructure and the safety of the technicians who work on the network.

The Total Recordable Incident Frequency Rate (TRIFR) for employees and contractors (combined), at end of HY23 decreased to 1.88 from 2.51 at the end of HY22. Remote work incidents and underground and concealed services strikes were the most common type of incidents with the potential to cause serious harm. Compliance rates with HSE Critical Risk Controls remained consistently high across the Delivery Partners and internal workforce.

The Company has maintained its COVID-safe workplace principles and continues to review and assess them based on community needs.



## Protected environment

Climate change has evolved from an ethical and environmental issue to one that also presents some material business risks.

### Climate mitigation and adaptation

In December 2021, NBN Co announced an initial three-year roadmap to support Australia's move to net zero emissions.

As part of this, the Company is working towards:

- Reducing annual energy use by 25 gigawatt hours by December 2025
- A target of purchasing of 100 per cent renewable electricity from December 2025
- Using electric or hybrid vehicles where suitably available by 2030

In September 2022, the Company submitted science-based emissions reduction targets to the Science Based Targets initiative (SBTi)<sup>1</sup>, which are awaiting validation.

NBN Co can play an important role in helping homes and businesses to reduce their energy demand by providing connectivity that enables new modes of work and by supplying access to the digital tools businesses need to operate more efficiently.

The Company is committed to delivering greenhouse gas emissions reductions consistent with meeting or exceeding the Government's commitment to net zero emissions by 2050.

NBN Co aims to support this by:

- Deploying more full-fibre connections as they are more energy-efficient and will reduce overall energy demand
- Supporting generation of additional renewable electricity through power purchase agreements
- Seeking collaborative partnerships across the value chain by engaging with suppliers to set science-based emission reductions targets
- As a significant consumer of electricity in Australia, the Company's first 10-year power purchase agreement (PPA), which was announced in July 2022, will see a new solar farm constructed in the Riverina area of NSW, is an important step forward in achieving its target to purchase 100 per cent renewable electricity from December 2025.

Due to weather-related impacts and delays, the solar farm is currently expected to begin operations in the second half of FY23. Once complete, the 260-hectare solar farm will deliver 80 gigawatt hours to NBN Co a year – approximately 19 per cent of the Company's overall energy consumption nationally – or enough to power the equivalent of 27,000 homes. The Company plans to support additional renewable electricity purchases through further power purchase agreements.



Above:

NBN Co Chief Development Officer, Regional & Remote, Gavin Williams and General Manager Sustainability, Stephen Smith at the solar farm in the Riverina area of NSW in relation to the Company's first Renewable Power Purchase Agreement.

1. The Science Based Targets initiative (SBTi) drives climate action in the private sector by enabling organisations to set science-based emissions reduction targets – <https://sciencebasedtargets.org/about-us>



## Identifying and responding to climate change risks

In FY22, NBN Co completed its first company-wide Climate Change Risk Assessment which assessed how the Company may be affected by climate-related impacts and identified the most significant risks and opportunities. It is informing action plans with proposed metrics and targets covering both the physical and transition risks of climate change.

The Climate Change Risk Assessment identified the following key climate-related physical risks:

- Power dependency
- Extreme wind
- Bushfire
- Riverine flooding
- Surface water flooding.

During HY23, the Company has been working on a Climate Transition Plan. This will be a strategic planning instrument to enable effective management of mitigation and adaptation actions.

The Climate Transition Plan will cover three areas of action:

- Network - actions to reduce emissions and build resilience to the impacts of climate change
- Customers - reduce energy use in accessing the **nbn**<sup>®</sup> network, improve customer experience and maintain availability of the **nbn**<sup>®</sup> network
- Communities - support communities during natural disasters and collaborate across industries to build resilience and enable emissions reductions.

## Circularity, waste & environmental protection

The evolution, operation and maintenance of the **nbn**<sup>®</sup> network needs to consider the materials used and waste generated. This includes construction waste, scrap network cable, batteries and e-waste, that needs to be managed to minimise impact on the environment and community.

To improve waste management practices, through the Company's Sustainability Approach and program of work, NBN Co will explore how circular economy principles can be leveraged through development of a circularity framework and strategy.

The Company also manages environmental impacts and respects and protects areas of natural or cultural heritage significance.

Its Indigenous Cultural Heritage Framework includes policies and supporting documents relating to protecting places and sites of cultural significance.

## Sustainable finance

In April 2022, NBN Co generated proceeds of \$800 million after successfully issuing its first Green Bond.

In November 2022, NBN Co received the Australian Sustainability Issuer of the Year and Australian Corporate Issuer of the Year awards in the KangaNews Awards for 2022. The Company also received FinanceAsia's Achievement Awards for 2022 related to the Green Bond: Best Local Bond Deal and Best Sustainable Finance Deal – Corporate for Australia.

## Responsible business practices and sustainable financial growth

NBN Co's results for HY23 demonstrate continued financial growth with the Company on track to meet its financial targets outlined in its Corporate Plan 2023.

### HY23 financial performance

The Company achieved Earnings Before Interest, Tax, Other non-operating income, Depreciation and Amortisation (EBITDA) of \$1.8 billion in the first half, which was an increase of more than \$300 million from the HY22 result of \$1.5 billion.

This was achieved through a combination of revenue growth of 4 per cent to \$2.6 billion as at 31 December 2022, as well as a decline in total operating expenses of 3 per cent during the half to \$886 million.

The Company's statutory loss after tax for the period was \$444 million, which is a 48 per cent improvement on the HY22 loss of \$857 million.

The strong financial performance for the half and improvement in core metrics such as EBITDA and statutory profit/(loss) are in line with management expectations and reflect the current stage of the Company's life cycle.

### Revenue and operating income

Total revenue for HY23 consists of telecommunications revenue of \$2,563 million and other revenue of \$62 million.

During the period, the Company connected over 16,000 additional residential and business premises to the nbn® network, with over 8.5 million premises connected to the network as at 31 December 2022. This helped drive the 5 per cent increase in telecommunications revenue from \$2,452 million in HY22.

Further supporting the growth in telecommunications revenue was the improvement in Residential Average Revenue Per User (ARPU) by 1 per cent to \$47 as at 31 December 2022. This was driven by customer demand for higher wholesale broadband speed tiers.

As at 31 December 2022, 77 per cent of customers were connected to plans with a peak download speed of 50 Mbps<sup>1</sup> or above, and 21 per cent of customers were on plans with a peak download speed of 100 Mbps<sup>2</sup> or above.

Other revenue includes revenue from developers, commercial works activities and the Technology Choice Program, as well as licensing income.

Operating income represents the recognition of government grants and the Regional Broadband Scheme Levy. Operating income has increased due to the recognition of income related to the Fixed Wireless and Satellite Upgrade Program grant.

For the six months ended 31 December	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m
Total revenue	2,625	2,522	2,260	1,813	1,301
Operating income	68	19	-	-	-
Operating expenses	(886)	(914)	(1,027)	(1,038)	(1,088)
<b>EBITDA<sup>3</sup> before subscriber costs</b>	<b>1,807</b>	<b>1,627</b>	<b>1,233</b>	<b>775</b>	<b>213</b>
Subscriber costs	-	(126)	(809)	(1,438)	(690)
<b>EBITDA<sup>3</sup></b>	<b>1,807</b>	<b>1,501</b>	<b>424</b>	<b>(663)</b>	<b>(477)</b>
Depreciation and amortisation expense	(1,488)	(1,709)	(1,720)	(1,488)	(1,240)
Other income	17	15	13	11	11
Net finance costs	(786)	(752)	(827)	(677)	(448)
Tax benefit/(expense)	6	88	(3)	-	2
<b>Loss for the year</b>	<b>(444)</b>	<b>(857)</b>	<b>(2,113)</b>	<b>(2,817)</b>	<b>(2,152)</b>
Capital expenditure <sup>4</sup>	1,412	1,155	1,424	2,517	2,908
Total assets	37,763	36,126	36,096	35,527	30,648
Debt	25,171	24,780	22,618	16,214	9,228
Lease liabilities	11,581	11,008	10,776	10,310	8,030
Contributed equity	29,500	29,500	29,500	29,500	29,500
Operating cash flows <sup>5</sup>	1,608	1,276	322	(763)	(628)

- 50 Mbps (download) wholesale speed plan includes wholesale plans available to phone and internet providers with download speeds of 50 Mbps and 25 - 50 Mbps.
- Refer to footnote 2 and 3 on page 7.
- EBITDA is defined as Earnings before Interest, Tax, Other non-operating income, Depreciation and Amortisation.
- Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment classified as inventories.
- Net cash flows provided by operating activities (excluding receipts from government grants).

## Operating expenditure

Total operating costs (excluding subscriber costs) declined 3 per cent to \$886 million as at 31 December 2022.

Direct network costs decreased by 11 per cent to \$319 million during the half, driven by lower assurance costs due to reduced truck roll volumes and lower average rates.

Total employee expenses are \$329 million, which is an increase of 2 percent from HY22. The increase is driven by annual salary and wage rises which are partially offset by a reduction in total headcount.

Other operating expenses of \$238 million have increased by 3 per cent compared to HY22. The majority of costs have remained stable with increases due to inflationary factors and the recommencement of travel post COVID-19 lockdowns.

In line with the progress of the network rollout, payments to Telstra for the disconnection of existing services and payments to Optus for the migration of subscribers to services over the **nbn**<sup>®</sup> network have virtually ceased as at 31 December 2022. This has resulted in a reduction in subscriber costs from \$126 million recorded at HY22.

## Non-operating costs

Net finance costs increased by 5 per cent to \$786 million when compared to HY22 due to rising market interest rates. This has increased the cost of NBN Co's floating debt portfolio as well as executed fixed debt since HY22. The Company has hedged a significant portion of its floating debt which has helped to shield it from the full effect of the increase in the market interest rates.

Depreciation and amortisation expense has decreased by 13 per cent to \$1.5 billion following the re-estimation of the useful lives of network assets. This has extended the useful lives of a number of assets resulting in a lower depreciation expense.

## Capital expenditure

During HY23, the Company continued to invest in its customer base and the ongoing evolution of the **nbn**<sup>®</sup> network, with capital expenditure totalling \$1.4 billion for the period.

Capital expenditure incurred in FY23 focused on the following main areas:

- Executing the Company's network investment plan to deliver fibre deeper into communities and provide more customers with access to NBN Co's fastest wholesale speed plans
- Delivering Fixed Wireless and Satellite upgrade investments to provide greater speed and capacity to customers
- Connecting new customers onto the **nbn**<sup>®</sup> network and expanding the network to newly developed premises
- Upgrading capacity across the network to cater for increasing customer data demands
- Deploying fibre infrastructure in support of Enterprise Ethernet products to grow the Company's business customer base and business-grade service offerings
- Investing in software development and simplification, network resilience, and security capabilities to ensure delivery of efficient and secure operations.

## Operating and free cash flow

Operating cash flows (excluding receipts from government grants) increased by 26 per cent to \$1.6 billion for HY23 due to the growth in revenue, declining operating expenditure, lower subscriber payments and strong cash conversion.

Subscriber payments were \$74 million as at 31 December 2022, which was \$168 million lower than HY22. This reflects the reduction in first-time activations and associated cash payments as NBN Co continues to move beyond the initial build of the **nbn**<sup>®</sup> network.

Capital expenditure payments increased by 7 per cent to \$1.4 billion as a result of increased investment in network upgrades.

Lease payments predominantly relate to costs associated with right-of-use arrangements over network infrastructure supplied by Telstra.

Lease payments increased by 3 per cent to \$537 million, primarily due to inflation-linked price increases.

Interest payments on borrowings increased by \$8 million to \$296 million for the half. This is due to the higher weighted average cost of debt as a result of recent market interest rate movements.

The Company's free cash flow improved by 26 per cent to a net cash outflow position of \$623 million. This is as a result of the growth in operating cash flows, offset by higher capital expenditure, interest and lease payments.

## Capital Management

As at	31 December 2022	30 June 2022
Group debt <sup>1</sup> (\$ million)	25,396	24,734
Weighted average cost of drawn debt (%)	2.93	2.55
Fixed interest ratio <sup>2</sup> (%)	87	86
Weighted average duration of drawn debt <sup>3</sup> (years)	4.7	5.1
Available liquidity <sup>4</sup> (\$ million)	4,080	3,025

1. Drawn debt, including overdraft facility and excluding accounting adjustments, accrued interest and fees.
2. Percentage comprises fixed and floating rate debt that has been hedged and have remaining interest periods of greater than 12 months, as a proportion of total debt. Excludes forward starting interest rate swaps.
3. Excluding the Commonwealth loan.
4. Comprised of undrawn bank facilities and overdraft facility.

During HY23, NBN Co continued to execute its financing strategy, which is focused on refinancing the Commonwealth loan by June 2024, funding its network investment plan, and maintaining a strong liquidity position.

As at 31 December 2022, the Company had raised nearly \$24 billion from debt capital markets and bank facilities, with \$2.6 billion of this raised during the period. This includes \$1.4 billion of promissory notes issued under the Company's inaugural \$2 billion Promissory Note Programme, as well as further Australian Medium-Term Note (AMTN) issuances of \$800 million and increased available bank facilities by an additional \$400 million.

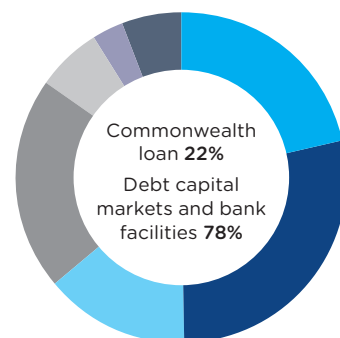
These debt raisings are in line with NBN Co's strategy and have enabled the Company to repay \$875 million of the Commonwealth loan during the period, reducing the outstanding balance to

\$5.5 billion. Despite the additional repayment of the Commonwealth loan during the period, rising interest rates have impacted the Company's floating debt portfolio and recently issued fixed debt. This has increased the Company's average cost of drawn debt to 2.93 per cent as at 31 December 2022, compared to 2.35 per cent at HY22.

In line with its Treasury policy, the Company manages its exposure to market risks, such as foreign currency and interest rate movements, by entering into derivatives to hedge against these risks. This has helped shield the Company from the full affect of the aforementioned increase in the market interest rates.

To complete the remaining refinancing of the Commonwealth loan by FY24, NBN Co will seek to raise further debt from domestic and international capital markets. NBN Co expects this funding task to be achievable based on its strong investment grade credit rating and the outcomes of recent financing transactions.

## Summary of borrowings as at 31 December 2022



Commonwealth loan	\$5.5bn
Bank facilities	\$7.2bn
AMTN	\$3.6bn
Green AMTN	\$0.8bn
US144A notes	\$5.3bn
Private placements	\$1.6bn
Promissory notes	\$1.4bn



## Risk management

### Risk management is central to NBN Co in achieving its strategic objectives to support the digital connectivity of Australia.

#### Management of risks

NBN Co's risk management framework, comprised of its risk management policy, risk management standard and risk appetite statement, enables the proactive identification, assessment and management of business risks. This includes regular reporting to the Executive Committee, Audit and Risk Committee and the Board as well as shareholder departments.

The Audit and Risk Committee oversees NBN Co's risk management framework that defines the roles and responsibilities for risk management across the Company and guides the reporting and escalation of risks requiring the attention of management, the Executive Committee and the Board. Underpinning NBN Co's risk management policy, standards and processes is a positive risk culture, supported by ethical and principle-led behaviours in alignment with the Company's overall values.

NBN Co's annual integrated business planning cycle forms an important part of developing a forward-looking view of the Company's risk profile that considers strategic, operational and emerging risks. The Audit and Risk Committee, management and the Board review these material business risks on a regular basis. In the event there are material events or changes, more frequent reviews occur.

In the event of a risk event occurring, preparedness, response and recovery structures, capabilities and practices are in place to minimise disruption, manage consequences and proactively communicate with relevant stakeholders.

#### Overview of risks

The Company's material business risks remain consistent with those reported in the Corporate Plan 2023. Additionally, NBN Co monitors emerging and geopolitical risks. As an owner and operator of critical national communications infrastructure, the security, availability, resilience, and performance of the **nbn**<sup>®</sup> network remain core focus areas.

NBN Co continues to transform its business capabilities through simplification and digitisation of internal operations as well as continuing to evolve and scale the network to meet the needs of people across Australia. Underpinning these significant activities are material business risks NBN Co continues to actively manage and monitor, including but not limited to:

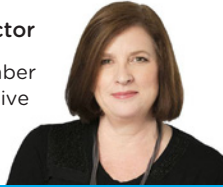
- Security and resilience of the network, corporate systems, data and business operations
- Working with regulators, the Government and retail service providers to offer products that meet our customers' needs
- Securing and optimising funding, including monitoring the effects of interest rates, inflation, and external economic factors
- Disruption in supply chain and third party providers
- Transitional and physical impacts of climate change.

## Board of Directors

### Kate McKenzie

Chair/Non-Executive Director

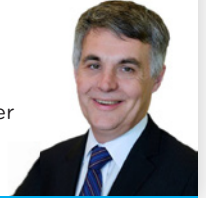
Appointed effective 1 December 2019. Appointed Chair effective 1 January 2022.



### Stephen Rue

Managing Director and  
Chief Executive Officer

Appointed effective 1 September 2018.



### Pam Bains

Non-Executive Director

Appointed effective  
19 March 2022.



### Nerida Caesar

Non-Executive Director

Appointed effective  
1 January 2022.



### Drew Clarke AO PSM

Non-Executive Director

Appointed effective  
22 August 2017.



### Andrew Dix

Non-Executive Director

Appointed effective  
7 April 2021.



### Nicole Lockwood

Non-Executive Director

Appointed effective  
19 March 2022.



### Michael Malone

Non-Executive Director

Appointed effective  
20 April 2016.



### Elisha Parker

Non-Executive Director

Appointed effective  
8 December 2021.



## 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.

### Operating and financial review

The operating and financial review is contained on pages 7 - 21 of the Directors' Report.

### 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 Company during HY23.

### Dividends

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

### Directors' interests

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

### Indemnification and insurance of Directors and Officers

NBN Co has indemnified each of the Directors of the Company against any legal proceedings, loss or liability that arises in their capacity as a Director of NBN Co.

As at 31 December 2022, no material claims have been made.

During HY23, the Company paid insurance premiums for contracts insuring Directors and Officers against liabilities (including costs and expenses) arising from the performance of their duties.

The Directors have not included the details of the nature of the liabilities covered or the amount of the premiums paid in respect of these insurance contracts, as such disclosure is prohibited under the terms of the contracts.

### Rounding of amounts

The Company 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 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 matters or circumstances have arisen since 31 December 2022 to the date of signing of this report, that has significantly affected, or may affect:

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

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



**Kate McKenzie**  
Chair



**Stephen Rue**  
Chief Executive Officer

14 February 2023

# Auditor's Independence Declaration



Auditor-General for Australia



Ms Kate McKenzie  
Chair of the Board  
NBN Co Limited  
100 Mount Street  
North Sydney NSW 2060  
Australia

**NBN CO LIMITED HALF-YEAR FINANCIAL REPORT  
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my review of the Half-Year Financial Report of the financial report of NBN Co Limited for the half-year ended 31 December 2022, 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



Grant Hehir  
Auditor-General

Canberra  
14 February 2023

# Half-Year Financial Report

The Half-Year Financial Report, comprising the financial statements, Notes to the financial statements and a Directors' declaration, for the six months ended 31 December 2022.





## Statement of profit or loss and other comprehensive income

		NBN Co	
For the six months ended	Notes	31 December 2022 \$m	31 December 2021 \$m
Revenue	B	2,625	2,522
Other income		85	34
Direct network costs		(319)	(359)
Employee benefits expenses		(329)	(324)
Other operating expenses		(238)	(231)
Subscriber costs		-	(126)
Depreciation and amortisation expense	C2 & C3	(1,488)	(1,709)
Net finance costs	C5	(786)	(752)
<b>Loss before income tax</b>		<b>(450)</b>	<b>(945)</b>
Income tax benefit		6	88
<b>Loss for the period</b>		<b>(444)</b>	<b>(857)</b>
<b>Loss attributable to the shareholder</b>		<b>(444)</b>	<b>(857)</b>
<b>Other comprehensive gain/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		28	183
Changes in the value of costs of hedging, net of tax		(12)	24
<b>Total other comprehensive gain for the period, net of tax</b>		<b>16</b>	<b>207</b>
<b>Total comprehensive loss for the period</b>		<b>(428)</b>	<b>(650)</b>
<b>Total comprehensive loss attributable to the shareholder</b>		<b>(428)</b>	<b>(650)</b>

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

## Statement of financial position

As at	Notes	NBN Co	
		31 December 2022 \$m	30 June 2022 \$m
<b>Current assets</b>			
Cash and cash equivalents	C1	134	113
Trade and other receivables		556	503
Derivative financial assets	C6	27	28
Other current assets		106	119
<b>Total current assets</b>		<b>823</b>	<b>763</b>
<b>Non-current assets</b>			
Property, plant and equipment	C2	33,804	32,868
Intangible assets	C3	1,628	1,755
Derivative financial assets	C6	1,493	1,377
Other non-current assets		15	14
<b>Total non-current assets</b>		<b>36,940</b>	<b>36,014</b>
<b>Total assets</b>		<b>37,763</b>	<b>36,777</b>
<b>Current liabilities</b>			
Trade and other payables		1,551	1,577
Other liabilities		130	128
Derivative financial liabilities	C6	15	14
Lease liabilities	C4	455	440
Borrowings	C5	1,479	72
Provisions		161	162
<b>Total current liabilities</b>		<b>3,791</b>	<b>2,393</b>
<b>Non-current liabilities</b>			
Trade and other payables		12	19
Other liabilities		1,442	1,407
Derivative financial liabilities	C6	350	155
Lease liabilities	C4	11,126	10,511
Borrowings	C5	18,192	18,132
Provisions		57	64
Related party borrowings	C5 & E2	5,500	6,375
<b>Total non-current liabilities</b>		<b>36,679</b>	<b>36,663</b>
<b>Total liabilities</b>		<b>40,470</b>	<b>39,056</b>
<b>Net liabilities</b>		<b>(2,707)</b>	<b>(2,279)</b>
<b>Equity</b>			
Contributed equity		29,500	29,500
Other reserves		951	935
Accumulated losses		(33,158)	(32,714)
<b>Total equity</b>		<b>(2,707)</b>	<b>(2,279)</b>

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

## Statement of changes in equity

	NBN Co			
	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m
<b>Balance at 30 June 2021</b>	<b>(31,246)</b>	<b>29,500</b>	<b>6</b>	<b>(1,740)</b>
Loss for the period	(857)	-	-	(857)
Other comprehensive gain	-	-	207	207
<b>Total comprehensive gain/(loss) for the period</b>	<b>(857)</b>	<b>-</b>	<b>207</b>	<b>(650)</b>
<b>Balance at 31 December 2021</b>	<b>(32,103)</b>	<b>29,500</b>	<b>213</b>	<b>(2,390)</b>
<b>Balance at 30 June 2022</b>	<b>(32,714)</b>	<b>29,500</b>	<b>935</b>	<b>(2,279)</b>
Loss for the period	(444)	-	-	(444)
Other comprehensive gain	-	-	16	16
<b>Total comprehensive gain/(loss) for the period</b>	<b>(444)</b>	<b>-</b>	<b>16</b>	<b>(428)</b>
<b>Balance at 31 December 2022</b>	<b>(33,158)</b>	<b>29,500</b>	<b>951</b>	<b>(2,707)</b>

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

## Statement of cash flows

		NBN Co	
For the six months ended	Notes	31 December 2022 \$m	31 December 2021 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		2,919	2,756
Payments to suppliers and employees		(1,313)	(1,481)
Government grants received		3	3
Interest received		2	1
<b>Net cash provided by operating activities</b>		<b>1,611</b>	<b>1,279</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,262)	(1,148)
Payments for intangible assets		(139)	(158)
<b>Net cash used in investing activities</b>		<b>(1,401)</b>	<b>(1,306)</b>
<b>Cash flows from financing activities</b>			
Principal repayment of lease liabilities		(103)	(98)
Interest paid on lease liabilities		(434)	(424)
Proceeds from borrowings (net of costs)	C5	5,926	7,713
Repayment of borrowings and other financial liabilities	C5	(4,407)	(991)
Repayment of related party borrowings	C5 & E2	(875)	(5,825)
Interest paid on borrowings and other financial liabilities	C5	(180)	(88)
Interest paid on related party borrowings	E2	(116)	(200)
<b>Net cash (used in)/provided by financing activities</b>	E2	<b>(189)</b>	<b>87</b>
<b>Net increase in cash and cash equivalents<sup>1</sup></b>		<b>21</b>	<b>60</b>
<b>Cash and cash equivalents at the beginning of the period<sup>1</sup></b>		<b>113</b>	<b>1</b>
<b>Cash and cash equivalents at the end of the period<sup>1</sup></b>	C1	<b>134</b>	<b>61</b>

1. Cash and cash equivalents are net of bank overdrafts which is nil as at 31 December 2022 (31 December 2021: \$12 million).

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

# Notes to the financial statements

## A. About this report

NBN Co Limited (NBN Co or the Company) 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 is comprised of the financial statements, selected explanatory Notes to the financial statements and a Directors' declaration, for the six months ended 31 December 2022.

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* (which complies with International Accounting Standards (IAS) 34 *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 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the most recent Annual Financial Report.

The Half-Year Financial Report has been prepared 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* (Cth) and the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

The Half-Year Financial Report was authorised for issue by the Directors on 14 February 2023. The Directors have the power to amend and reissue the Half-Year Financial Report.

## Going concern

The Half-Year Financial Report has been prepared on a going concern basis. The Directors are of the view, and the financial statements have been prepared, on the basis that the Commonwealth Government will continue to operate in accordance with the policy objectives as set out in the revised Statement of Expectations as issued by the Shareholder Ministers to NBN Co on 19 December 2022, with this factor being the primary consideration in the going concern assumption.

As at 31 December 2022, the Company's current liabilities exceeded its current assets by \$2,968 million and the Company has net liabilities of \$2,707 million. These metrics are in line with expectations given the significant upfront investment in the network in advance of the Company generating free cash flows. The Company's financial performance remains on track to achieve the stated financial targets as outlined in its Corporate Plan 2023.

NBN Co funds its business through a combination of \$29.5 billion equity from the Commonwealth Government and debt funding from the Commonwealth Government and domestic and international markets. Although not received at 31 December 2022, the Commonwealth Government has indicated that it will provide the Company with an additional \$2.4 billion equity investment, enabling an additional 1.5 million homes and businesses currently served by Fibre to the Node (FTTN) to upgrade to Fibre to the Premises (FTTP).

To fund its future strategy, NBN Co has been transacting with domestic and international debt markets. NBN Co has strong investment grade credit ratings which have assisted the Company to successfully access the debt capital markets as it progresses its financing strategy. As at 31 December 2022, NBN Co has raised just under \$24.0 billion in domestic and international debt. The details of these transactions are disclosed in Note C5.



The Company has used its issued debt to repay \$875 million of the Commonwealth loan during the half-year. As at 31 December 2022, the remaining balance of the Commonwealth loan is \$5.5 billion, which is due to mature in June 2024.

To finance the repayment of the Commonwealth loan and to execute the strategic initiatives outlined in its Corporate Plan 2023, NBN Co is planning to continue raising additional domestic and international debt. NBN Co expects its financing strategy to be achievable based on its investment grade credit rating and the outcomes of recent financing transactions.

As further support to the going concern assessment, as at the date of signing the Half-Year Financial Report, it is expected that NBN Co will be able to meet all of its obligations as and when they fall due for at least twelve months from the date of this report. This will be achieved through a combination of the Company's operational activities, the expected outcomes from the Company's future financing activities, and utilisation of undrawn components of available bank facilities which are \$3.8 billion as at 31 December 2022.

### Functional and presentation currency

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

### Rounding of amounts

The Company 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.

### Comparative figures

Certain reclassifications have been made to comparative balances to conform with the current year presentation.

### Significant accounting policies

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability. The Company's significant accounting policies are outlined in the 2022 Annual Report. Except where otherwise stated, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

### Operating segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, for which discrete financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to allocate resources and assess the entity's performance.

NBN Co's Chief Executive Officer (CEO) has been identified as the CODM. NBN Co has determined that it operates in a single segment providing wholesale broadband services across Australia.

All NBN Co's operations are provided in Australia, therefore no geographic information is disclosed.

### Significant accounting estimates and judgements

In the process of applying the Company'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 136 of the 2022 Annual Report.

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 Company's operations and main revenue streams are consistent with those described in the 2022 Annual Report.

	NBN Co	
	31 December 2022 \$m	31 December 2021 \$m
<b>For the six months ended</b>		
Telecommunications revenue	2,563	2,452
Other revenue	62	70
<b>Total revenue</b>	<b>2,625</b>	<b>2,522</b>

### Further disaggregation of revenue

The Company 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 NBN Co's financial, tangible and intangible assets and their related liabilities. NBN Co's tangible assets are primarily constructed assets or items of infrastructure acquired through finance lease arrangements.

### C1. Cash and cash equivalents

The cash and cash equivalents disclosed in the Statement of financial position and the Statement of cash flows include \$113 million (30 June 2022: \$94 million) held by the Company which is subject to contractual restrictions and therefore not available for general use.

### C2. Property, plant and equipment

	NBN Co					
	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m	Total \$m
<b>At 30 June 2022</b>						
Cost	36	428	50	242	47,751	48,507
Accumulated depreciation	(5)	(290)	(39)	(191)	(15,114)	(15,639)
<b>Net book value</b>	<b>31</b>	<b>138</b>	<b>11</b>	<b>51</b>	<b>32,637</b>	<b>32,868</b>
<b>Period ended 31 December 2022</b>						
Opening net book value	31	138	11	51	32,637	32,868
Additions <sup>1</sup>	-	1	3	18	2,144	2,166
Depreciation	(1)	(18)	(4)	(10)	(1,197)	(1,230)
<b>Net book value</b>	<b>30</b>	<b>121</b>	<b>10</b>	<b>59</b>	<b>33,584</b>	<b>33,804</b>
<b>At 31 December 2022</b>						
Cost	36	427	52	260	49,893	50,668
Accumulated depreciation	(6)	(306)	(42)	(201)	(16,309)	(16,864)
<b>Net book value</b>	<b>30</b>	<b>121</b>	<b>10</b>	<b>59</b>	<b>33,584</b>	<b>33,804</b>

1. 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.

Depreciation on assets is calculated using the straight-line method to allocate the cost, net of any residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased network assets and other assets, the shorter of the lease term or useful life. During the period, NBN Co revised the estimated useful lives of certain network assets, within the existing range of 5 - 40 years, to align their expected period of use with the Company's latest business plans and upgrade strategies. The financial impact of the revised estimated useful lives is a decrease in depreciation expense of \$337 million for the six-month period to 31 December 2022. The expected decrease in depreciation expense is approximately \$675 million - \$685 million for the year ending 30 June 2023.

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

	NBN Co	
	31 December 2022 \$m	30 June 2022 \$m
Constructed and purchased assets	22,746	22,708
Assets in the course of construction	1,439	1,169
Right-of-use assets	8,478	7,937
Assets acquired for no consideration and under government grant	1,141	1,054
<b>Property, plant and equipment - net book value</b>	<b>33,804</b>	<b>32,868</b>

### Assets in the course of construction

The majority of assets in the course of construction are network assets. As these assets have not been fully installed and are not considered ready for use, no depreciation is charged on these assets.

### Right-of-use assets

Right-of-use assets	NBN Co					
	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	Network assets \$m	Licences \$m	Total \$m
Balance at 1 July 2022	14	99	7	7,817	53	7,990
Additions	-	-	2	19	-	21
Remeasurement	-	1	1	704	-	706
Depreciation	(1)	(12)	(3)	(170)	(4)	(190)
<b>Net book value at 31 December 2022</b>	<b>13</b>	<b>88</b>	<b>7</b>	<b>8,370</b>	<b>49</b>	<b>8,527</b>

### Assets acquired for no consideration and 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 Infrastructure, Transport, Regional Development and 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 Company.

### C3. Intangible assets

	NBN Co			Total \$m
	Software \$m	Licenses \$m	Other \$m	
<b>At 30 June 2022</b>				
Cost	4,428	242	196	4,866
Accumulated amortisation	(2,801)	(164)	(146)	(3,111)
<b>Net book value</b>	<b>1,627</b>	<b>78</b>	<b>50</b>	<b>1,755</b>
<b>Period ended 31 December 2022</b>				
Opening net book value	1,627	78	50	1,755
Additions	131	-	-	131
Amortisation	(240)	(5)	(13)	(258)
<b>Net book value</b>	<b>1,518</b>	<b>73</b>	<b>37</b>	<b>1,628</b>
<b>At 31 December 2022</b>				
Cost	4,559	242	196	4,997
Accumulated amortisation	(3,041)	(169)	(159)	(3,369)
<b>Net book value</b>	<b>1,518</b>	<b>73</b>	<b>37</b>	<b>1,628</b>

#### 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 fully installed and are not yet ready for use, no amortisation is charged on these assets. Total software assets in the course of construction are \$131 million (30 June 2022: \$88 million).

### C4. Lease liabilities

	NBN Co	
	31 December 2022 \$m	30 June 2022 \$m
<b>Current</b>		
Lease liabilities	455	440
<b>Non-current</b>		
Lease liabilities	11,126	10,511
<b>Total</b>	<b>11,581</b>	<b>10,951</b>

The majority of the Company's lease liabilities relate to right-of-use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre network cables. The terms of these right-of-use licences are governed by the Revised Definitive Agreements (RDAs) with Telstra (refer to Note F1 of the 2022 Annual Report).

The Company also leases certain commercial properties, commercial vehicles, and wireless base stations with various terms that are due to expire within a range of 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.



## C5. Borrowings and related party borrowings

	NBN Co	
	31 December 2022 \$m	30 June 2022 \$m
<b>Current</b>		
Borrowings	1,479	72
<b>Non-current</b>		
Borrowings	18,192	18,132
Related party borrowings - Commonwealth loan	5,500	6,375
<b>Total</b>	<b>25,171</b>	<b>24,579</b>

NBN Co's borrowings consist of unsecured bank facilities, Australian Medium-Term Note (AMTN) issuances, US144A/Reg S bond issuances, private placements, promissory notes and related party borrowings issued under the loan with the Commonwealth Government. All of NBN Co's borrowings are fully drawn unless otherwise stated.

The loan agreement with the Commonwealth Government has a fixed interest rate of 3.96 per cent per annum and was fully drawn as at 31 December 2022. Interest is payable monthly over the life of the facility and the full principal amount of the loan is due to be repaid by 30 June 2024.

During the six-month period ended 31 December 2022, the Company executed the following transactions in relation to its borrowings:

- Issued \$800 million Australian Medium-Term Notes (AMTN) with a 4-year tenor
- Issued short-term promissory notes in Australian Dollars (AUD) under NBN Co's Promissory Note Programme. As at 31 December 2022, a total of \$1,392 million had been issued by the Company
- Entered into new committed bank facilities for \$600 million and partially terminated \$200 million of existing committed facilities, increasing the Company's available committed bank facilities to \$11,050 million. \$655 million of existing drawn facilities were repaid during the half, reducing the total drawn balance to \$7,220 million as at 31 December 2022.

The Company utilised the proceeds from the drawdown of debt issuances and bank facilities to repay a further \$875 million of the Commonwealth loan during the six-month period to 31 December 2022. The terms of the Commonwealth loan allow NBN Co to use proceeds from debt raisings to make loan prepayments in advance of the maturity date. Once a repayment is made, the facility limit of the loan is reduced by the repaid amount, meaning it cannot be redrawn after being repaid. The Company plans to make additional prepayments against the Commonwealth loan as further debt raisings are completed.

Borrowings and related party borrowings consist of the following unsecured financial arrangements at 31 December 2022:

	NBN Co			
	31 December 2022		30 June 2022	
	Current \$m	Non-current \$m	Current \$m	Non-current \$m
Commonwealth loan	-	5,500	-	6,375
AMTN <sup>1</sup>	-	4,375	-	3,575
US144A/Reg S bonds <sup>2</sup>	-	5,347	-	5,347
Private placements <sup>3</sup>	-	1,562	-	1,562
Promissory notes	1,392	-	-	-
Bank facilities <sup>4</sup>	-	7,220	-	7,875
<b>Total principal amount of borrowings</b>	<b>1,392</b>	<b>24,004</b>	<b>-</b>	<b>24,734</b>
Accrued interest	87	-	72	-
Fair value hedge adjustments	-	(771)	-	(567)
Foreign exchange movements	-	545	-	431
Fees and other adjustments	-	(86)	-	(91)
<b>Total borrowings</b>	<b>1,479</b>	<b>23,692</b>	<b>72</b>	<b>24,507</b>

1. Includes AUD \$800 million in Green Bond issued under the Company's AMTN Program and Sustainability Bond Framework (30 June 2022: \$800 million).
2. Represents USD denominated 144A notes of US\$4,000 million measured at the prevailing exchange rate at the issuance date (30 June 2022: US\$4,000 million).
3. Represents private placement issuances in NOK 3,750 million, US\$50 million and JPY 5,500 million measured at the prevailing exchange rate at the issuance date, and AUD \$850 million (30 June 2022: NOK 3,750 million, US\$50 million, JPY 5,500 million and AUD \$850 million).
4. The terms of certain bank facilities were modified during the period to 31 December 2022, increasing the tenor and reducing the overall facility limit by \$200 million.

The Company's nominal weighted average cost of issued and drawn debt, taking into account hedging activities, as at 31 December 2022 is 2.93 per cent (31 December 2021: 2.35 per cent). All borrowings are repayable in full at the end of the contracted period.

## Net finance costs

Net finance costs primarily relate to the right-of-use licences to access Telstra's network infrastructure, and interest charged on borrowings.

		NBN Co	
For the six months ended	Note	31 December 2022 \$m	31 December 2021 \$m
Finance charges on lease arrangements		(440)	(431)
Unwinding of the discount on other lease-related provisions		(1)	(1)
Interest on drawn external borrowing facilities		(71)	(70)
Interest on bonds		(152)	(51)
Interest on related party borrowings	E2	(116)	(200)
Interest on working capital facilities		(1)	-
Fees on undrawn external borrowing facilities		(6)	(5)
Other finance (charges)/income <sup>1</sup>		(2)	1
Other net interest income		3	5
<b>Total</b>		<b>(786)</b>	<b>(752)</b>

1. Other finance (charges)/income include hedge ineffectiveness.

## C6. Derivative financial assets and liabilities

As a result of its operations, the Company is exposed to a number of financial risks including market risks (interest rate risk and foreign currency risk), liquidity risk and credit risk. The Half-Year Financial Report does not include all financial risk management information and disclosures required in the annual financial statements and as such, should be read in conjunction with the 2022 Annual Report. For further details on the Company's financial risk management refer to Note G in the 2022 Annual Report. There have been no significant changes to the Company's risk management policies since 30 June 2022.

### Derivatives and hedging activities

The Company uses derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Company's financial risk management policies. The Company's policies allow derivative transactions to be undertaken for the purpose of reducing risk and do not permit speculative trading.

The fair value of the Company's derivative instruments at 31 December 2022 are as follows:

	NBN Co			
	31 December 2022		30 June 2022	
	Current \$m	Non-current \$m	Current \$m	Non-current \$m
<b>Assets</b>				
Forward exchange contracts (FEC)	-	-	6	-
Interest rate options (IRO)	-	10	-	2
Interest rate swaps (IRS)	21	1,433	2	1,326
Cross-currency interest rate swaps (CCIRS)	6	50	20	49
<b>Total derivative assets</b>	<b>27</b>	<b>1,493</b>	<b>28</b>	<b>1,377</b>
<b>Liabilities</b>				
Interest rate swaps (IRS)	3	101	14	14
Cross-currency interest rate swaps (CCIRS)	12	249	-	141
<b>Total derivative liabilities</b>	<b>15</b>	<b>350</b>	<b>14</b>	<b>155</b>

### **Fair value measurement of financial instruments**

The Company 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). If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
- Level 3: If one or more of the significant inputs for the asset or liability are not based on observable market data (unobservable inputs).

### **Fair value of derivative assets and liabilities**

The Company'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, other than power purchase agreement (PPA) derivatives which are categorised as Level 3.

There has been no change in the valuation techniques applied and there were no transfers between hierarchy levels during the period.

### **Fair value of other financial instruments (excluding lease liabilities)**

At 31 December 2022, the carrying value and fair value of the Company's current and non-current borrowings (excluding the Commonwealth loan) were \$19,672 million and \$18,950 million respectively (30 June 2022: \$18,204 million and \$17,480 million respectively). The difference between the carrying value and fair value reflects the movements in underlying market interest rates between settlement date and reporting date for the Company's non-current borrowings.

The Company has determined that the carrying value of the loan from the Commonwealth of Australia is materially consistent with its fair value at the reporting date. The fair value has been estimated using both observable and hypothetical unobservable inputs to determine a hypothetical cost of debt, which includes an estimate of an appropriate execution charge should this be replaced at the reporting date. Other assumptions are consistent with the terms of the loan.

The carrying amounts of the other financial instruments which are not measured at fair value are materially consistent with their fair value as at the reporting date.



## D. Significant contractual arrangements and other commitments

NBN Co's significant contractual arrangements and commitments are set out on pages 162-164 of the 2022 Annual Report and have not significantly changed from 30 June 2022.

### D1. Commitments

#### Capital commitments

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

	NBN Co	
	31 December 2022 \$m	30 June 2022 \$m
Within one year	551	705
Later than one year but not later than five years	3	54
Later than five years	6	11
<b>Total</b>	<b>560</b>	<b>770</b>

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.

## 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 accounting policy in relation to contingent assets and contingent liabilities is set out on page 177 of the 2022 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 ultimate parent entity and ultimate controlling entity is the Commonwealth of Australia.

#### Transactions with related parties

The following transactions occurred with related parties:

	NBN Co	
	31 December 2022 \$	31 December 2021 \$
<b>For the six months ended</b>		
<b>Loans from NBN Co's Shareholder Departments</b>		
Balance at 1 July	6,375,000,000	13,200,000,000
Loans advanced during the period	-	-
Loans paid during the period	(875,000,000)	(5,825,000,000)
Interest charged on government borrowings	116,074,110	199,669,710
Interest paid on government borrowings	(116,074,110)	(199,669,710)
<b>Balance at 31 December</b>	<b>5,500,000,000</b>	<b>7,375,000,000</b>

	NBN Co	
	31 December 2022 \$	31 December 2021 \$
<b>For the six months ended</b>		
<b>Significant transactions with NBN Co's Shareholder Departments</b>		
<i>Recognised in the Statement of profit or loss</i>		
Other operating income	60,224,603	19,554,642
<i>Recognised in the Statement of cash flows</i>		
Receipts from customers	16,094,597	9,359,637
Government grants received	15,713	2,814,361

	NBN Co	
	31 December 2022 \$	30 June 2022 \$
<b>As at</b>		
<b>Significant transactions with NBN Co's Shareholder Departments</b>		
<i>Recognised in the Statement of financial position</i>		
Other receivables	34,191,960	13,343,020
Contract liabilities	26,712,671	9,359,637
Other liabilities	432,000,000	177,373

During FY22, NBN Co received \$480 million grant funding from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts as part of the NBN Co Fixed Wireless and Satellite Upgrade Program, with NBN Co also contributing an estimated \$270 million of investment into the Program. As at 31 December 2022, NBN Co has recognised \$48 million as other income and \$432 million as a deferred gain.

NBN Co has recognised income of \$12 million from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts on behalf of the Commonwealth under the Regional Broadband Scheme (RBS). As at 31 December 2022, NBN Co had accrued income for the RBS Levy of \$12 million. No cash payments were received during the period.

NBN Co has also received funding from the Commonwealth Government's Regional Connectivity Program (RCP) which has been recognised as a deferred gain. This will be released to other revenue as NBN Co meets its obligations as set out under the contract. Cash received from the RCP, along with a number of small other individual grants received from its Shareholder Departments have been included in the table above.

### 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.

Mr Malone was a Non-Executive Director of Speedcast International Limited. In the prior period, NBN Co had contracts with Speedcast Australia Pty Ltd and Speedcast Managed Services Pty Ltd, both subsidiaries of Speedcast International Limited. During the six-month period to 31 December 2021, the Company purchased certain assets of Speedcast Managed Services Pty Ltd and insourced the services performed by Speedcast Managed Services Pty Ltd on behalf of NBN Co. Mr Malone was not present when matters involving Speedcast were discussed by the Board.

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

	NBN Co	
	31 December 2022 \$	31 December 2021 \$
<b>For the six months ended</b>		
Payments for various goods and services (excluding GST) from entities with common key management personnel	-	2,534,200

## F. Events occurring after the reporting period

No matters or circumstances have arisen since 31 December 2022 to the date of signing of this report that has significantly affected, or may affect:

- the Company's operations in future financial years
- the results of those operations in future financial years
- the Company's state of affairs in future financial years.

## Directors' declaration

- (1) These non-statutory half-year financial statements and notes set out on pages 26 to 45 are in accordance with AASB 134 *Interim Financial Reporting* (which complies with IAS 34 *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 NBN Co's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (2) There are reasonable grounds to believe that NBN Co 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.



**Kate McKenzie**  
Chair  
14 February 2023



**Stephen Rue**  
Chief Executive Officer  
14 February 2023

# 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 accompanying Half-Year Financial Report of NBN Co Limited does not give a true and fair view of the financial position of NBN Co Limited as at 31 December 2022 and its financial performance and its cashflows for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

The Half-Year Financial Report of NBN Co Limited, which I have reviewed, comprises the following statements as at 31 December 2022 and for the half-year then ended:

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

### **Basis for Conclusion**

I conducted my review in accordance with the Australian National Audit Office Auditing Standards which incorporates ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. My responsibilities are further described in the Auditor's Responsibilities section of my report. I am independent of NBN Co Limited in accordance with the relevant ethical requirements for financial report reviews conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other ethical responsibilities in accordance with the Code.

### **Directors' responsibility for the Half-Year Financial Report**

The Directors of NBN Co Limited are responsible for the preparation and fair presentation 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.

GPO Box 707, Canberra ACT 2601  
38 Sydney Avenue Forrest ACT 2603  
Phone (02) 6203 7300



***Auditor's responsibility***

My responsibility is to express a conclusion on the Half-Year Financial Report based on my review. ASRE 2410 requires me to conclude whether anything has come to my attention that causes me to believe that the financial report does not give a true and fair view of the financial position of NBN Co Limited as at 31 December 2022 and of its financial performance and its cash flows for the half year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

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 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.

Australian National Audit Office



Grant Hehir  
Auditor-General

Canberra  
14 February 2023

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