

2024 Half-Year Report

For the six months ended
31 December 2023



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).

HALF-YEAR FINANCIAL REPORT

This Half-Year Financial Report is for the six months ended 31 December 2023.

The Half-Year Financial Report was authorised for issue by the Directors on 6 February 2024. The Directors have the power to amend and reissue the Half-Year Financial Report.

FORWARD-LOOKING STATEMENTS

This Half-Year Report includes information about NBN Co's performance for the period 1 July 2023 to 31 December 2023. Any forward-looking statements are based on NBN Co's current expectations, best estimates and assumptions as at the date of preparation, many of which are beyond NBN Co's control. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, which may cause actual results to differ materially from those expressed in the Half-Year Report. Such forward-looking statements should not be relied on or considered to be a representation of what will happen by any third party. NBN Co does not give any guarantee or assurance that the results, performance or achievements expressed or implied by such forward-looking statements will actually occur.

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

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 peoples 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**[®] 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 Expectations¹ (SoE). The latest SoE was issued by the Government on 19 December 2022, which confirms that the Government will retain NBN Co in public ownership for the foreseeable future.

The purpose and objective of the Company is to lift the digital capability of Australia by delivering wholesale broadband services, which provide fast, reliable and affordable connectivity and meets the current and future needs of Australian households, communities and businesses. This will support economic growth and promote digital inclusion and equitable access to affordable and reliable broadband services. NBN Co will continue to operate on a commercial basis and drive a culture of efficiency and innovation, and meet the highest standards of transparency, governance, and accountability.

In line with the SoE, NBN Co will work collaboratively with Retail Service Providers (RSPs) and offer products and pricing which promote the take up and utilisation of the **nbn**[®] network to meet the needs of RSPs and customers. The Company will focus on upgrading and improving the network to enhance digital capability and productivity, expanding full-fibre access to more homes and businesses as well as improving connectivity for regional and remote Australians through Fixed Wireless and Satellite network upgrades.

Operating environment

NBN Co was established to deliver wholesale broadband services across the country. As the network wholesaler, NBN Co provides wholesale broadband services and related activities to access seekers, including RSPs, on a non-discriminatory basis. It is through RSPs that customers connect to the **nbn**[®] network for access to high-speed internet.

The Company endeavours to support both RSPs and customers, so that consumers and businesses 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.

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.

NBN Co operates in a competitive market, therefore, the Company must consider how it can best enable customers to make the most of the **nbn**[®] network and appreciate the difference in service provision between the **nbn**[®] network and other options for connectivity such as mobile, low earth orbit satellites, 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. These investments are designed to deliver faster speeds and greater capacity, enabling NBN Co to continue delivering excellent customer experience.

1. nbn.com.au/StatementofExpectations22

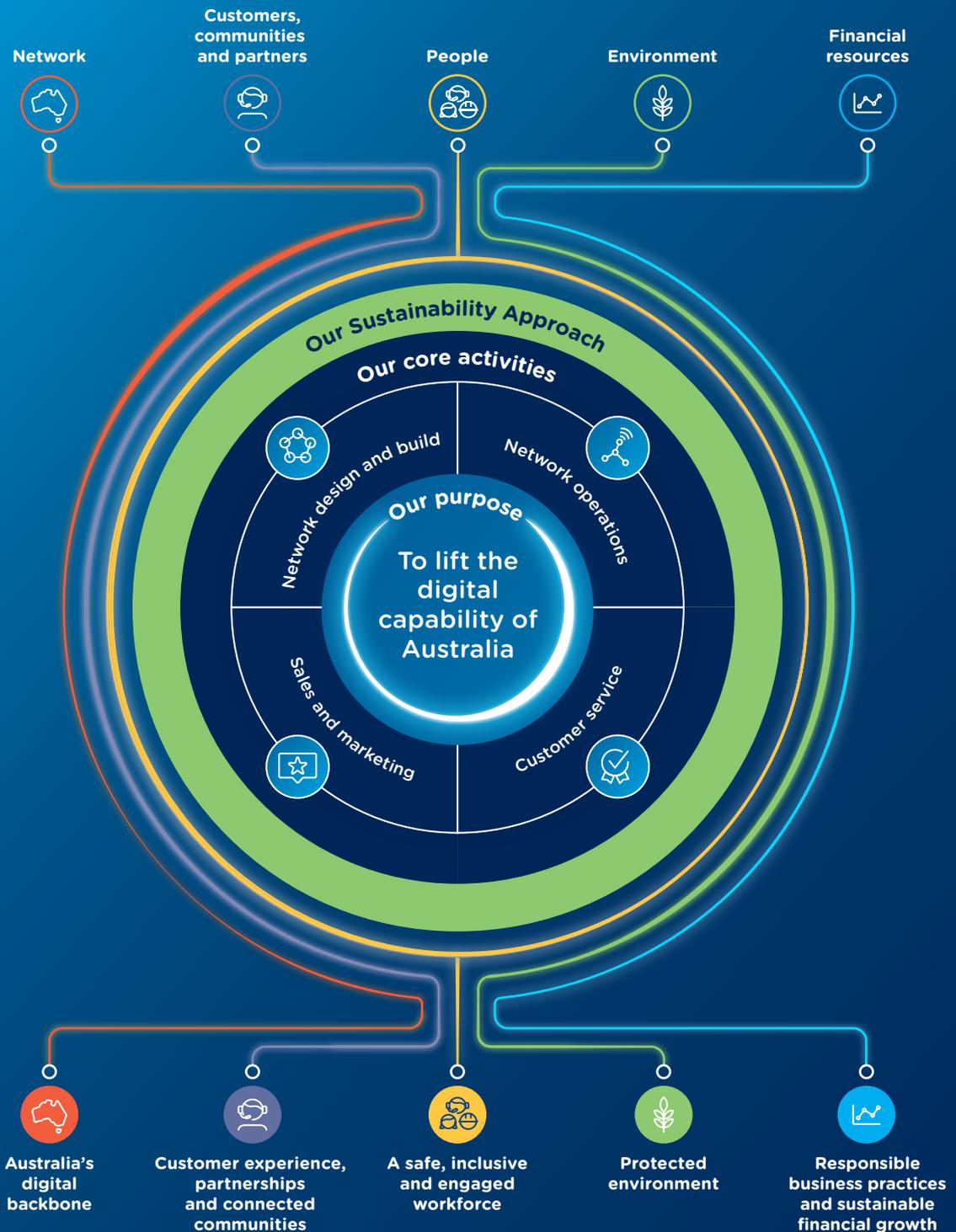
Directors' Report

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 2023 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**[®] 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 re-investment in the network to benefit people across Australia.

Company strategy

NBN Co’s principal responsibility is to operate and continue to build and upgrade the **nbn**® network in accordance with the Government’s Statement of Expectations (SoE) published in December 2022. The SoE explicitly informs the Company’s strategy.

The Commonwealth Government’s equity investment of up to an additional \$2.4 billion to NBN Co will enable the Company to upgrade the **nbn**® network to deliver fibre-ready access to a further 1.5 million premises by late 2025. The Company aims to achieve this by progressing the following strategic pillars:

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 re-investment to benefit our customers.



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

Responding to changing demand

NBN Co was established to improve wholesale broadband services across the country, while also enabling the provision of reasonably priced services to consumers and businesses via RSPs on a non-discriminatory basis.

The Company exists to help level the playing field in the Australian telecommunications industry, enhance competition and innovation and provide greater choice for customers across the nation. This will create access to new economic opportunities and different ways of working, accessing information and obtaining essential services which will ultimately improve social value for all people across Australia.

It is the Company’s responsibility to continuously prepare for, and respond to changes in the way humans interact, the way we live and work, the way healthcare and education are delivered, the way we entertain, and the way society and the economy works.

The future is digital and NBN Co will need to design and upgrade the network to achieve the greater capacity required to deliver faster upload and download speeds. This will require continuous innovation and investment in new architecture and new technologies.

The development of Artificial Intelligence and large language models will accelerate change. These fundamental changes are both reliant on and being driven by Australia and the world’s accelerating digital economy.

This includes increasing consumer and business demand for data analytics, virtual reality, home security, new entertainment and streaming applications, innovations in education, video conferencing, new social media platforms, big data and cloud applications, machine learning, online healthcare, medical imaging, record-keeping and food production.



Over the last five years, data volumes have doubled across Australia. The growing need for broadband is expected to reach even higher levels over the next decade as the internet continues to transform how we live and work, and how the infrastructure within our cities communicates.

Australia's business community, from small and medium sized businesses to large enterprise and government organisations and institutions, is embracing digitisation like never before.

NBN Co is key to enabling these societal changes. The Company evaluates the current and future broadband connectivity needs of the nation and selectively invests in the network and develops products to support customers and the economy.

The Company's fundamental strategy is to provide reliable, resilient and secure high-speed network infrastructure that meets the current and future needs of residential and business customers

Building and maintaining a strong, stable and resilient network infrastructure

It is in the Australian telecommunications industry's best interests that NBN Co is adequately funded and resourced to ensure the Company can continue to scale capacity and deliver fast, resilient and reliable network services for all customers now and into the future.

NBN Co's network investment strategy is designed to keep ahead of national data demand and help unlock economic and social benefits for the nation. In order to successfully execute ongoing investment into the network, NBN Co needs to be able to maintain its ability to earn a reasonable and sustainable commercial rate of return. This will enable the Company to maintain the quantum and pace of investment in the network that will be necessary in the years and decades ahead to support Australia's rapidly growing digital economy, and underpin the acceleration of technology advancement.

The Company is progressing well with its plan to push fibre deeper into communities and extend its Fixed Wireless and Satellite coverage and capabilities. Further detail is provided in the 'Operational and financial review' chapter of this Half-Year Report.

The Company's compelling business case and ability to create social, economic and environmental value have enabled it to attract both domestic and international debt investors and the Company remains on track to repay the remaining \$5.5 billion of the \$19.5 billion Commonwealth loan by June 2024.

It is also imperative for the future stability and success of NBN Co and the more than 20 million Australians that rely on the network every day, that the Company is able to attain and retain a standalone investment grade credit rating in the future, which will facilitate the Company's ability to access international debt and capital markets on capital-efficient terms.

Our impact

In the six months to 31 December 2023, NBN Co delivered solid operational and financial results across the key resources and relationships it relies on to create value now and into the future.



Network

12.38m

Premises Ready to Connect (RTC)

FY23: 12.29m

8.48m

Premises able to access nbn® Home Ultrafast speed tier plans

FY23: 6.90m

13,371

New wireless cells added to the Fixed Wireless network

37% increase from FY23



Customers, communities and partners

8.58m

Homes and businesses connected

FY23: 8.56m

SAU¹ Variation Accepted

WBA5² implemented 1 December 2023

92%

Faults resolved within agreed timeframes

FY23: 92%



People

78%

Employee engagement score

July 2022: 81%

35.5%

Female representation in management

FY23: 34.3%

Gold Employer

for LGBTQ+ inclusion



Environment

1st PPA³ operational

Wyalong Solar Farm became operational in September 2023

2nd PPA contracted

Approximately 90 GWh/year from Macarthur Wind Farm starting January 2025

3rd PPA contracted

Approximately 59 GWh/year from Munna Creek Solar Farm



Financial resources

\$2.8bn

Revenue

HY23: \$2.6bn

\$2.0bn

EBITDA⁴

HY23: \$1.8bn

\$30.5bn

Total debt raised⁵

FY23: \$27.1bn

1. SAU is defined as Special Access Undertaking.

2. WBA5 is defined as Wholesale Broadband Agreement.

3. PPA is defined as Power Purchase Agreement.

4. EBITDA is defined as earnings before interest, tax, other non-operating income, depreciation, amortisation and gains or losses on derivatives measured at fair value.

5. Excludes the Commonwealth loan and includes available overdraft facilities.

Operational and financial review

NBN Co's operational and financial results were achieved by utilising and managing the full range of the Company's resources, including the **nbn**[®] network, customers, people, environment and finances.

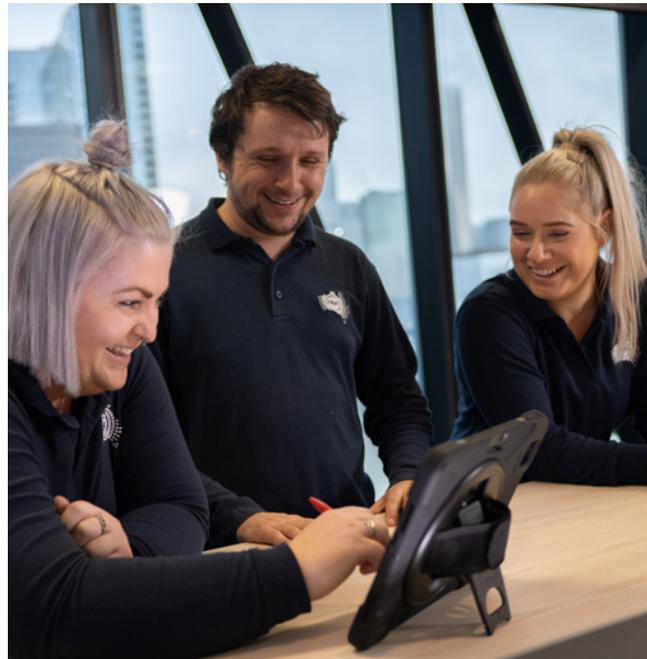
During the six months ending 31 December 2023, NBN Co executed the Company's strategies as outlined in its Corporate Plan 2024. The operational and financial results achieved, as a result of the progress made to deliver against these strategies, are summarised below and discussed in greater detail across the subsequent pages of this Report.

Total revenue for the six months to 31 December 2023 was \$2.8 billion, a 5 per cent increase on HY23. Earnings before interest, tax, depreciation and amortisation (EBITDA)¹ was \$2.0 billion in the first half, reflecting a \$178 million improvement on HY23. These revenue and EBITDA results indicate that the Company is on track to achieve results within the guidance range provided in its Corporate Plan 2024.

The scale of the **nbn**[®] network continues to grow, primarily due to network construction activities to build infrastructure for new developments. As at 31 December 2023, the Company had made 12.38 million premises Ready to Connect (RTC), which increased from 12.29 million premises as at 30 June 2023.

Network usage continues to grow with the number of active premises rising to over 8.58 million customers. In addition to a larger volume of customers, the demand for data is growing and customers are ordering and receiving higher speeds over the **nbn**[®] network, with end user download speeds continuing to rise.

NBN Co is delivering on its commitment to upgrade the **nbn**[®] network, in particular through its Fibre Connect and Fixed Wireless and Satellite Upgrade Programs. The delivery of the Fibre Connect Upgrade Program supports the Company's target to enable 10 million premises, or up to 90 per cent of the Fixed Line network, to access plans based on the **nbn**[®] Home Ultrafast wholesale speed tier, offering peak download speeds from 500 Mbps to close to 1 Gbps² by the end of 2025.



1. This also excludes other non-operating income and gains or losses on derivatives measured at fair value.
2. Regardless of the service acquired from a RSP, 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 RSPs 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 RSPs. An end customer's experience, including the speeds actually achieved over the **nbn**[®] network, depends on some factors outside NBN Co's control (e.g., equipment quality, software, and how the RSP designs its network) and the NBN Co technology used for the connection.



As at 31 December 2023, 8.48 million premises across Australia could access the **nbn**® Home Ultrafast wholesale speed tier, which equates to approximately 75 per cent of the **nbn**® Fixed Line network. This is an increase of 1.58 million premises over the six months to 31 December 2023.

NBN Co continues to invest in the Fixed Wireless and Satellite Upgrade Program which aims to enable the delivery of typical wholesale busy period download speeds of at least 50 Mbps across the Fixed Wireless network¹.

The Program will also expand the coverage of the Fixed Wireless network, and upon completion will enable approximately 120 thousand premises previously only served by Satellite to access the Fixed Wireless network. As at December 2023, almost 33 thousand Satellite premises have been made eligible to move to the Fixed Wireless network.

During the period, the Australian Competition and Consumer Commission (ACCC) accepted NBN Co's Special Access Undertaking (SAU) Variation. The SAU delivers a new approach to wholesale pricing, supporting faster internet speeds, greater data demand and delivering better customer experience. The acceptance of the SAU provides improved cost certainty and greater long-term regulatory predictability for NBN Co, retailers and customers.

The Company achieved a significant step towards its commitment to purchase 100 per cent renewable energy from December 2025, with its first PPA becoming operational during the period. NBN Co also announced two additional PPA contracts in Victoria and Queensland.

1. Actual end customer speed will vary across the network as a number of factors influence this, including the particular customer applications in use at the time, equipment software and in-home wiring, and the number of concurrent users on the **nbn**® Fixed Wireless service.



Australia's digital backbone

As part of delivering on NBN Co's purpose, the Company is focused on designing and constructing a network that meets the current and future needs of Australian homes and businesses. This includes building network infrastructure to newly developed premises, as well as upgrading the existing network to make higher speed and business grade services available to more premises.

Network performance and availability

During HY24, the **nbn**[®] network performed strongly and continued to meet the nation's digital needs. The level of data usage across the **nbn**[®] network continues to grow, which was demonstrated by an increase in the average monthly data downloaded per customer. This rose from 400 GB per month across the six months ended 31 December 2022 to 433 GB per month for the six months ended 31 December 2023.

The network demonstrated operational reliability and resilience to weather events, achieving average monthly availability¹ of 99.96 per cent as at 31 December 2023. The **nbn**[®] network effectively managed peak traffic which reached a record high of 29.9 terabits per second during HY24, a 24 per cent increase in peak network traffic from 24.2 terabits per second in FY23.

Network investments – fibre upgrades

As part of its commitment to increase the availability of higher speeds and make the network more resilient and reliable, NBN Co is delivering fibre upgrades to more premises across the nation.

These investments in fibre upgrades will enable the Company to significantly reduce the number of copper connections in the **nbn**[®] network, reducing disruptions and delivering better customer experience. In comparison to copper,

fibre is not only inherently more capable of delivering faster upload and download speeds but is also more energy-efficient and resilient to the physical effects of climate change.

The largest fibre upgrade program is the roll-out of additional fibre to make 3.5 million premises that were originally served by Fibre to the Node (FTTN) technology eligible to upgrade to Fibre to the Premises (FTTP) technology.² This includes the Commonwealth Government's announcement to contribute an additional \$2.4 billion towards the roll-out of full fibre connections to an additional 1.5 million FTTN premises.

Over 2 million premises had been declared as Ready for Order (RFO) as at 31 December 2023, which is an increase of over 960 thousand premises over the six month period. This meant NBN Co delivered on its target to make fibre connections available to 2 million FTTN premises by the end of 2023. This includes over 726 thousand multi-dwelling unit premises which are now eligible for fibre upgrades as part of NBN Co's Full Fibre Strata Upgrade Program.

The Company remains on track to achieve 3.5 million premises RFO by the end of December 2025 and achieve its target of enabling 90 per cent of the Fixed Line network to access wholesale speed tier plans on **nbn**[®] Home Ultrafast.

For a full fibre upgrade to occur, customers at eligible premises need to place a qualifying higher speed tier order with a participating RSP. For customers currently served by FTTN, the qualifying speed tier is **nbn**[®] Home Fast (100/20 Mbps) or higher². For qualifying orders, NBN Co will construct a fibre connection to the premises and activate the higher speed service on the FTTP network. As at 31 December 2023, over 139 thousand premises had been upgraded from FTTN to FTTP.

1. Percentage of time the **nbn**[®] access network is available and operating. For this measure, the network is considered 'unavailable' during the time NBN Co is restoring services following the raising of a fault. It doesn't include periods where the network is unavailable due to operational outages for network upgrades and improvements or events beyond NBN Co's control.
2. 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 premise, placing an order for an **nbn**[®] powered plan based on an eligible wholesale speed tier. Additional costs may apply to RSPs, who may choose to pass this charge onto their customers.

NBN Co is also delivering a Fibre to the Curb (FTTC) to FTTP upgrade program. As at 31 December 2023, approximately 1.5 million premises currently served by the FTTC network were able to upgrade to FTTP.

To trigger a full fibre upgrade from an existing FTTC served premises, eligible customers need to place an order for **nbn**[®] Home Superfast (250/25 Mbps) or higher¹. As at 31 December 2023, over 57 thousand FTTC premises had upgraded to the FTTP network, giving end users access to the highest residential speeds available on the network.

Through its Fibre Connect Program, NBN Co is upgrading approximately 7 thousand FTTN and FTTC premises to FTTP technology every week, which has more than doubled since June 2023.

Network investments – regional Australia

In partnership with the Commonwealth Government, NBN Co is continuing to support rural and regional communities with a combined investment of \$750 million to upgrade the **nbn**[®] Fixed Wireless network, of which the Commonwealth Government has contributed \$480 million.

The Fixed Wireless and Satellite Upgrade Program is due to be completed by December 2024. As part of the Program, NBN Co will increase the available capacity by extending the reach of the Fixed Wireless network. The upgrades are also intended to allow NBN Co to deliver typical wholesale busy period download speeds of at least 50 Mbps² across the Fixed Wireless network, as well as introduce new Fixed Wireless high-speed tiers with wholesale peak download speed ranges from 100 Mbps and up to 400 Mbps.³

The Program includes the installation of next generation 4G technology and software enhancements, as well as 5G mmWave technology. In the six months to 31 December 2023, 13,371 new wireless cells have been added to the existing Fixed Wireless network, increasing the number of cells on the network by 37 per cent. This delivers improved capacity across the Fixed Wireless network, which is expected to deliver faster typical evening download speeds as well as new wholesale high-speed plans.

The expanded coverage of the Fixed Wireless network will enable approximately 120 thousand former Satellite-only premises to access NBN Co's Fixed Wireless network, allowing customers to benefit from access to higher speeds.

As at December 2023, NBN Co had made almost 33 thousand homes and businesses across regional Australia, formerly only served by the **nbn**[®] Satellite network, eligible to access the **nbn**[®] Fixed Wireless network. This is an increase of approximately 9 thousand premises from 30 June 2023.

The migration of Satellite customers to the Fixed Wireless network has released additional capacity on the **nbn**[®] Satellite network which enabled NBN Co to introduce its new Sky Muster[®] Plus Premium product in June 2023.

In December 2023, NBN Co announced more options for uncapped data use⁴, offering entry, mid and high tier plans to RSPs. The new entry and mid-tier Sky Muster[®] Plus Premium plans provide more data and are offered at lower wholesale prices compared to the Sky Muster Plus Premium plans introduced in June 2023. In summary, the new suite of Sky Muster[®] Plus Premium plans consist of the following:

1. Conditions, eligibility criteria and costs will apply. Eligibility criteria is expected to include, among other things, being designated by **nbn**[®] 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**[®] powered plan based on an eligible wholesale speed tier. Additional costs may apply to RSPs, who may choose to pass this charge onto their customers.
2. Actual end customer speed will vary across the network as a number of factors influence this, including the particular customer applications in use at the time, equipment software and in-home wiring, and the number of concurrent users on the **nbn**[®] Fixed Wireless service.
3. The proposed new Fixed Wireless high-speed tiers are subject to industry consultation. Actual end customer speed will vary across the network as a number of factors influence this, including the particular customer applications in use at the time, equipment software and in-home wiring, and the number of concurrent users on the **nbn**[®] Fixed Wireless service.
4. Fair Use Policy and shaping apply.

- Sky Muster® Plus Premium with maximum wholesale speeds of 100/5 Mbps at least once every 24-hour period and an anticipated typical busy period wholesale download speed of 48 Mbps¹
- Sky Muster® Plus Premium with maximum wholesale speeds of 50/5 Mbps at least once every 24-hour period and an anticipated typical busy period wholesale download speed of 31 Mbps¹
- Sky Muster® Plus Premium with maximum wholesale speeds of 25/5 Mbps at least once every 24-hour period and an anticipated typical busy period wholesale download speed of 16 Mbps¹

As at 31 December 2023, approximately 30 per cent of **nbn**® Satellite customers were on the Sky Muster® Plus Premium product.

Industry Funding and Universal Service Obligation

NBN Co has recognised \$13.8 million in funding under the Regional Broadband Scheme (RBS) during HY24, which was established by the Commonwealth Government in January 2021 to ensure transparent and sustainable funding arrangements are in place to support essential broadband services to regional, rural and remote Australians.

In October 2023, the Commonwealth Government opened a broad consultation with the industry and community on delivering a modernised Universal Service Obligation (USO). The current USO focuses on services delivered using copper technology and does not take into account new and emerging technologies.

NBN Co will make a submission and put forward suggested reforms during the consultation process, which are designed to deliver better outcomes, particularly for rural and regional and First Nations communities who currently rely on fixed phone services and payphones to stay connected.

Network co-investment

In addition to the Fixed Wireless and Satellite Upgrade Program, NBN Co partners with governments at all levels to co-invest in the **nbn**® network and improve services in regional, rural and remote Australia.

NBN Co has been successful in securing government funding via open government tender processes to support **nbn**® network upgrades, including through the Regional Connectivity Program (RCP). This funding will help deliver enhanced connectivity under co-funded projects via location specific telecommunications infrastructure projects that help to solve local connectivity issues.

As at 31 December 2023, NBN Co had been awarded \$76.9 million in Commonwealth RCP funding and \$20.4 million in funding support from state and local governments across the first two rounds of the Australian Government's RCP, with the Company contributing more than \$43.9 million to deliver these co-investment projects.

In the six months to 31 December 2023, NBN Co participated in the third round of the Commonwealth Government's RCP, and subject to the successful execution of a Grant Agreement with the Commonwealth and relevant State, Territory and Local Governments will be awarded funding contributions for 18 projects. Seven of these projects will benefit First Nations communities.

Subject to the successful execution of agreements with the Commonwealth and local government, NBN Co will be awarded funding under the Tasmanian Government's Resiliency Program to support improved power resiliency for the **nbn**® Nubeena Fixed Wireless network.

1. Customer experience, including the speeds achieved over the **nbn**® network, depends on the **nbn**® technology and configuration over which services are delivered to premises, whether customers are using the internet during the busy period, and some factors outside of NBN Co's control (e.g., equipment quality, software or signal reception). For **nbn**® Satellite, end customers may also experience latency.

Expanding the network

NBN Co's New Developments team continues to work in partnership with property developers and has delivered **nbn**[®] network access to more than 1.25 million households and businesses in newly built communities across Australia since the Company was established. In HY24, over 85 thousand new development premises were made RTC to the network, which is an increase of 32.9 per cent when compared to HY23.

The Company's Smart Places¹ product extends the **nbn**[®] fibre network beyond the premise, to a range of eligible non-premise locations, such as traffic lights, CCTV, digital billboards, and public Wi-Fi access points.

Research from International Data Corporation (IDC) Custom Solutions, published during HY24, reveals that the number of non-premises connected by fibre in Australia is expected to grow from 71,294 sites to more than 319,874 sites by 2030. NBN Co believes it will play a critical role in the connectivity solutions for non-premises in the future through its Smart Places product.

In July 2023, a retail service provider signed the first deal for **nbn**[®] Smart Places to provide connectivity for water infrastructure management and monitoring services to 170 sites on the **nbn**[®] fibre network, a component of the **nbn**[®] network.

Lifting the digital capability of Australian organisations

The ongoing roll-out of **nbn**[®] fibre is helping accelerate business digitisation as hybrid working models have become 'business as usual' and core work functions continue to move to the cloud. This has led to increasing demand for high-speed broadband and premium service experiences that are reliable, fast and secure.

NBN Co's Enterprise Ethernet product enables business customers to order broadband based on wholesale speed tiers of between 2 Gbps to close to 10 Gbps^{2,3,4}, which is up to 10 times faster than previously available on the **nbn**[®] network. As at 31 December 2023, there were approximately 32 thousand active Enterprise Ethernet services, with 5,800 additional services activated during HY24.

For small businesses, NBN Co offers Business **nbn**[®] Fibre Plans on FTTP technology, which provides high quality business broadband at lower prices than Enterprise Ethernet services. Business customers can receive business connectivity options via their service provider, offering maximum wholesale speeds³ of 250/100 Mbps, 500/200 Mbps and 1,000/400 Mbps⁵, backed up with 24/7 support from the Business **nbn**[®] Service Centre.

In October 2023, NBN Co launched a range of business fibre incentives which aimed to drive uptake of these business services from small and medium businesses.

During HY24, NBN Co also commenced the development of a new 250/100 Mbps speed tier on the Hybrid Fibre Coaxial (HFC) network to further support business customers.

1. NBN Co is accepting applications for builds to non-premises locations in the existing **nbn**[®] Ready For Services (RFS) footprint and new developments. Service connectivity availability will depend on Internet providers offering **nbn**[®] Smart Places, and timing of product availability will be at provider discretion. Previously connected Smart Places locations and new developments with pre-built Smart Places infrastructure will not require an **nbn**[®] network build.
2. Regardless of the bandwidth profile for the service acquired from a retail service provider, it will 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.
3. Customer experience, including the speeds actually achieved over the **nbn**[®] network, depends on some factors outside NBN Co's control (e.g., equipment quality, software, and how a service provider designs its network). If a service provider has not selected Class of Service High, speeds experienced by customers may be affected by contention on the **nbn**[®] network, particularly in busy periods.
4. Business **nbn**[®] Enterprise Ethernet is only available in the **nbn**[®] Fixed Line network footprint and at limited premises served by the **nbn**[®] Fixed Wireless and Satellite networks.
5. Regardless of the service acquired from a RSP, the actual speeds delivered by NBN Co will be less than 1 Gbps due to equipment and network limitations. Reference to speeds are not end user speeds; they are wholesale layer 2 peak information rate bandwidth provided to RSPs. An end customer's experience, including the speeds actually achieved over the **nbn**[®] network, depends on some factors outside NBN Co's control (e.g., equipment quality, software, and how the RSP designs its network) and the NBN Co technology used for the connection.



Security and privacy

The **nbn**[®] network carries over 80 per cent of the nation's data, therefore, ensuring its security and availability is one of the Company's highest priorities.

NBN Co adheres to applicable security obligations relating to risk management, business resilience, cyber, personnel, physical security and supply chain which are embedded across the Company.

The Company's ongoing security program utilises a converged (all-hazards) model to managing security risks faced by NBN Co and combines all of the skills and expertise of various security disciplines into a coordinated effort providing single accountability.

The Company's Privacy Governance Framework assists NBN Co to manage its privacy risk and compliance obligations. The Company's Privacy Team works closely with the Security Group, the Chief Data Office, Enterprise Risk and Resilience, and Enterprise Compliance.

In addition, NBN Co works closely with Australia's national security agencies including the Australian Cyber Security Centre, the Cyber and Infrastructure Security Centre, and the Australian Signals Directorate to help prepare the Company against any potential security threats.

Making the network more resilient

NBN Co's efforts to safeguard the **nbn**[®] network are documented in the Company's Climate Transition Plan (CTP), which will support the Company in managing and mitigating risk through the challenges created by Australia's changing climate.

The Company is continually improving the resilience of the **nbn**[®] network and its capability to respond to natural disasters, including:

- Rolling out more fibre across the nation. Fibre optic cables used within the **nbn**[®] network are more resilient, energy efficient and require less maintenance. This means that fibre not only delivers faster and more reliable broadband, but it also withstands extreme weather significantly better than copper-based infrastructure
- NBN Co has installed 1,068 **nbn**[®] Disaster Satellite Service units at emergency service depots and evacuation centres across Australia. The installation of these services was made possible by a \$7 million grant provided through the Commonwealth Government's Strengthening Telecommunications Against Natural Disasters (STAND) package in October 2022
- The Company has continued to make improvements to its Temporary Network Infrastructure (TNI) equipment, which is rapidly deployed when needed. The Company's TNI equipment helps ensure it can continue to provide connectivity when there is a loss of grid power, which is when communities and emergency services need digital connectivity the most

- During HY24, NBN Co completed the roll-out of the \$4.4 million Hybrid Power Cube (HPC) project across several regional Queensland Shire Councils, to help maintain power and internet connectivity during times of natural or other disasters. The Queensland roll-out involved the installation of 33 HPC's at NBN Co's Fixed Wireless sites as part of the Black Summer Bushfire Recovery Program
- Ahead of the 2023 summer, the Company issued a series of helpful tips reminding communities and residents about how to stay connected in an emergency, through the roll-out of a bushfire safety campaign.

Investing in innovation

In addition to technology upgrade programs previously mentioned, NBN Co progressed in readying other technologies in the **nbn**[®] network for multi-gigabit speeds on both residential and business services.

In October 2023, the Company successfully partnered with Nokia on a field trial using three generations of passive optical network (PON) technologies, being GPON, XGS PON and 25GS PON, within its FTTP network.

The trial was used to demonstrate fibre in the **nbn**[®] network is capable of supporting the next generation of broadband services on XGS PON and 25GS PON, whilst maintaining current active services on existing GPON fibre technology. During the field trial, NBN Co and Nokia were

able to achieve speeds of 8 Gbps (symmetric) on XGS PON and 20 Gbps (symmetric) on 25GS PON, a new Australian record for a passive optical network.

To further enable multi-gigabit services in the future, the Company also progressed its efforts to evolve and modernise the **nbn**[®] HFC network in the six months to 31 December 2023. This included a proof of concept in a lab environment which was designed to inform the Company on how it can integrate Distributed Access Architecture into the **nbn**[®] HFC network, as well as deploying new plant assets which will support increased upstream capacity.

With the exponential growth of new technology such as Augmented Reality, Virtual Reality and Artificial Intelligence (AI), the capacity and ubiquity of the **nbn**[®] network plays a key supporting role for the nation.

NBN Co is also exploring the use of new technology and has identified three key areas where generative AI could best be used to create greater efficiencies for the Company. These include productivity, network performance, and customer experience. Generative AI presents business improvement opportunities for NBN Co around service levels and reliability, better enabling the Company to tap into its extensive network data to support everyday activities, such as helping technicians in the field and strengthening network resilience plans.





Customer experience, partnerships and connected communities

NBN Co works closely with its RSP partners to help deliver reliable and affordable broadband services for Australia's homes and businesses. As at 31 December 2023, the number of active premises was 8.58 million, up from 8.56 million in FY23. This equates to more than 20 million people relying on the network every day.

In addition to the growth in active services, the Company has continued to see higher average download speeds¹ as a result of increasing data demand from consumers.

Customer experience

Throughout HY24, NBN Co continued to focus on customer experience, improving access to and performance of the **nbn**[®] network. The Company met agreed installation times 98 per cent of the time, consistent with FY23. For customers experiencing service difficulties on the **nbn**[®] network, NBN Co was able to resolve these faults within agreed timeframes 92 per cent of the time during HY24, in line with FY23.

The Telecommunications Industry Ombudsman's 2022-23 Annual Report stated complaints for services over the **nbn**[®] network regarding faults and connections were down by 35 per cent compared to the prior period, further supporting the improvement in NBN Co's customer experience.

During HY24, NBN Co released its Home of the Future study, which captured the positive impacts of upgrading to an **nbn**[®] higher speed tier. The study revealed that 87 per cent of **nbn**[®] users surveyed, who had upgraded their speed tier in the past 12 months, noticed benefits as a result of doing so.

Amongst those surveyed with home Wi-Fi, 22 per cent already used their broadband for telehealth consultations, and 30 per cent said they would not be able to access healthcare services without their **nbn**[®] broadband connection.

Working with Industry

In October 2023, the ACCC accepted NBN Co's SAU Variation, which was a landmark outcome for the industry and customers. The SAU delivers a new approach to wholesale pricing, supporting faster internet speeds, greater data demand and improved cost certainty for retailers and customers. It also delivers greater long-term regulatory predictability for NBN Co, retailers and customers and sets out a range of measures aimed at delivering a better customer experience of the **nbn**[®] network.

A parallel industry consultation process allowed NBN Co to reflect the approved terms of the SAU Variation into its fifth iteration of the Wholesale Broadband Agreement (WBA5), which is the commercial contract between NBN Co and access seekers.

New **nbn**[®] wholesale prices, which were implemented on 1 December 2023 under WBA5, saw significant reductions in the prices of entry level and higher speed tiers:

- For very low use services (less than 0.1 Mbps during any 60-minute period on any day), the Company created a 12/1 Mbps Basic Bundle, which has been reduced by \$10.50 to be available for a wholesale price of \$12. The wholesale price of the **nbn**[®] 25/5 Mbps product has been reduced by \$11 and will be available for a wholesale price of \$26

1. Customer experience, including the speeds actually achieved over the **nbn**[®] network, depends on the **nbn**[®] network technology and configuration over which services are delivered to premises, whether customers are using the internet during the busy period, and some factors outside NBN Co's control (e.g., equipment quality, software, broadband plans, signal reception and how the service provider designs its network). Speeds may be impacted by the number of concurrent users on **nbn**[®]'s Fixed Wireless network, including during busy periods. Satellite users may experience latency.



- Although NBN Co's 50/20 Mbps¹ product saw a \$5 wholesale price increase to \$50, this product now comes with a 34 per cent increase in included data
- The Company removed Connectivity Virtual Circuit capacity charges as well as reducing wholesale prices on its higher speed tier products.^{2,3} For example, the wholesale price of the **nbn**[®] Home Fast 100 Mbps product reduced by \$3 to \$55.

As a result of the overall reduction in wholesale prices and lower average price per gigabit of data supplied to RSPs across all speed tiers, NBN Co expects its Average Revenue Per User (ARPU) to remain flat in FY24.

ANNUAL SERVICE IMPROVEMENT PLAN AND SERVICE PERFORMANCE REVIEW

Under the SAU Variation, NBN Co is required to publish an Annual Service Improvement Plan, which provides transparency over the Company's initiatives and aims to improve service outcomes for RSPs and consumers.

NBN Co published its first Annual Service Improvement Plan in November 2023 which outlines the Company's initiatives intended to enhance the RSP and end user experience over FY24.

By the end of FY24, the Company will also publish its first Annual Service Performance Review, which will provide a structured review of Wholesale Broadband Agreement service standards and NBN Co's performance against these standards over a twelve-month period.

1. Retail broadband plans based on wholesale download speeds of 50 Mbps include retail broadband plans based on wholesale download speeds of 50 Mbps and 25-50 Mbps.
2. An end customer's experience, including the speeds actually achieved over the **nbn** network, depends on some factors outside NBN Co's control (like equipment quality, software, and how a retail service provider designs its network) and the **nbn**[®] technology used for the connection. Speeds may be impacted by network congestion on the **nbn**[®] Fixed Wireless network, including during busy periods. Satellite users may experience latency.
3. Regardless of the retail service an end customer purchases, the actual wholesale speeds delivered by NBN Co's highest wholesale speed tiers of 500 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. References to speeds are not end customer speeds; they are wholesale layer 2 peak information rate bandwidth provided to retail providers. NBN Co provides wholesale services to phone and internet providers. **nbn**[®] wholesale speed tiers available to providers vary depending on the access technology in an end users' area.

Making it easier to work with NBN Co

NBN Co is committed to being a company that is easy to do business with and is transforming its operations to incorporate new and better ways of doing things.

Under its Enterprise Simplicity Program, NBN Co is looking to improve its Application Programming Interfaces (APIs), so it is easier for RSPs to access certain NBN Co platforms, in turn making it simpler and cheaper for RSPs to sell NBN Co's product offerings. In addition, the Company will create a single strategic data environment that provides a single source of truth for NBN Co and its partners, enabling real-time decision making and providing an AI-ready data environment for the future.

The Company is three years into its five-year Enterprise Simplicity Program and has so far delivered 45 per cent of planned cost savings, with more than 71 per cent of legacy systems decommissioned as at 31 December 2023.

NBN Co is further supporting its RSPs through the Service Health Pulse Program, which has automated complex and critical testing required for retailers to correctly diagnose faults in the **nbn**[®] network. The program is saving NBN Co's RSP assurance teams around 53 thousand hours of troubleshooting per year, and for the **nbn**[®] HFC network alone, reducing 14 thousand repeat interactions for RSPs and customers.

In July 2022, NBN Co launched a smart phone field application called Unified Network Analyser, which allows field technicians to view the status of the **nbn**[®] network in real-time, as well as providing detailed insights into the nature of a fault. NBN Co has continued to make iterative improvements to the application since its launch and as a result has benefited from its use, with field technicians spending less time calling support for information as well as an increase in the number of faults fixed first-time.

The Company will continue to simplify its processes, increase digitisation, automation and further the use of APIs, which allow RSPs to build and easily maintain a tailored journey for their customers.

Community wellbeing and social impact

NBN Co's purpose is to lift the digital capability of Australia and in doing so, drive economic and social benefits for households, businesses, and communities across the nation. As outlined in the Company's Corporate Plan 2024, the development of a Social Impact and Value Measurement Framework was included in the FY23-24 Sustainability Program. This framework was developed in HY24 to better measure and understand the social benefits of the **nbn**[®] network.

Digital inclusion and accessibility

NBN Co dedicates resources and capital, and has made commitments to address digital inclusion and help remote and regional areas of Australia stay connected, including low-income, vulnerable, and isolated customers.

The Company initiated and chairs the Low-Income and Digital Inclusion Forum (LIDIF) with the aim of identifying possible targeted initiatives to improve access, affordability, and digital ability for low-income, vulnerable, and unconnected users of the **nbn**[®] network.

The third LIDIF meeting was held in September 2023. More than 20 member organisations are now part of the LIDIF collaboration, representing not-for-profit organisations, customer advocacy groups, government agencies, RSPs, and independent research firms.

NBN Co also supports the delivery of the Australian Government's School Student Broadband Initiative (SSBI), which was extended to 31 December 2025 during the period. The SSBI provides RSPs participating in the initiative with a wholesale rebate for **nbn**[®] network broadband services provided to up to 30 thousand families until the end of 2025.

The first families were connected at the start of the 2023 school year, and there are now more than 5,700 families participating in the initiative. In October 2023, a new SSBI National Referral Centre, run by Anglicare Victoria, was launched allowing families to nominate themselves for the program directly, making it easier for them to connect to the **nbn**[®] network.

ACCESSIBILITY AND INCLUSION

NBN Co is committed to delivering accessible and inclusive products and services to its customers and the wider community. In the six months to 31 December 2023, the Company improved its Accessibility and Inclusion index score with the Australian Network on Disability, as a result of a number of activities undertaken, which included refreshing the Company website. This incorporated enhanced accessibility features such as accessible colours and contents, as well as updating its communications and brand guidelines to include accessibility.

In addition, a disability immersion session was provided to key executives during the period, which focused on improving disability confidence and awareness through regular learning events. This included hearing stories from people with a disability to immerse key executives in the lived experiences of disabled people, ranging from wheelchair users to blindness and neurodivergent.





Connecting First Nations communities

NBN Co aims to engage and connect with First Nations communities and help achieve their aspirations for digital inclusion. NBN Co's actions are part of the Company's continued contribution towards Target 17 of the Closing the Gap Report 2022, which is centred on providing equitable access and improving digital inclusion for First Nations people.

NBN CO'S RECONCILIATION ACTION PLAN (RAP)

In May 2023, NBN Co launched its fifth RAP (RAP V), covering up to 2026. NBN Co's RAP V was launched as part of its National Reconciliation Week activities and seeks to advance reconciliation. The plan's foundation is focused on four crucial areas that were collaboratively designed with industry experts, being: First Nations digital outcomes, career pathways, First Nations procurement, and cultural learning. Of the 59 actions planned under NBN Co's RAP V, 92 per cent were completed as at 31 December 2023.

Through the NBN Co Customer Field Technician Traineeship Program, 46 'new to industry' individuals were onboarded during the six months to 31 December 2023, 17 per cent of whom identify as First Nations. As part of its RAP V commitments, the Company aims to increase the number of employees who identify as First Nations by May 2026.

CONNECTING FIRST NATIONS COMMUNITIES

Currently, 301 First Nations communities are served by the National Indigenous Australians Agency's Remote Indigenous Communities Telecommunications Wi-Fi program. All 301 communities which were previously served by **nbn**[®] Sky Muster[®] satellite services have recently been migrated to **nbn**[®] Sky Muster[®] Plus, providing end users with double the speed as well as uncapped data usage for all internet activities¹.

1. Fair Use Policy and shaping apply.

FREE COMMUNITY WI-FI FOR REMOTE FIRST NATIONS COMMUNITIES

NBN Co has 109 community Wi-Fi points installed within 99 First Nations communities around Australia, enabling access to essential services such as telehealth, MyGov, online education and mentoring services. Whilst the majority of these connections are single-point Wi-Fi systems, the Company has also deployed four pilot mesh public Wi-Fi systems, enabling Wi-Fi coverage to extend throughout public spaces in the community.

The First Nations Digital Inclusion Advisory Group's Initial Report was released during HY24. The initial report revealed that free public Wi-Fi is greatly valued by communities. NBN Co will continue to work with the First Nations Digital Inclusion Advisory Group's panel and Government agencies, in its capacity as an expert panel member, on scaling its Community Wi-Fi Program, including digital mentors to help communities uplift their digital skills.

ENHANCING FIRST NATIONS DIGITAL ABILITY

NBN Co supports cyber safety awareness programs and fosters opportunities for digital skills development within First Nations communities through direct engagement via the **nbn**[®] local team initiative. This initiative reached over 1,300 community members in HY24, collaborated with organisations such as the JT Academy's JTLeadLikeAGirl program and had participation of approximately 200 young women from 17 communities across Queensland, New South Wales and Western Australia.

A key focus for NBN Co is understanding digital skill levels, given that knowledge and skills can vary by person and community. The Online Skills Check and Resources, also known as OSCAR, is a tool to help people uplift their digital capability.

During the six months to 31 December 2023, 300 survey responses from First Nations people were collected from the OSCAR tool, which showed an average skill score of 52 per cent. The survey identified that using devices and keeping safe online were the two areas with the biggest opportunities for skill development, with online communication being the area that respondents were most confident in.

In addition, a range of new targeted digital skills learning resources were added to the OSCAR library during the period, including translated resources in First Nations languages, created by the eSafety Commissioner. NBN Co will continue to engage with First Nations communities via iOscar, which is a specialised version of the tool launched for First Nations audiences, to help continue its engagement with local communities to deliver capability uplift programs.

Modern slavery

Modern slavery continues to be governed by the Sustainability Sub-Committee of the Executive Committee and Modern Slavery Working Group, who oversee the implementation of the Company's 2023-24 Modern Slavery Workplan.

NBN Co communicates expectations regarding management of modern slavery risks and potential impacts to suppliers through the **nbn**[®] Supplier Code of Conduct¹. This code was independently reviewed and revised in FY23, to better reflect NBN Co's position and approach, which are guided by the United Nations Guiding Principles on Business and Human Rights (UNGPs). The revised document was shared directly with suppliers and made available on the Company's website during HY24.

1. nbnco.com.au/content/dam/nbn/documents/about-nbn/partners-and-suppliers/nbn-supplier-code-of-conduct-2023-final.pdf.coredownload.pdf



A safe, inclusive and engaged workforce

NBN Co fosters a safe, respectful and inclusive environment and embraces the different perspectives and backgrounds of its people. The Company prioritises a workplace environment that drives engagement, development and wellbeing, where highly capable people focus on bringing to life NBN Co's purpose to lift the digital capability of Australia.

NBN Co is reliant on adaptable leaders and a highly engaged and skilled workforce to operate and evolve the Company in line with its strategic objectives.

Employee engagement

In July 2023, NBN Co achieved an engagement score of 78 per cent, with a participation rate of 92 per cent, in its annual employee engagement survey, which reflects the Company's commitment to maintaining a safe, inclusive, and values-led culture.

The results highlight that NBN Co's employees connect with the Company's purpose at an individual and team level, with 89 per cent of employees indicating that NBN Co's purpose guides their work.

NBN Co's continued focus on supporting employees' careers and skills development, as well as building inclusion within teams whilst maintaining flexible hybrid ways of working, has contributed to the engagement of its workforce.

Diversity, equity and inclusion

GENDER EQUITY

NBN Co continued to deliver on its gender equity initiatives, in line with its Gender Equity Strategic Plan. Key initiatives undertaken by the Company in the six months to 31 December 2023 include, but were not limited to:

- Increasing the proportion of females in NBN Co's field workforce from 6.9 per cent at 31 December 2022 to 16.2 per cent at 31 December 2023, as well as encouraging females to consider career pathways in science, technology, engineering and maths via NBN Co's partnership with the University of Technology Sydney
- To further support female workforce participation, in July 2023, the Company became a certified Family Friendly Workplace, demonstrating NBN Co's priority to foster a progressive family friendly culture
- NBN Co remains committed to achieving its target of 40 per cent females in management positions¹ by 2025. As at 31 December 2023, 35.5 per cent of females were in management positions compared to 33.6 per cent as at 31 December 2022
- By promoting gender pay equity NBN Co has closed the pay gap between male and female employees. As at 31 December 2023, total fixed remuneration for females was 1.54^{2,3} per cent higher than males
- NBN Co participated in the Workplace Gender Equality Agency (WGEA) reporting in 2023 following voluntary reporting in the inaugural year.

1. Including executive, senior and middle management, excluding Board.

2. Refer to the FY23 Sustainability Data Book for details on the calculation methodology- <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/reports/sustainability-reports/2023-nbn-sustainability-data-book.pdf>.
coredownload.inline.pdf

3. The calculation methodology used by NBN Co for the gender pay gap metric is currently calculated using an internal calculation methodology as per footnote 2 above. This differs to the Workplace Gender Equality Agency (WGEA) methodology, which NBN Co participates in.



CULTURAL DIVERSITY

The Company supports the career and development of employees with diverse cultures and backgrounds. In HY24, NBN Co continued to support the Dr John Yu Fellowship program, selecting two culturally diverse future leaders to participate in the initiative.

NBN Co also refreshed its Cultural Diversity Pillar Strategy during the period, with the purpose 'To create a safe space for people of diverse cultures and backgrounds'.

NBN Co's Cultural Diversity Pillar during the period helps to uplift the cultural capability and competency of people through various activities. These activities include celebrating the Company's Cultural Diversity Day, held in October 2023.

ACCESSIBILITY

NBN Co's Accessibility and Inclusion Plan includes twelve goals which address diversity, equity and inclusion within the Company and the communities it serves. In the six months to 31 December 2023, NBN Co undertook a number of activities to increase accessibility as demonstrated below:

- The Company has built workforce capability through the delivery of disability confidence training to approximately 60 employees, as well as role specific training on accessibility to over 100 employees during HY24
- NBN Co established a Disability Reference Group (DRG) in September 2023 which allows feedback received from employees living with a disability to be streamlined and used as an input to improve employee policies and processes

- In November 2023, approximately 400 employees joined NBN Co's International Day of People with Disability event to learn about acquired and invisible disabilities, isolation and connection and the importance of the **nbn*** network for people living with a disability
- NBN Co is reviewing its end-to-end recruitment process to become accredited as a Disability Confident Recruiter.

FIRST NATIONS

NBN Co continues to deliver on its commitments towards reconciliation and First Nations employment, development and retention via its fifth Reconciliation Action Plan and First Nations Engagement Strategy.

As well as increasing First Nations representation in the Company's Customer Field Technician Traineeship Program, NBN Co continued its partnership with Jawun during the period, and facilitated 5 secondments to assist First Nations organisations across East Kimberley, Alice Springs and East Arnhem Land.

The Company continues to create a workplace that promotes First Nations culture and is actively reviewing its strategies to build cultural competencies across the Company.

LGBTQ+ PRIDE

In HY24, NBN Co kept its status as a gold tier LGBTQ+ employer in the Australian Workplace Equality Index (AWEI). In addition, the Company continued to celebrate LGBTQ+ dates of significance, including the annual celebration of Wear It Purple Day.

During the six months to 31 December 2023, NBN Co delivered diversity training, in partnership with Pride In Diversity, for executive and senior leaders, as well as regular LGBTQ+ Awareness training. NBN Co's Chief Executive Officer, Stephen Rue, also provided a keynote speech on building a culture of belonging at the Leadership Institutes' LGBTQ+ Leadership Summit.



Safety and wellbeing

NBN Co's Safety and Wellbeing team provides strategies, systems, support and programs which aim to enhance the physical health and mental wellbeing of its people. This extends across all states and territories and encapsulates varying working locations from offices to the field.

The key safety and wellbeing focus areas for FY24 include:

- Continuing to build a safe, respectful and inclusive culture at NBN Co
- Further strengthening the Company's safety and wellbeing risk management
- Enabling NBN Co's people to practice self-care and to bring their 'best self' to work each day.

To support these areas of focus, NBN Co continues to enhance its safety and wellbeing key performance indicators, shifting to more contemporary lead indicators, including safety interactions and critical risk control conformance rates, which enables the Company to effectively monitor and report on performance, including Delivery Partners and NBN Co's extended workforce.

The Company creates a positive reporting culture for safety and wellbeing by actively encouraging the reporting of all safety and wellbeing incidents. This enables NBN Co to gain insights to help manage risk, prevent psychological and physical injury, and ensure early treatment and support is provided.

The Total Recordable Incident Frequency Rate¹ (TRIFR) for employees and contractors (combined) at the end of HY24 was 3.77 compared to 1.88 at end of HY23, with the Company's return to work rate after incidents at 100 per cent. There were no serious injuries, permanent impairments or fatalities within the NBN Co workforce in the six-month period to 31 December 2023.

NBN Co's annual employee engagement survey reflects the Company's commitment to maintaining a safe, inclusive, and values-led culture. The Safety result for 2023 was 92 per cent. This was the Company's highest scoring factor, which was followed by Wellbeing, which scored 89 per cent and was in the top 3 performing factors.

The Company continues to mature its people capabilities, risk culture and governance frameworks to keep the business safe in the context of the ever-changing nature of its work.

Creating a psychologically safe organisation contributes to the Company's safe, inclusive and respectful organisation, aligned with the increasing community, social and regulatory expectations to prevent harm. NBN Co's focus on protecting its people from unsafe behaviours has continued, this includes remaining current with new requirements through policy updates, key communications, leader-led tools and clear accountabilities reinforced through management systems.

1. Total Recordable Injury Frequency Rate (TRIFR) is the total number of recordable injuries per million hours worked. TRIFR includes work related injuries that relate to an NBN Co workplace or NBN Co activity undertaken by an NBN Co employee, contractor or delivery partner (DP) employee or contractor that resulted in: fatality, permanent disability injury/illness (PDI), work-related injury/illness resulting in lost time (LTI), restricted work injury (RWI) or medical treatment injury (MTI). It does not include any first aid injury/illness. TRIFR is a rolling annual metric and is significantly reliant upon information provided by DPs and their contractors who undertake and complete field related activities, which includes but is not limited to network construction, customer connections and network assurance and maintenance activities. NBN Co's first priority is the safety of its people and as a result requires that all incidents are reported for evaluation. To enhance the comparability of the TRIFR metric across various periods and to measure performance against other lead and lag metrics and the broader HSE control environment, an NBN Co authorised person reviews each incident and its associated specific facts, including the environmental surroundings where the incident occurred, when determining whether an incident should be classified as a reportable work related injury. As a consequence of this review, incidents such as animal bites and incidents occurring on the journey to-or-from home premises may be excluded from reportable injuries.

Protected environment

NBN Co, as a critical infrastructure owner and operator, has acknowledged the inherent risks climate change poses to its operations, network continuity and service obligations.

Climate change transition - mitigation, adaptation and resilience

In response to its Climate Change Risk Assessment, NBN Co has developed a Climate Transition Plan (CTP) which incorporates the Company's Climate Change Risk Assessment and scenario analysis, validated science-based emissions reduction targets, Sustainability Bond Framework and Sustainability Approach depicted on pages 4 and 5.

The CTP is governed through the Sustainability Sub-Committee of the Executive Committee and covers both climate mitigation and climate adaptation and resilience of the **nbn**[®] network and business. The three key areas of action covered within the CTP are:

- Network - Actions to reduce emissions and build resilience to the impacts of climate change
- Customers - Reduce energy use required to access the **nbn**[®] network, improve customer experience and maintain availability of the **nbn**[®] network
- Communities and Partners - Support communities during natural disasters and collaborate across industries to build resilience and enable emissions reductions.

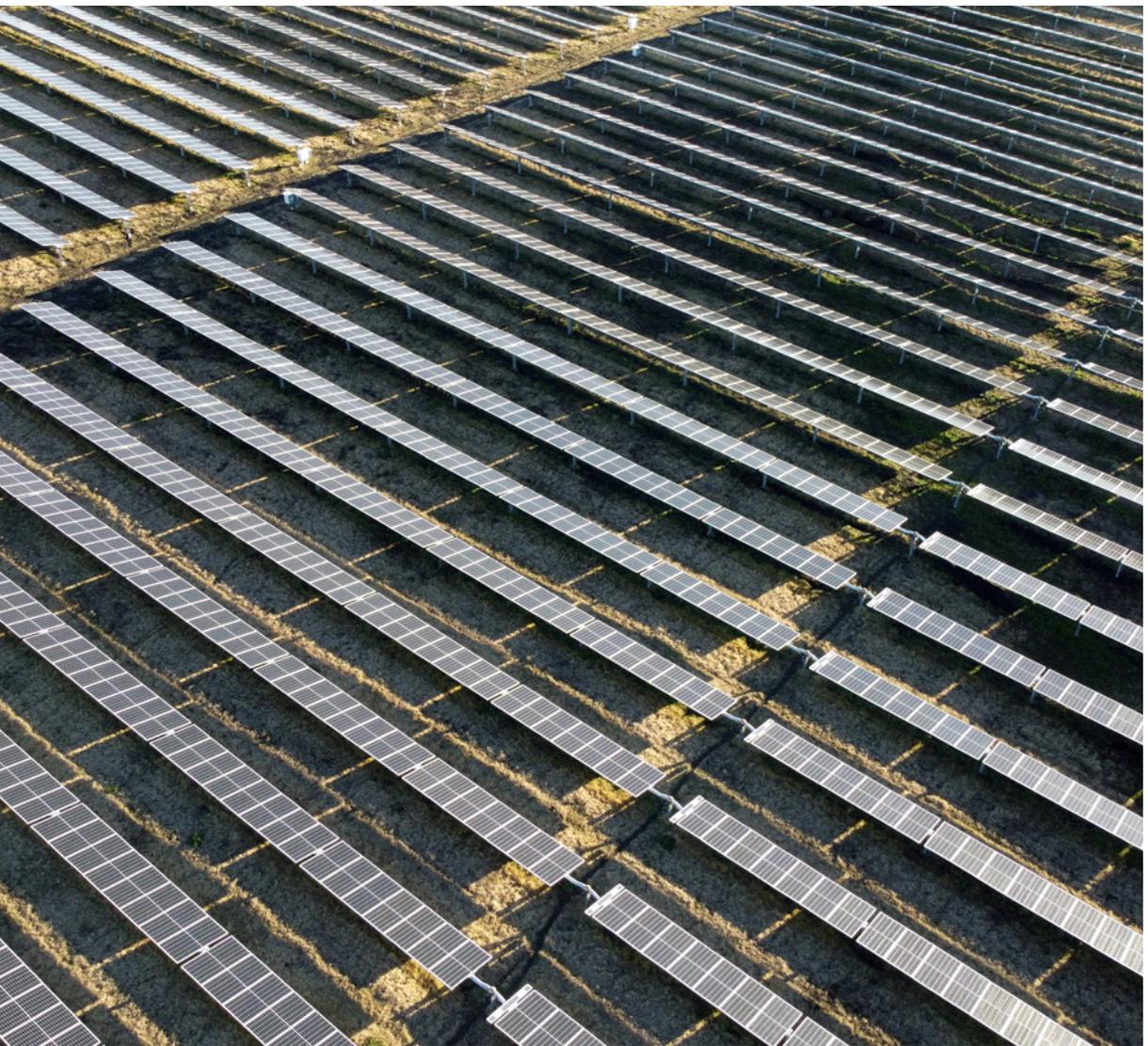


In the six months to December 2023, NBN Co continued to progress against the Company's commitment to purchase 100 per cent renewable electricity from December 2025 via the following initiatives:

- In September 2023, NBN Co reached a significant milestone as the Wyalong Solar Farm in the Northern Riverina region of New South Wales commenced operations. The farm, operated by MYTILINEOS, runs over 260 hectares, and includes approximately 127 thousand solar panels. NBN Co is contracted to take approximately 62 per cent of the expected power generated by the solar farm which equates to 90 GWh per year
- NBN Co announced the signing of the Company's second Power Purchase Agreement (PPA) in October 2023, for a 6-year term at the Macarthur Wind Farm near Warrnambool in South West Victoria. NBN Co has contracted to take approximately 90 GWh per year from January 2025 from the Macarthur Wind Farm operated and maintained by AGL
- In November 2023, NBN Co announced to take approximately 20 per cent of the output, which is just under 59 GWh of renewable electricity per year, from Munna Creek Solar Farm near Gympie in Queensland, which is being developed and constructed by the M Renewables division of MYTILINEOS, under a 10-year PPA.

In addition, NBN Co is embracing innovation and improving customer experience through the roll-out of a fleet of hybrid vehicles, as part of the Company's commitment to using electric or hybrid vehicles, where suitably available by 2030.

NBN Co introduced five new hybrid heavy vehicle elevated work platforms in October 2023, which will deliver up to 20 per cent in fuel and emissions reductions per vehicle as compared to a similar diesel vehicle. The Company already has 55 hybrid vehicles in use and plans to phase in more hybrid or electric vehicles as suitable models and supporting infrastructure becomes available.



Circularity, waste management and environmental protection

Waste management is integrated into NBN Co's Health, Safety and Environment Management System through its Waste Management and Waste Minimisation Program. As the network evolves, NBN Co continues to recover and reuse or recycle network devices to help deliver circular economy solutions, reduce e-waste going to landfill and reduce consumption of natural resources.

During HY24, NBN Co continued its partnership with eWaste Connections, a not-for-profit social enterprise that recycles electronic waste and provides work opportunities for people of all abilities in an inclusive environment.

NBN Co will further explore how circular economy principles can be leveraged through the development of a circularity framework and strategy.

Responsible business practices and sustainable financial growth

The capital received from NBN Co's shareholders and external lenders is utilised to fund its core activities and deliver long-term sustainable growth through ethically responsible business practices.

NBN Co's results for the six months ended 31 December 2023 demonstrate continued financial growth, with the Company on track to meet its financial targets outlined in its Corporate Plan 2024.

HY24 financial performance

The Company achieved earnings before interest, tax, depreciation and amortisation (EBITDA)¹ of \$1,985 million in the six months to 31 December 2023, which was an increase of \$178 million from the HY23 result of \$1,807 million.

This was achieved through a combination of revenue growth of 5 per cent to \$2,750 million as at 31 December 2023, and a decline in total operating expenses of 6 per cent to \$834 million as at 31 December 2023.

Statutory loss after tax for the period was \$696 million, which increased by \$252 million compared to the corresponding period. This was driven by higher net finance costs, increased depreciation and amortisation expense and a \$153 million income tax expense resulting from the movement in deferred tax on NBN Co's financial derivatives.

The Company continues its investment into the **nbn**[®] network, with capital expenditure growing to \$1,869 million due to the delivery of the Fibre Connect and Fixed Wireless and Satellite Upgrade Programs. In the six months ended 31 December 2023, NBN Co also received further equity funding of over \$546 million as part of the Commonwealth Government's funding of up to \$2.4 billion. Operating cash flows have increased by 15 per cent to \$1,844 million as at 31 December 2023 in support of the Fibre Connect Upgrade Program, which correlates with EBITDA growth.

The strong financial performance for the half-year and improvement in core metrics such as revenue, operating expenses and EBITDA are in line with management expectations, as the Company continues to evolve into a mature, customer-led operating business.

For the six months ended 31 December	2023 \$m	2022 \$m	2021 \$m	2020 \$m	2019 \$m
Total revenue	2,750	2,625	2,522	2,260	1,813
Operating expenses ²	(834)	(886)	(1,040)	(1,836)	(2,476)
Operating income	69	68	19	-	-
EBITDA	1,985	1,807	1,501	424	(663)
Depreciation and amortisation expense	(1,638)	(1,488)	(1,709)	(1,720)	(1,488)
Net finance costs	(917)	(786)	(752)	(827)	(677)
Other income	23	17	15	13	11
Loss on derivatives measured at fair value	(2)	-	-	-	-
Tax benefit/(expense)	(147)	6	88	(3)	-
Loss for the period	(696)	(444)	(857)	(2,113)	(2,817)
Capital expenditure ³	1,869	1,412	1,155	1,424	2,517
Total assets	38,737	37,763	36,126	36,096	35,527
Debt	26,504	25,171	24,780	22,618	16,214
Lease liabilities	12,068	11,581	11,008	10,776	10,310
Contributed equity	30,351	29,500	29,500	29,500	29,500
Operating cash flows ⁴	1,844	1,608	1,276	322	(763)

1. This also excludes other non-operating income and gains or losses on derivatives measured at fair value.
2. Includes subscriber costs.
3. Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment classified as inventories.
4. Net cash flows provided by/(used in) operating activities (excluding receipts from government grants and infrastructure lease payments).

Revenue and operating income

Total revenue for HY24 consists of telecommunications revenue of \$2,625 million and other revenue of \$125 million.

Telecommunications revenue increased by \$62 million during HY24. This growth was driven by a combination of higher activations and a marginal improvement in residential Average Revenue per User (ARPU). An incremental 24 thousand residential and business premises connected to the **nbn**[®] network when compared to 30 June 2023, bringing the total number of active premises to 8.58 million. Residential ARPU was \$47 for the period, with a marginal improvement of 2 per cent compared to the prior period driven by customer demand for data and higher-speed broadband tiers. The new prices under NBN Co's WBA5 came into effect from 1 December 2023.

Other revenue relating to construction for developers, commercial works activities and co-investment programs increased by 102 per cent from HY23 to \$125 million as at 31 December 2023. This was driven by the delivery of co-investment projects, such as the Regional Connectivity Program and Connecting Victoria.

Operating income increased by 1 per cent to \$69 million as at 31 December 2023 and represents income recognised from government grants and the Regional Broadband Scheme (RBS) Levy.

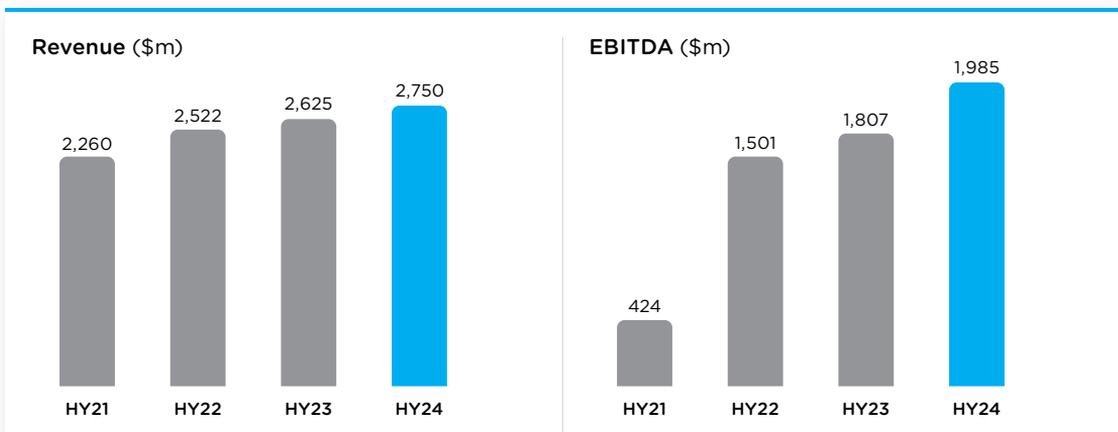
Operating expenditure

Total operating expenses were \$834 million as at 31 December 2023, which is a 6 per cent decrease from the HY23 result.

Direct network expenses decreased by 8 per cent to \$293 million compared to the comparative period. This was predominately driven by lower assurance costs related to service faults mainly due to a reduced volume of incidents. This was achieved despite the increase in the number of customers connected to the **nbn**[®] network.

Total employee expenses of \$297 million decreased from \$329 million as at 31 December 2022. The decrease is primarily due to a reduction in total headcount, as NBN Co continues to focus on achieving cost efficiencies through simplification and digitisation of its internal operations.

Other operating expenses of \$244 million increased by 3 per cent compared to HY23. The net increase is driven by inflationary cost rises and increased marketing activity aligned with fibre upgrade volumes.



Non-operating income/expenses

Depreciation and amortisation expense has increased from \$1,488 million as at 31 December 2022 to \$1,638 million as at 31 December 2023. This is due to the impact of adjustments to the estimated useful lives of certain network asset categories from 1 July 2023 combined with an increase in NBN Co's asset base due to ongoing capital investment.

Net finance costs increased by 17 per cent to \$917 million when compared to HY23. This is driven by a 5 per cent increase on finance charges for lease arrangements due to CPI increases and a 39 per cent increase on interest on borrowings due to higher weighted average cost of debt in the period and increased total borrowings.

Other income of \$23 million relates to assets received for no consideration from developers and receipt of insurance claims. This has increased by 35 per cent from HY23.

The \$2 million loss on derivatives measured at fair value relates to embedded derivatives contained within NBN Co's Power Purchase Agreements.

Capital expenditure

During HY24, the Company continued to invest in its customer base and the ongoing evolution of the **nbn**[®] network, with capital expenditure totalling \$1,869 million for the six months to 31 December 2023. Capital expenditure incurred during HY24 remained focused on the following key areas:

- Delivering fibre upgrades to FTTN and FTTC technologies, to provide more customers with access to NBN Co's fastest speed tiers
- Expanding the network to newly developed premises and deploying new fibre infrastructure
- Connecting and re-connecting customers onto the **nbn**[®] network and providing capital maintenance to assure the network
- Continuing investment in software and system development and simplification
- Delivering Fixed Wireless and Satellite upgrade investments to provide greater speed and capacity to customers.

1. Net cash flows provided by operating activities (excluding receipts from government grants and infrastructure lease payments).

Operating and free cash flow

For the 6 months ended (\$m)	31 December 2023	31 December 2022
Operating cash flows ¹	1,844	1,608
Receipts of government grants	1	3
Capital expenditure	(1,921)	(1,401)
Lease payments	(575)	(537)
Interest paid on borrowings and other financial liabilities	(409)	(296)
Free cash flow	(1,060)	(623)

Operating cash flows¹ for the six months ended 31 December 2023 increased by 15 per cent compared to HY23 to \$1,844 million. This reflected the underlying growth in revenue, declining operating expenditure, and NBN Co's strong cash conversion.

Receipts of government grants decreased from \$3 million in the prior period to \$1 million due to the Black Summer Bushfire Recovery government grant which was received in the comparative period.

Capital expenditure payments increased by 37 per cent from HY23 to \$1,921 million, reflecting the 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 7 per cent to \$575 million when compared to the comparative period as a result of inflation-linked contractual price increases.

Interest payments on borrowings increased from \$296 million at HY23 to \$409 million as at 31 December 2023, primarily due to an increase in the weighted average cost of debt and higher average levels of borrowings when compared to 31 December 2022.

The Company's free cash flow declined by 70 per cent from HY23 to a net cash outflow of \$1,060 million. The growth in operating cash flows has been offset by increased capital expenditure and lease and interest payments.

Capital management

As at	31 December 2023	30 June 2023
Contributed equity (\$ million)	30,351	29,805
Company debt ¹ (\$ million)	26,375	25,823
Weighted average cost of drawn debt ² (%)	3.30	3.17
Fixed interest ratio ³ (%)	97	92
Weighted average duration of available debt ⁴	4.6	4.4
Committed liquidity ⁵ (\$ million)	7,281	4,510

During the half-year, 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 2023, the Company had raised total available funds of \$30.5 billion, including overdraft facilities, from debt capital markets and bank facilities and had drawn down \$20.9 billion.

The Company's debt issuances during the period comprised of:

- US\$1.25 billion US 144A/Reg S bonds (swapped into AUD \$1.97 billion) under NBN Co's Global Medium-Term Note (GMTN) Programme, across a dual-tranche offering
- \$850 million Green Bond issued under NBN Co's Australian Medium-Term Note (AMTN) Programme
- Private placements of Great British Pound (GBP) 100 million (swapped into AUD \$193 million), Hong Kong Dollar (HKD) 470 million (swapped into AUD \$91 million) and Euro (EUR) 90 million (swapped into AUD \$150 million)
- Cyclical reissuance of short-term promissory notes of \$2.0 billion
- Net \$50 million and \$100 million via additional bank facilities and overdraft facility limit respectively.

These debt raisings are in line with NBN Co's financing strategy and have enabled the Company to maintain a strong liquidity position just under \$7.3 billion as at 31 December 2023.

The Company's average cost of drawn debt has increased to 3.30 per cent as at 31 December 2023, compared to 3.17 per cent at 30 June 2023. This is due to higher market interest rates which impacts NBN Co's unhedged floating debt portfolio as well as newly issued interest-bearing debt and associated derivatives.

In line with NBN Co's 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 effect of the aforementioned increase in market interest rates.

1. Principal value of drawn debt, including overdraft facility but excluding hedge valuation adjustments, accrued interest and fees.
2. Includes the impact of interest rate hedging activities but excludes the amortisation of fees.
3. Percentage comprises fixed and floating rate debt that has been hedged as a proportion of total debt. Excludes forward starting interest rate swaps.
4. Excluding the Commonwealth loan and promissory note issuances.
5. Excluding uncommitted debt with less than 12 months to maturity. Comprised of undrawn bank facilities, cash on hand less promissory note issuances and overdraft facility.

To refinance the remaining portion of the Commonwealth loan in the six months to 30 June 2024, NBN Co plans to utilise its available liquidity as well as seeking to raise further debt from domestic and international debt 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.

In addition to its debt raisings, during the six months to 31 December 2023, NBN Co received over \$546 million in equity funding from the Commonwealth Government. These funds represent installments under the Government's commitment to provide an additional \$2.4 billion in equity to the Company by 30 June 2026 to enable an additional 1.5 million homes and businesses previously served by FTTN to be eligible to upgrade to FTTP technology.

As at 31 December 2023, \$30.4 billion of the total available equity funding of \$31.9 billion from the Commonwealth Government had been provided to NBN Co.

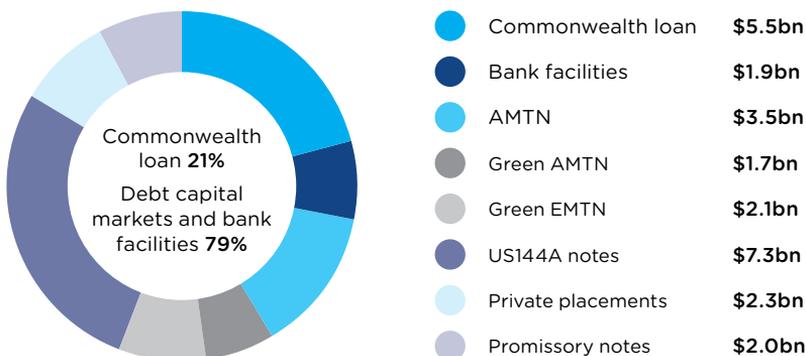
Sustainable finance

NBN Co's Sustainability Bond Framework was established in February 2022 to outline how the Company intends to enter transactions which support NBN Co's purpose, Sustainability Program, as well as how NBN Co may issue Green, Social and Sustainability Bonds (GSS Bonds).

NBN Co issued \$850 million in Green Bonds during the period, and in line with the Company's Sustainability Bond Framework, NBN Co will allocate the proceeds to refinance and finance energy efficient projects related to the build-out of fibre in the **nbn**[®] network. The Company will release its next Sustainability Bond Report in August 2024, as part of NBN Co's ongoing annual reporting obligations.

In December 2023, NBN Co received the Australian Sustainability Issuer of the Year and Australian Corporate Issuer of the Year awards in the KangaNews Awards for 2023. The issuance of Green Bonds during the period further demonstrates the Company's commitment to reduce emissions by delivering fibre deeper into communities and improving the energy intensity of the network.

Summary of borrowings as at 31 December 2023



Risk management

Risk management is a key enabler to the achievement of the Company's plan, strategic objectives and purpose.

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 which 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, Risk Management Standard 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 risk profile incorporates strategic, operational and emerging risks identified from a wide range of inputs, including NBN Co's annual integrated business planning cycle and strategic planning processes. The Audit and Risk Committee, management and the Board review these material risks on a regular basis. In the event there are material events or changes, more frequent reviews occur.

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

Overview of risks

The Company's material business risks remain consistent with those reported in the Corporate Plan 2024. As an owner and operator of national critical communications infrastructure, the availability, resilience, security and performance of the **nbn**[®] network remain core focus areas.

Underpinning these significant activities are key risks NBN Co continues to actively manage and monitor, which include, but are not limited to:

- Security and resilience of the **nbn**[®] network and business operations
- Strengthening relationships with the Company's channel partners and delivery partners to promote a positive customer experience
- Securing and optimising funding and reinvestment in the network
- Transitional and physical impacts of climate change.

As the Company continues to evolve as a business and critical infrastructure owner and operator, so too will the risk profile.

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.



Mike Mrdak
Non-Executive Director

Appointed effective 1 October 2023.



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.



Former Director

Drew Clarke AO PSM FTSE
Non-Executive Director

Drew was appointed as a Director effective 22 August 2017. His term ceased 21 August 2023.



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 9 to 33 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 HY24.

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 2023, no material claims have been made.

During HY24, 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 to the nearest million dollars, unless otherwise stated.

Auditor independence

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

Significant events subsequent to reporting date

No matters or circumstances have arisen since 31 December 2023 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

6 February 2024

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 NBN Co Limited for the half-year ended 31 December 2023, 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
6 February 2024

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 2023.



Statement of profit or loss and other comprehensive income

		NBN Co	
		31 December 2023 \$m	31 December 2022 \$m
For the six months ended	Notes		
Revenue	B	2,750	2,625
Other income		92	85
Direct network costs		(293)	(319)
Employee benefits expenses		(297)	(329)
Other operating expenses		(244)	(238)
Depreciation and amortisation expense	C2 & C3	(1,638)	(1,488)
Net finance costs	C5	(917)	(786)
Loss on derivatives measured at fair value	C6	(2)	-
Loss before income tax		(549)	(450)
Income tax (expense)/benefit		(147)	6
Loss for the period		(696)	(444)
Loss attributable to the shareholder		(696)	(444)
Other comprehensive (loss)/gain			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		(295)	28
Changes in the value of costs of hedging, net of tax		(48)	(12)
Total other comprehensive (loss)/gain for the period, net of tax		(343)	16
Total comprehensive loss for the period		(1,039)	(428)
Total comprehensive loss attributable to the shareholder		(1,039)	(428)

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

Statement of financial position

NBN Co			
As at	Notes	31 December 2023 \$m	30 June 2023 \$m
Current assets			
Cash and cash equivalents	C1	79	41
Trade and other receivables		550	533
Derivative financial assets	C6	155	62
Other current assets		110	131
Total current assets		894	767
Non-current assets			
Property, plant and equipment	C2	35,089	33,989
Intangible assets	C3	1,517	1,598
Derivative financial assets	C6	1,203	1,573
Other non-current assets		34	34
Total non-current assets		37,843	37,194
Total assets		38,737	37,961
Current liabilities			
Trade and other payables		1,399	1,512
Other liabilities		135	132
Provisions		178	215
Derivative financial liabilities	C6	38	31
Lease liabilities	C4	494	479
Borrowings	C5	3,861	2,109
Related party borrowings	C5 & F2	5,500	5,500
Total current liabilities		11,605	9,978
Non-current liabilities			
Trade and other payables		18	35
Other liabilities		1,530	1,468
Provisions		44	48
Derivative financial liabilities	C6	430	288
Lease liabilities	C4	11,574	11,033
Borrowings	C5	17,143	18,225
Total non-current liabilities		30,739	31,097
Total liabilities		42,344	41,075
Net liabilities		(3,607)	(3,114)
Equity			
Contributed equity	D1	30,351	29,805
Other reserves		571	914
Accumulated losses		(34,529)	(33,833)
Total equity		(3,607)	(3,114)

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

Statement of changes in equity

NBN Co					
	Notes	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m
Balance at 30 June 2022		(32,714)	29,500	935	(2,279)
Loss for the period		(444)	-	-	(444)
Other comprehensive gain		-	-	16	16
Total comprehensive (loss)/gain for the period		(444)	-	16	(428)
Balance at 31 December 2022		(33,158)	29,500	951	(2,707)
Balance at 30 June 2023		(33,833)	29,805	914	(3,114)
Loss for the period		(696)	-	-	(696)
Other comprehensive loss		-	-	(343)	(343)
Total comprehensive loss for the period		(696)	-	(343)	(1,039)
Contributions of equity	D1	-	546	-	546
Balance at 31 December 2023		(34,529)	30,351	571	(3,607)

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 2023 \$m	31 December 2022 \$m
Cash flows from operating activities			
Receipts from customers		2,993	2,919
Payments to suppliers and employees		(1,152)	(1,313)
Government grants received		1	3
Interest received		3	2
Net cash provided by operating activities		1,845	1,611
Cash flows from investing activities			
Payments for property, plant and equipment		(1,758)	(1,262)
Payments for intangible assets		(163)	(139)
Net cash used in investing activities		(1,921)	(1,401)
Cash flows from financing activities			
Principal repayment of lease liabilities		(114)	(103)
Interest paid on lease liabilities		(461)	(434)
Proceeds from borrowings	C5	10,532	5,926
Repayment of borrowings	C5	(9,980)	(4,407)
Repayment of related party borrowings	C5 & F2	-	(875)
Interest and other finance costs paid on borrowings	C5	(299)	(180)
Interest paid on related party borrowings	F2	(110)	(116)
Equity injections for ordinary shares by the Commonwealth of Australia	D1 & F2	546	-
Net cash provided by/(used in) financing activities		114	(189)
Net increase in cash and cash equivalents		38	21
Cash and cash equivalents at the beginning of the period		41	113
Cash and cash equivalents at the end of the period	C1	79	134

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 2023. 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 2023. 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 6 February 2024. 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 current Statement of Expectations issued by the Shareholder Ministers to NBN Co on 19 December 2022.

As at 31 December 2023, the Company's current liabilities exceeded its current assets by \$10,711 million and the Company has net liabilities of \$3,607 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 2024.

NBN Co funds its business through a combination of \$30,351 million in equity from the Commonwealth Government and debt funding from the Commonwealth Government, domestic and international markets.

The Commonwealth Government has agreed to provide up to an additional \$2.4 billion in equity to the Company by 30 June 2026, to enable an additional 1.5 million homes and businesses previously served by Fibre to the Node (FTTN) to be made eligible for an upgrade to Fibre to the Premises (FTTP) technology. To date, NBN Co has received over \$851 million of this additional equity funding from the Commonwealth Government.

Since entering the domestic and international debt markets, NBN Co has raised total debt of \$30,485 million, including available bank and overdraft facilities. The details of these transactions are disclosed in Note C5.

To finance the ongoing execution of the strategic initiatives outlined in NBN Co's Corporate Plan 2024 and settle future liabilities as they fall due, including the repayment of the Commonwealth loan by 30 June 2024, NBN Co is planning to continue raising additional domestic and international debt. NBN Co expects its financing strategy to be achievable based on its strong investment grade credit rating and the outcomes of recent financing transactions.

At the date of signing the Half-Year Financial Report, the Directors expect 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 (including future equity injections), and utilisation of undrawn available bank facilities. As at 31 December 2023, NBN Co has \$9,260 million of undrawn available bank facilities.

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.

Material 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 material accounting policies align to its significant accounting policies as outlined in NBN Co's Annual Report 2023. 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. The CODM assesses the performance of the Company using revenue, EBITDA¹, and net cash flows as presented in the primary financial statements. NBN Co's EBITDA result was \$1,985 million as at 31 December 2023 (31 December 2022: \$1,807 million).

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

Material 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.

In determining material accounting estimates and judgements, the Company has considered changes in economic circumstances, climate change impacts, regulatory changes, government policies, business plans and strategies, expected level of network usage, and future technological developments impacting specific assets or groups of assets.

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 142 of NBN Co's Annual Report 2023. These estimates have been consistently applied to all periods presented, unless otherwise stated.

1. EBITDA is defined as earnings before interest, tax, other non-operating income, depreciation, amortisation and gains or losses on derivatives measured at fair value.

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 NBN Co's Annual Report 2023.

	NBN Co	
	31 December 2023 \$m	31 December 2022 \$m
For the six months ended		
Telecommunications revenue	2,625	2,563
Other revenue	125	62
Total revenue	2,750	2,625

Further disaggregation of revenue

The Company has provided a further disaggregation of revenue based upon the timing of recognition (i.e. whether products are transferred at a point in time or over time):

	NBN Co	
	31 December 2023 \$m	31 December 2022 \$m
For the six months ended		
Timing of revenue recognition		
At a point in time	150	86
Over time	2,600	2,539
Total revenue	2,750	2,625

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 \$57 million (30 June 2023: \$38 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 improvements \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m	Total \$m
Cost						
Balance at 30 June 2023	36	351	59	235	50,752	51,433
Additions	-	3	8	15	1,854	1,880
Remeasurement	-	1	1	-	632	634
Disposals	-	(13)	(14)	(19)	(108)	(154)
Balance at 31 December 2023	36	342	54	231	53,130	53,793
Accumulated depreciation						
Balance at 30 June 2023	(6)	(242)	(44)	(185)	(16,967)	(17,444)
Depreciation	(1)	(19)	(5)	(12)	(1,377)	(1,414)
Disposals	-	13	14	19	108	154
Balance at 31 December 2023	(7)	(248)	(35)	(178)	(18,236)	(18,704)
Net book value at 30 June 2023	30	109	15	50	33,785	33,989
Net book value at 31 December 2023	29	94	19	53	34,894	35,089

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 leased network assets and other assets, the shorter of the lease term or useful life. The remeasurement of NBN Co's Property, Plant and Equipment during the period primarily relates to the remeasurement of right-of-use assets to reflect contractually-linked CPI increases within NBN Co's leasing arrangements.

In line with its accounting policy, NBN Co reviews the useful lives of its network assets prior to each balance sheet date based on the most recent available information.

During the year ended 30 June 2023, 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 was a decrease in depreciation expense of \$337 million for the period ended 31 December 2022 and \$681 million for the year ended 30 June 2023.

During the period, a review identified additional revisions to the useful lives of network assets, which the Company applied prospectively from 1 July 2023. The financial impact of the revised estimated useful lives is an increase in depreciation expense of \$129 million for the six-month period to 31 December 2023. The expected increase in depreciation expense is approximately \$165 million - \$175 million for the year ending 30 June 2024.

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

	NBN Co	
	31 December 2023 \$m	30 June 2023 \$m
Constructed and purchased assets	23,596	23,164
Assets in the course of construction	1,388	1,295
Right-of-use assets	8,776	8,314
Assets acquired for no consideration and under government grant	1,329	1,216
Property, plant and equipment - net book value	35,089	33,989

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					Total \$m
	Land \$m	Buildings and leasehold improvements \$m	Furniture and equipment \$m	Network assets \$m	Licences \$m	
Cost						
Balance at 30 June 2023	19	216	34	10,835	62	11,166
Additions	-	-	7	25	-	32
Remeasurement	-	1	1	632	-	634
Disposals	-	-	-	(1)	-	(1)
Balance at 31 December 2023	19	217	42	11,491	62	11,831
Accumulated depreciation						
Balance at 30 June 2023	(6)	(139)	(23)	(2,622)	(18)	(2,808)
Depreciation	(1)	(14)	(4)	(185)	(4)	(208)
Disposals	-	-	-	1	-	1
Balance at 31 December 2023	(7)	(153)	(27)	(2,806)	(22)	(3,015)
Net book value at 30 June 2023	13	77	11	8,213	44	8,358
Net book value at 31 December 2023	12	64	15	8,685	40	8,816

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, 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	
Cost				
Balance at 30 June 2023	4,419	242	198	4,859
Additions	143	-	-	143
Disposals	(155)	(120)	(44)	(319)
Balance at 31 December 2023	4,407	122	154	4,683
Accumulated amortisation				
Balance at 30 June 2023	(2,902)	(176)	(183)	(3,261)
Amortisation	(213)	(6)	(5)	(224)
Disposals	155	120	44	319
Balance at 31 December 2023	(2,960)	(62)	(144)	(3,166)
Net book value at 30 June 2023	1,517	66	15	1,598
Net book value at 31 December 2023	1,447	60	10	1,517

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 \$46 million (30 June 2023: \$121 million).

C4. Lease liabilities

	NBN Co	
	31 December 2023 \$m	30 June 2023 \$m
Current		
Lease liabilities	494	479
Total	494	479
	NBN Co	
	31 December 2023 \$m	30 June 2023 \$m
Non-current		
Lease liabilities	11,574	11,033
Total	11,574	11,033

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 NBN Co's Annual Report 2023).

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 1 - 30 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 2023 \$m	30 June 2023 \$m
Current		
Borrowings	3,861	2,109
Related party borrowings - Commonwealth loan	5,500	5,500
Total	9,361	7,609

	NBN Co	
	31 December 2023 \$m	30 June 2023 \$m
Non-current		
Borrowings	17,143	18,225
Total	17,143	18,225

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

During the six-month period ended 31 December 2023, the Company executed the following transactions in relation to its borrowings:

- Issued United States Dollars (USD) \$750 million and USD \$500 million US 144A/Reg S bonds under the Company's Global Medium-Term Notes (GMTN) Programme, with a 5-year and 10-year tenor respectively
- Issued an Australian Dollar (AUD) \$850 million Green Bond, with a 5-year tenor, under the Company's AMTN Programme and Sustainability Bond Framework
- Issued Great British Pound (GBP) 100 million and Euro (EUR) 90 million private placements, both with a 12-year tenor, and a Hong Kong Dollar (HKD) 470 million private placement with a 10-year tenor
- Cyclical issuance of short-term promissory notes in AUD under NBN Co's Promissory Note Programme. As at 31 December 2023, a total of \$2,000 million had been issued by the Company
- Renegotiated committed bank facilities for an additional \$50 million, increasing the Company's available committed bank facilities to \$11,200 million. \$2,706 million of existing drawn facilities were repaid during the period, reducing the total drawn balance to \$1,940 million as at 31 December 2023
- Increased the overdraft facility limit by \$100 million to \$350 million, which remains undrawn as at 31 December 2023.

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 2023. 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. 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.

Borrowings and related party borrowings consist of the following unsecured financial arrangements at 31 December 2023:

	NBN Co			
	31 December 2023		30 June 2023	
	Current \$m	Non-current \$m	Current \$m	Non-current \$m
Commonwealth loan	5,500	-	5,500	-
AMTN ¹	825	4,400	-	4,375
US144A/Reg S ²	824	6,494	-	5,347
EMTN ³	-	2,132	-	2,132
Private placements ⁴	-	2,260	-	1,825
Promissory notes	2,000	-	1,998	-
Bank facilities ⁵	-	1,940	-	4,646
Total principal amount of borrowings	9,149	17,226	7,498	18,325
Accrued interest	198	-	111	-
Fair value hedge adjustments	(37)	(310)	-	(747)
Foreign exchange movements	53	300	-	720
Fees and other adjustments	(2)	(73)	-	(73)
Total borrowings	9,361	17,143	7,609	18,225

1. Includes \$1,650 million in Green Bonds issued under the Company's AMTN Programme and Sustainability Bond Framework (30 June 2023: \$800 million).
2. Represents USD denominated 144A notes of USD \$5,250 million issued under the Company's GMTN Programme, measured at the hedged foreign exchange rate on the issuance date (30 June 2023: USD \$4,000 million).
3. Represents EUR denominated Green EMTN of EUR 1,350 million issued under the Company's GMTN Programme and Sustainability Bond Framework, measured at the hedged foreign exchange rate on the issuance date (30 June 2023: EUR 1,350 million).
4. Represents private placement issuances in Norwegian Krone (NOK) 3,750 million, USD \$50 million, EUR 90 million, HKD 1,370 million, GBP 150 million, Japanese Yen (JPY) 5,500 million, measured at the hedged rate on the issuance date, and AUD \$850 million (30 June 2023: NOK 3,750 million, USD \$50 million, EUR nil, HKD 900 million, GBP 50 million, JPY 5,500 million and AUD \$850 million).
5. The terms of certain bank facilities were modified during the six-month period to 31 December 2023, increasing the tenor and the overall facility limit by \$50 million.

The Company's nominal weighted average cost of issued and drawn debt, taking into account hedging activities, as at 31 December 2023 is 3.30 per cent (31 December 2022: 2.93 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	
		31 December 2023	31 December 2022
For the six months ended	Note	\$m	\$m
Finance charges on lease arrangements		(464)	(440)
Interest on related party borrowings	F2	(110)	(116)
Interest on borrowings		(309)	(223)
Other finance charges ¹		(34)	(7)
Total		(917)	(786)

1. Other finance charges include hedge ineffectiveness.

Fair value of borrowings

At 31 December 2023, the carrying value and fair value of the Company's current and non-current borrowings (excluding the Commonwealth loan) are as follows:

		NBN Co			
		31 December 2023		30 June 2023	
		Carrying value \$m	Fair value \$m	Carrying value \$m	Fair value \$m
Borrowings		21,004	20,569	20,334	19,758
Total		21,004	20,569	20,334	19,758

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 borrowings. The fair value of the Company's borrowings are measured using Level 2 inputs (refer to page 53).

In accordance with AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* (AASB 2020-8), NBN Co is transitioning from Interbank Offered Rates (IBORs) to alternate Risk-Free Rates (RFRs). During the period, NBN Co transitioned the measurement of the fair value of its borrowings held in USD, GBP and JPY to reference RFRs as opposed to IBORs. This did not have a material impact on NBN Co's financial statements as at 31 December 2023. NBN Co will seek to transition to using RFRs for borrowings held in remaining currencies as the RFRs are considered to be a reliable market reference input.

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.

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 Report and as such, should be read in conjunction with NBN Co's Annual Report 2023. For further details on the Company's financial risk management refer to Note G in its Annual Report 2023. There have been no significant changes to the Company's risk management policies since 30 June 2023.

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 managing risk and not for speculative trading.

The fair value of the Company's derivative financial instruments at 31 December 2023 are as follows:

	NBN Co			
	31 December 2023		30 June 2023	
	Current \$m	Non-current \$m	Current \$m	Non-current \$m
Assets				
Forward exchange contracts	-	-	2	-
Interest rate options	-	6	-	3
Interest rate swaps	52	998	32	1,388
Cross-currency interest rate swaps	103	197	28	179
Power Purchase Agreements	-	2	-	3
Total derivative assets	155	1,203	62	1,573
Liabilities				
Forward exchange contracts	7	-	-	-
Interest rate options	-	16	-	-
Interest rate swaps	6	128	13	81
Cross-currency interest rate swaps	25	285	18	207
Power Purchase Agreements	-	1	-	-
Total derivative liabilities	38	430	31	288

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 the 'contract for difference' (CfD) derivatives within Power Purchase Agreements (PPAs) which are categorised as Level 3 as one of the key inputs, being the electricity forward prices, cannot be forecast (using observable market data) for the duration of the contract.

The changes in Level 3 derivative financial instruments for the six-months ending 31 December 2023 are shown in the table below:

	NBN Co	
	31 December 2023 \$m	30 June 2023 \$m
Derivative financial assets		
Opening balance	3	-
Change in fair value of PPA	(2)	3
Total	1	3

In accordance with AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2* (AASB 2020-8), NBN Co is transitioning from Interbank Offered Rates (IBORs) to alternate Risk-Free Rates (RFRs). During the period, NBN Co transitioned the measurement of the fair value of its derivatives held in USD, GBP and JPY to reference RFRs as opposed to IBORs. This did not have a material impact on NBN Co's financial statements as at 31 December 2023. NBN Co will seek to transition to using RFRs for derivatives held in remaining currencies as the RFRs are considered to be a reliable market reference input.

There were no other changes 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)

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

The fair value of the Company's borrowings have been disclosed in Note C5.

D. Equity

The Commonwealth of Australia and NBN Co had previously entered into an Equity Funding Agreement (EFA), whereby the Commonwealth of Australia provided assurances to the Company in relation to the provision of equity funding of \$29.5 billion until 30 June 2021. NBN Co entered into a subsequent EFA with the Commonwealth of Australia on 27 June 2023. Under the terms of the EFA, the Commonwealth of Australia will provide up to \$2.4 billion in equity funding to NBN Co by 30 June 2026. The equity funding is to be used to enable an additional 1.5 million homes and businesses previously served by FTTN to be eligible for an upgrade to FTTP technology and will be provided to NBN Co as the program progresses, up to a maximum annual drawdown amount.

D1. Contributed equity

As at 31 December 2023, \$30.4 billion of the total available equity funding of \$31.9 billion from the Commonwealth of Australia had been provided to NBN Co under the terms of the EFAs (30 June 2023: \$29.8 billion). The equity funding provided to the Company in the six months ending 31 December 2023 is as follows:

	NBN Co	
	Number of shares	Ordinary shares fully paid \$m
Balance as at 30 June 2023	29,804,692,179	29,805
Equity injections	546,587,184	546
Balance as at 31 December 2023	30,351,279,363	30,351

E. Significant contractual arrangements and other commitments

NBN Co's significant contractual arrangements and commitments are set out on pages 169 - 171 of its Annual Report 2023 and have not significantly changed from 30 June 2023.

E1. 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 2023 \$m	30 June 2023 \$m
Within one year	510	529
Later than one year but not later than five years	126	64
Later than five years	4	2
Total	640	595

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.

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

F. Other financial information

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

F1. Contingent assets and contingent liabilities

NBN Co's accounting policy in relation to contingent assets and contingent liabilities is set out on pages 185 - 186 of its Annual Report 2023. There have been no material changes to these contingent assets and contingent liabilities during the period.

F2. Related party transactions

Parent entity

The Company's 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	
For the six months ended		31 December 2023 \$	31 December 2022 \$
	Note		
Equity injections from NBN Co's Shareholder Departments			
Balance at 1 July		29,804,692,179	29,500,000,000
Equity injections during the period	D1	546,587,184	-
Balance at 31 December		30,351,279,363	29,500,000,000

		NBN Co	
For the six months ended		31 December 2023 \$	31 December 2022 \$
	Note		
Loans from NBN Co's Shareholder Departments			
Balance at 1 July		5,500,000,000	6,375,000,000
Loans paid during the period	C5	-	(875,000,000)
Interest charged on Commonwealth loan		109,795,068	116,074,110
Interest paid on Commonwealth loan		(109,795,068)	(116,074,110)
Balance at 31 December	C5	5,500,000,000	5,500,000,000

		NBN Co	
For the six months ended		31 December 2023 \$	31 December 2022 \$
Significant transactions with NBN Co's Shareholder Departments			
<i>Recognised in the Statement of profit or loss</i>			
Other revenue		10,886,913	-
Other operating income		61,805,314	60,224,603
<i>Recognised in the Statement of cash flows</i>			
Receipts from customers		5,663,475	16,094,597
Government grants received		-	15,713

As at	NBN Co	
	31 December 2023 \$	30 June 2023 \$
Significant transactions with NBN Co's Shareholder Departments		
<i>Recognised in the Statement of financial position</i>		
Other receivables	37,233,769	23,428,455
Contract liabilities	27,353,348	32,576,786
Other liabilities	336,000,000	384,000,000

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. NBN Co recognises grant income in profit or loss on a basis aligned to the expenditure incurred by the Company for which the grant is intended to compensate. For the six months ended 31 December 2023, NBN Co had recognised \$48 million (31 December 2022: \$48 million) as other income and as at 31 December 2023, \$336 million had been recognised as a deferred gain (30 June 2023: \$384 million).

NBN Co has recognised grant income of \$14 million (31 December 2022: \$12 million) from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts on behalf of the Commonwealth Government under the Regional Broadband Scheme (RBS). The RBS was established by Government to ensure there are long-term sustainable funding arrangements in place to provide essential broadband services to regional, rural and remote Australians. As at 31 December 2023, NBN Co had accrued income for the RBS Levy of \$37 million (30 June 2023: \$23 million). No cash payments were received during the six-months to 31 December 2023 or 31 December 2022 in relation to the RBS Levy.

NBN Co also received funding from the Commonwealth Government's Regional Connectivity Program (RCP) which is initially recognised as a deferred gain and released to other revenue as NBN Co meets its obligations as set out under the contract. For the six months ended 31 December 2023, NBN Co had recognised other revenue of \$11 million (31 December 2022: nil) and \$27 million had been recognised as a deferred gain as at 31 December 2023 (30 June 2023: \$33 million). Cash payments received under the RCP, along with a number of small other individual grants received from NBN Co's Shareholder Departments have been included in the table above.

F3. Changes in material accounting policies

The Company has consistently applied the accounting policies, as outlined in its Annual Report 2023, to all periods presented in these half-year financial statements, except for new standards, amendments to standards and interpretations effective from 1 July 2023.

The Company adopted AASB 2021-2 and AASB 2021-6 *Disclosure of accounting policies and definition of accounting estimates* effective from 1 July 2023. These standards look to improve accounting policy disclosures by requiring entities to disclose their material accounting policies rather than their significant accounting policies, as well as clarify the distinction between accounting policies and accounting estimates. The adoption of these standards have not had a material impact on NBN Co's financial statement disclosures for the half-year ended 31 December 2023.

A number of standards, amendments and interpretations were applicable for the first time from 1 July 2023. These have not had a significant or immediate impact on the Company's half-year financial statements.

G. Events occurring after the reporting period

No matters or circumstances have arisen since 31 December 2023 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

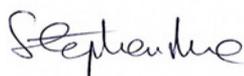
- (1) These non-statutory half-year financial statements and notes set out on pages 38 to 57 are in accordance with AASB 134 *Interim Financial Reporting* (which complies with IAS 34 *Interim Financial Reporting*), the *Corporations Act 2001* (Cth) and the *Public Governance, Performance and Accountability Act 2013* (Cth), giving a true and fair view of NBN Co's financial position as at 31 December 2023 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
6 February 2024



Stephen Rue
Chief Executive Officer
6 February 2024

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 2023 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 2023 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 material accounting policy information and selected 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 of the Half-Year Financial Report that gives a true and fair view in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation of the Half-Year Financial Report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

My responsibility is to express a conclusion on the Half-Year Financial Report based on my review. 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 2023 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
6 February 2024

SYDNEY

Level 13, 100 Mount Street
North Sydney NSW 2060

MELBOURNE

Tower 5, Level 14
727 Collins Street
Docklands Victoria 3008

HOBART

Level 1, 54 Victoria Street
Hobart Tasmania 7000

CANBERRA

Unit 2, 16 National Circuit
Barton ACT 2600

PERTH

Level 4, 202 Pier Street
Perth WA 6000

ADELAIDE

Level 1, 84 Greenhill Road
Wayville SA 5034

DARWIN

Unit 6, Terminal 1 Building,
396 Stuart Highway
Winnellie NT 0820

BRISBANE

Level 1, 44 Southgate Avenue
Cannon Hill Queensland 4170

