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Bill Morrow: Good morning and welcome to everyone in the room, on the phone or joining us via the webcast. We'd like to thank you for taking the time to hear about **nbn**'s performance over the first half of 2017 fiscal year. Now if you haven't done so already, you can download the supporting materials from our website.

Now I'll start the morning by providing a high-level summary of our achievements over the first half, and Stephen Rue our CFO will then dive in to the financials. Then finally I'll come back up to close and share a little bit more about the operations of the business. After that we'll of course answer whatever questions that you may have, and I'm supported by a number of the executive team that are here with us today.

I'd like to remind everyone of our company goal, and that is to connect eight million homes and businesses with fast broadband by the year 2020. We're fulfilling this goal by building a broadband network that extends across the country, and together we're working to make Australia the world's first fully connected continent by the year 2020. We have a remit, and that is to roll out the network as quickly as we can, at the least possible cost. We're doing this with a network design that allows for upgrade so that capacity can evolve, along with consumer demand.

Now importantly our aim is to build a sustainable business that can fund these upgrades itself, without having to rely on the taxpayer. And I can confirm, that yet again, **nbn** has passed its targets set by the Board. We've achieved this thanks to the commitment and hard work of our highly engaged and capable people.

Now looking back over the first half of this financial year, I am encouraged by the progress against our key metrics.

The number of homes able to order a service grew to 3.8 million by the end of December. And, I'm pleased to say that as of yesterday, we now have reached more than 4 million homes.

The number of homes connected to a service over the network has also increased significantly, with 1.6 million active users, at the end of the half.

Now this growth has in turn led to a strong revenue performance. **nbn** earned \$403 million in the first half, and this is close to the same total achieved in the entire fiscal 2016 year.

These numbers show 2 important things.

First, they demonstrate Australia's growing adoption of broadband services over the **nbn** network.

Second, they reflect the great work of the team, helping to build a growing, sustainable business.

Now these results are set against the backdrop of the enormous work now underway all over Australia. Today 80% of the country is either in design, construction or already able to order a service. This shows the vast reach of the network to a majority of Australian communities.

These top-level results are even more impressive when you consider a number of important milestones, delivered by the team in the first half, and I'll expand on these later.

Now it's fair to say our performance indicators are very strong. I'm standing here extremely proud of the efforts by all at **nbn** and

those who help us deliver access to fast broadband. But we can't be complacent. In a business like ours with the targets we have, we must continue to grow at record pace. Pleasingly, the productivity gains that we have seen in this half, particularly when compared to the prior year, are very encouraging.

The December weekly run rate of new premises made ready for service grew to 48,000. This 12-week rolling average result is more than double the December 2015 figure of 21,000.

And our activation weekly rate is just as impressive. At more than 20,000 a week it is double the same rate for the year before. Last week, the weekly result for new connections had already increased to 28,000. And I can assure you, that we are keeping our feet well and truly on the accelerator.

This year will see us reach the 50% mark for the build. As part of this, you will see us ramping up activity, in the cities and metro areas in a big way.

Now, before we get in to further details of the operations, it is important to understand what's driving the financials, and to explain that, I'll hand over to our CFO Stephen Rue.

Stephen Rue:

Thanks Bill, good morning all. It's really great to be with you again. In addition to today's briefing, as is usual with the half year, we've prepared a half year report. And included in the half year report is a director's report, analysing our operational and financial performance for the period and a set of interim financial statements, which are subject to a review opinion from the Australian National Audit Office. A copy of our half year report will be published on our website, and I commend the document for your reading.

Now turning to the performance for the first half of fiscal 2017, I would like to begin by talking to the headline results. The headline results for the half year show our total revenue more than doubling compared to the first half of last year, to \$403 million. As Bill mentioned, this is close to the total amount of

revenue earned from the entire 2016 financial year. The growth in revenue is driven by a 125% increase in active end users, which exceeded 1.6 million at the end of December, supported by a 1% increase in ARPU.

Our network rollout continues to increase exponentially with over 3.8 million premises ready for service at the end of December. This represents more than double the number of premises ready for service compared to the same time a year ago. The continued acceleration of the network roll out has resulted in \$2.8 billion of capital expenditure during the half-year, bringing total life to date CapEx to \$16.4 billion.

During the first half of fiscal 2017, **nbn** received a total of \$3.5 billion of equity from the Commonwealth Government. The total equity funding to date is \$23.8 billion out of a total committed equity funding of \$29.5 billion. And I will speak to future funding in my closing remarks.

Now turning to revenue in more detail. You can see on the chart the growth in revenue quarter on quarter over the past 12 months. I'm pleased to share that a quarterly revenue growth trajectory has continued in fiscal 2017, with quarterly revenue growing from \$181 million in the first quarter, to \$222 million in the second quarter, bringing total revenue for the first half of fiscal 2017 to \$403 million.

This growth in revenue is mainly due to the higher number of active end users, which I will talk through on the following slide. The numbers on the right-hand side of the chart provide a breakdown of revenue by technology. We can see the continued growth in FTTP, FTTN and fixed wireless as further premises are activated and the emerging revenues from the Sky Muster satellite service. CVC revenue has continued to increase in line with expectations, as active end users continue to grow and consume more data. Other revenue includes fees from

developers and copper sub-loop licensing as well as the Technology Choice program.

On the next slide we can see the progress made in activating end users across the various access technologies. We are very pleased with the continued momentum in activations during the first two quarters of fiscal 2017, with more than 1.6 million active end users on the network at the end of December. This represents an increase of more than 550,000 end users since June, or a 50% increase in only six months, for which we are delighted.

On the right-hand side of the slide, you can see the breakdown of active end users by technology. End users on the FTTP network have grown to more than 969,000 at the end of December. And following the launch of FTTN service in fiscal 2016, there were more than 449,000 active end users on the FTTN network at the end of the period.

On the fixed wireless network, there are now more than 150,000 active end users, and the number of end users on the satellite service, reached nearly 65,000 at the end of December, which includes more than 54,000 end users on the Sky Muster service. It is expected that the remaining end users on the interim satellite service, will be migrated to the Sky Muster service in coming months.

In relation to HFC as you may recall, this technology was commercially launched in June, and we expect to see the number of end users grow significantly. The weighted average ARPU across all technology for the first half of fiscal 2017 has remained consistent at \$43, despite the reduction from CVC rates that were introduced in June and December 2016, reflecting a new dimension based discount pricing model.

Now turning to speed tiers on the following slide. You can see the mix of Fixed Line, Fixed Wireless and satellite speed tiers. The

charts demonstrate the ongoing trend from fixed line end users to select the 25/5 speed tier.

At 31 December we saw 31% of fixed line users on the 12/1 speed tier, 51% on the 25/5 tier and 13% on the 100/40 tier. In Fixed Wireless, 79% of customers are now on the 25/5 tier, with 4% selecting the 50/20 tier. On our Sky Muster satellite service 67% of customers have selected the 25/5 tier.

To promote awareness and the choice of speed tier we've recently launched initiatives focused on educating the community about choice of speed tier that are available.

Moving now to premises ready for service. We have seen an increase of more 2.1 million premises in comparison to the same time a year ago. FTTP premises reached almost 1.5 million and on the FTTN network more than 1.3 million premises were ready for service at the end of December.

During the past 12 months the Fixed Wireless premises ready for service increased to more than 468,000 and premises covered by a satellite service reached 409,000. HFC premises of more than 150,000 reflect the initial progression of the rollout of this technology. Underpinning the significant growth in network deployment with 80% of the nation now either ready for a service or in the design or construction phase is our investment in capital expenditure, which you will see on the next slide.

During the six months to 31 December **nbn** incurred \$2.8 billion in capital expenditure. An increase of \$712 million on a comparative period. The largest area of expenditure during the first half of fiscal 17 was on the FTTN network with more than \$1 billion spent on capital expenditure, incurred for design and construction related activities in the rollout of this technology.

In addition \$631 million was incurred on the development of the HFC network, evidenced by almost 1.7 million premises currently in design and construction, and nearly 159,000 premises ready for service at the end of December.

Capital expenditure also continues on the FTTP network with \$294 million spent primarily on expenditure for the Greenfields FTTP network and on connecting end users to the Brownfields FTTP network. Fixed wireless network capital expenditure of \$177 million relates to the acquisition of a further 250 wireless sites and the integration of an additional 144 base stations.

The satellite CapEx at \$158 million includes costs associated with the successful launch of Sky Muster II as well as customer connection activity. As expected we continue to incur CapEx on the transit network as both end user numbers and the demand for capacity grows.

Finally capital expenditure on common CapEx items was \$370 million, relating to the development of our network platform to support the operation of the access technologies, network operating tools to support the field workforce, and ongoing network releases to support product development.

On the following slide you can see the total life-to-date cost of our property, plant and equipment and intangible assets before depreciation, as recorded in our financial statements, amounting to \$22.2 billion. This includes finance leases.

On the right hand side you can see the breakdown of the \$22.2 billion across the access technologies, the transit network and our investment in IT and common CapEx items. And now onto cost per premises, otherwise known as CPP. And again to refresh your memory, CPP includes costs incurred in building the network from the transit network to the end user activation.

FTTP Brownfields CPP of \$4,405 has remained consistent and in line with expectations. Greenfields CPP has increased during the period to \$2,504, primarily driven by additional premises connecting to temporary transit infrastructure as the program continues to expand.

The FTTN CPP to date of \$2,172 has also decreased, primarily driven by lower design and construction costs during the period.

In relation to HFC the CPP of \$2,259 for the premises constructed in the early stage of the program is below the expectation set out in the 2017 corporate plan of \$2,300 and is a pleasing indicator at this time.

Lastly Fixed Wireless CPP had decreased during the period with \$3,551, driven by an increase in the average number of premises serviced by each wireless base station.

Regarding operating expenses, for the first half of fiscal 17 operating expenses, excluding subscriber costs were \$858 million compared with \$644 million last year. The increase is in line with the expansion of the **nbn** network and the growth of the business. Expansion of our business has again resulted in requiring more employees which is reflected in the rise in employee related expenses during the period.

Direct network costs have increased as expected just for the expanded reach of the **nbn** network and the associated operational, maintenance and assurance costs of the various technologies. Other expenses are driven by the growth of our business and includes costs such as marketing, IT, corporate, legal and occupancy costs.

Subscriber costs primarily relate to payments made to Telstra and Optus when they disconnect or migrate customers onto the **nbn** network. These costs have more than doubled in comparison to last year as more and more customers disconnect and migrate from the Telstra and Optus networks.

On the next slide and adding to Bill's comments regarding our run rate, you can see the exponential progress we have made during the 2016 calendar year. So in the 2016 calendar year over 2.1 million premises were made ready for service which is more than two and half times the number of premises made ready for service during the 2015 calendar year, and almost six times those delivered in 2014.

Following on the growth and premises ready for service, during the 2016 calendar year more than 900,000 end users were activated onto the network. This is more than double the number of activations during the 2015 calendar year and nearly five times the number of activations during the 2014 year. So these growth rates are underpinned by CapEx growth.

You can see on the slide the revenue benefits from this growth with revenue for the 2016 calendar year of \$660 million, which is two and a half times the amount of revenue earned during the 2015 calendar year and six times that of 2014.

Turning to my last slide of the presentation I would like to highlight the EBITDA before subscriber costs metric as this best represents the ongoing activities of our business. You can see that these losses continue to reduce. There is more detail on this in the half year report.

Lastly from me, on 22 December a \$19.5 billion loan facility was secured through a government loan on commercial terms. The terms of the loan were informed by external credit ratings received by the company. The loan facility will be available from 1 July 2017 with the principal amount to be repaid by 30 June 2021. We are delighted with securing the funding so we can remain focused on building a sustainable business for the future.

So with that, I'd like to hand you back to Bill.

Bill Morrow:

Thanks Stephen. So as you can see it has been an excellent six months achievement. I'd like to now take you through some of the key highlights that sit behind the numbers starting with our network.

Stephen and I have already touched on the significant productivity gains that we've made over the past year. This week we hit another key milestone. More than four million homes are in the **nbn** footprint, which means one third of Australia can now connect to fast broadband through one of our retailers.

Our growth will continue with the team making further process improvement every week to produce greater volume and quality and construction. The HFC footprint will also increase over the coming months, building on solid foundation now in place between **nbn** and our construction partners. We are set for significant growth in the HFC footprint in the second half of this year.

We also announced an increased focus on fibre-to-the-curb, or FTTC. This includes our plans to use the technology in the former Optus HFC footprint. As we prepare for launch in 2018 **nbn** will be a world leader in the use of this emerging technology.

The progress on our Fixed Wireless network has been strong. The service continually delivers an excellent experience to our outer suburban and regional areas. Lastly the second nbn satellite Sky Muster II was launched successfully into orbit in October. The final beams are being commissioned at the moment and they're on track to begin contributing to the service very soon. The second satellite is of course being used to strengthen key beams and provide increased capacity to Sky Muster services.

Now let's take a look at the ultimate users of services over the **nbn** network. These are the families, entrepreneurs and companies who buy **nbn** powered broadband services from our retailers. We are pleased to say that the numbers are growing. Last week 28,000 new homes were connected and that number is increasing consistently.

We're also seeing an improvement in quality with wait times trending downwards. The wholesale speed mix in percentage terms has seen growth in the 25 tier and below. There are two forces at play here. One there is a limited current need for the higher products and two there is low awareness of the availability.

To help address the awareness we began a program with our retailer's large quarter to encourage greater take up of the higher speed plan. We are pleased with the early results. Our aim is to

drive a more informed conversation between retailers and end users about the full potential of the **nbn** network in their area.

On sales, we have a strong take up and it continues in areas where services are available. After the 18 month migration window 74% of homes that can order a service have done just that. Now this rate is ahead of our target and is a good indication of the benefits being delivered at a community level. Not only is take up strong but data usage is also climbing. The average monthly download is 151 gigabytes per user per month over the **nbn** network.

Now what I would also like to call out here is that the median broadband data usage is 67 gigabytes per user per month. This shows that there are clearly high levels of utility in some segments that the majority of users are actually around the 60 to 70 bracket. Now our average end user satisfaction score is seven out of 10 for the half year. Our average net promoter score is a positive 14.5.

Now these results reflect a combination of early process and systems that are being finessed and yet they're still encouraging when you consider the rapid expansion of our new technology. We're addressing the themes of our consumer research to help ensure that ordering and installing the retail service is completed more efficiently and that the service itself delivers to expectation.

A particular area of focus is the satellite experience. This is a world first technology and it is fair to say that we have experienced issues. We're working hard with our partners to deliver the product as expected.

Let's move onto our retail service providers. A growth in activity of retailers and channels has been significant. As an example there are more than 10 million retailer IT transactions through the **nbn** systems each month. This will continue to grow.

It's also pleasing to see that a number of new retailers have signed up to sell **nbn** products. These new retailers include

household names, like Foxtel and Vodafone, as well as other challenger brands.

Now, we know there are always improvements to be made in the end-user experience. In this past six months we have worked closely with our retailers, and this collaboration is delivering enhanced processes and better outcomes. That said, our retailer satisfaction index at mid-year was again at 7.2 out of 10, which is consistent with the result from six months ago, and a strong performance, but we still have a work to do.

In response to the growing demand of our systems we have put in place a number of initiatives. This will help our retailers deliver the right service to the end-user.

One critical component of our retailer and end-user experience is our product constructs. To continue to improve them, we maintain ongoing discussions and consultations with our retailers. Our connectivity virtual circuit, or CVC as it's called, is our data dimensioning charge, and it is a key contributor to both our end-user experience and the success of **nbn** and our partners.

CVC pricing has always been modelled to trend downward with data usage increasing. The original fixed price model was overhauled last year, setting the price based on the average CVC provisioning per user by the industry. Now, this move saw the unit price immediately drop from \$17.50 to \$15.75 in June. This was followed by a further reduction to \$15.25 in December. Even though our CVC prices dropped with an increasing discount, our ARPU has remained steady at \$43.

Now, we spoke last year of our aim to evolve the model and give retailers greater flexibility, certainty, and control of their cost base. We continue to have conversations about this proposed next step in our pricing. We also believe that this increased the user experience, with products and plans created by retailers.

As part of this proposal, we would also look to re-baseline the current table of charges downward, to reflect the higher usage patterns that we see in the coming years.

We continue to innovate in other areas as well. New satellite policies in development for Health, Indigenous and local government properties. This is on top of the current portfolio of education products in the market today.

Just last week, we announced the first customer for our new Cell Site Access Service. This is a wholesale product that enables telco operators to provision communication services using our fibre backbone to reach new areas. It's a great example of **nbn** making the most of a network for the community.

I'd also like to update you on the business segment, where you'd see the migration of many business-grade services begin. Currently, of the 4 million premises that can order a service using the **nbn** network, 10% are businesses. **nbn** now has a comprehensive product suite for micro and small to medium enterprise, and we've been working hard to communicate and refine our processes for activation of these important end users.

Of course, all of this would not be possible without an engaged team at **nbn**. We have more than 6000 people directly employed by **nbn**. That includes engineers and planners, project managers, technicians, and corporate staff. They are a highly engaged team, united by the unique opportunity for **nbn** and the chance to change the digital face of our nation.

Then there is the wider **nbn** ecosystem, which includes the external workforce employed by our delivery partners. This external workforce has more than 17,000 people who are helping to build and operate the **nbn** network.

Our entire team remains highly engaged, and we continue to focus heavily on ensuring **nbn** is a great place to work.

It is also really important to acknowledge that the success of **nbn** is a shared success. We have a strong relationship with Australia's

construction industry, and together we are united by a common goal of completing the **nbn** network by 2020.

The ongoing agility of our key partners have also been a great contributor to our results. With their support, we have signed new agreements for the design and construction of the FTTC footprint in key metro areas. We have also announced a supply agreement with Australian manufacturer Netcomm Wireless, for FTTC equipment.

Overall, our core agreements for installation and service across the network are progressing well. There are high levels of collaboration throughout our entire partner base.

So, before we move to questions, I'd like to close with a few final points.

First, we are on track to meet our full year FY17 target. We will have 5.4 million premises able to order a service over the **nbn** network by 30 June. We will have 2.3 million premises connected and making the most of fast broadband. Our revenue target of \$900 million will be met.

Second, the **nbn** network remains the most complex and challenging infrastructure deployment in Australia's history. We will no doubt find new problems to solve as we progress on the maturity curve, which may see potential disruptions in new areas as we ramp up construction and connect more people.

The team will address these problems with urgency and professionalism. Importantly, the benefits will be worth it as we work together to make Australia the world's first fully connected continent by the year 2020.

I'd like to thank you for your time. I will now take questions. We're going to start with those in the room. We do have an audio call, and then we have people that are on the webcast that we'll take via email.

So, first question in the room please. If you could state your name and which company you're associated with.

Question: (Sameer Chopra, Bank of America Merrill Lynch, Analyst)
Excellent progress by the way, congratulations. I had three questions. The first one is around - you mentioned some downward pressure on pricing. It's really encouraging to see the ARPU is stable at \$43. How do you see that ARPU progressing over the next 12, 18 months?

Bill Morrow: So again, we expect our ARPU to progress over the period of time, as laid out in our corporate plan. This has meant that even though we give a per unit price that is lower from the higher usage ARPU, because they are buying more products from us, it enables us to actually grow our ARPU at the same time. We give away far more data than what we would before with the new CVC prices.

Question: (Sameer Chopra, Bank of America Merrill Lynch, Analyst) Thank you. Do you see that will come down over...

Bill Morrow: The CVC is a unit price base. So the more you buy, the lower the per unit cost is, but you're buying more units of it. So, that enables us to actually grow our ARPU. It enables the retailer to be able to sell more data consumption, at the same time it offers some value to their end user.

Question: (Sameer Chopra, Bank of America Merrill Lynch, Analyst) The second one is, the telecom sector has been talking about the high cost to connect to the nbn. Telstra has put a number out there that cost would be around \$2 billion of additional cost as they migrate to the National Broadband Network. How are you working with the retailers to bring that down? I think you briefly mentioned that initiatives are underway. Can you give us some practical examples around what you're doing to make...

Bill Morrow: When you talk about connecting to nbn, what's your [unclear]...

Question: (Sameer Chopra, Bank of America Merrill Lynch, Analyst)
Migrating a copper line to an nbn line.

Bill Morrow: Those are all pre-set and contractual terms that we have with a couple of the different companies, Telstra being one of them. They are confidential in nature so they're not revealed in price. Those are contractual and will continue.

Question: (Sameer Chopra, Bank of America Merrill Lynch, Analyst) The final question is just around - perhaps around competing high speed wireless. 5G is two, three years away. Your thoughts on how nbn is positioned relative to what the telcos will do on 5G?

Bill Morrow: Yes, well one of the strengths of nbn and its cost rate is that we remain technology agnostic. We continue to look at new technologies. Whatever can assist us to roll the network out faster at a lower cost, we're always interested in. We've also accounted for the fact that we will see some infrastructure competition. That's why we're only targeting the lower 70% take-up rate, because we know a portion will be offset with other companies as well.

As it relates to 5G and the recent evolution behind that, we're excited behind that. I do want to make clear that when you look at a mobile network that's going to offer those kinds of speeds, they are designed and geared for a low consumption, relative to a fixed consumption, like what we do. For example, over 150GB for us, the average is less than 2GB in the mobile world, here in Australia. So, 75 times difference in terms of the throughput. That's the reason that they have slightly different service characteristics.

One more question in the room, and then we'll go to the audio.

Question: (Lilly Vitorovich, AAP) Hi Bill. Lilly Vitorovich from AAP. Can you tell us in terms of the customers that are coming over to nbn, what portion of Telstra, Optus, and a breakdown roughly of the main players? Also, I have to ask you about all the ructure about the Australia Post boss getting such a big salary. If you have any comments on whether you think it's too much, or it's just right given the job, and I guess people...

Bill Morrow: I haven't heard. How much does he make? No, I'm kidding. I'm kidding. On the elements of the customers that are coming over and the proportions of which goes to the retailers, that's published by the ACCC. That's your best reference document to go there, but it's roughly half that Telstra's seeing from a market share point of view.

Question: (Lilly Vitorovich, AAP) [Off mic comments]

Bill Morrow: You know what, quite honestly we have a lot of things that we're focused on, on getting the network built. My head is down, focused on nbn, not on other companies or the remuneration of their executive.

Let's go to the audio.

Operator: For those of you on the phone, if you would like to ask a question please press zero one on your telephone keypad, and wait for your name to be announced. We'll now pause a moment to assemble a queue.

Bill Morrow: I understand good news is boring, so if there are no questions we perfectly understand that. Let me come back to - I don't see any on the webcast either, so again everybody - it's unanimous. Oh darn, one popped up. Let me go to the webcast, and we'll come back to the ground. This is from Paul Smith from the AFR. The question is; are you concerned about the lack of ARPU growth, and what factors do you think will cause this to rise in the future?

Paul, we aren't concerned about where we stand with ARPU. In fact, we're overjoyed with it. We are coming in far better than scheduled, in terms of what we'd anticipated and what's in our plans. We do see the opportunity for growth going forward into the future. It remains strong. If you just look at the data growth that we're seeing, that's a symbol of what we can expect going forward into the future.

The CVC pricing that we've been talking about is all modelled around, of course, growth for nbn, better margins for the RSPs, and better value for the consumers.

We'll go to the audio now, for a call.

Operator: Your first question comes from the line of Lucy Battersby, from Fairfax Media. Your line is now open, please go ahead.

Question: (Lucy Battersby, Fairfax Media) Thanks very much. I was wondering, at the current ARPU of \$43 a month, you will need to connect about 9.6 million premises to get your target of \$5 billion of revenues. Are you - you're only predicting 8 million connections by 2020. So, where do you expect that difference to come from? Do you want other income to increase, or ARPU to go up?

Bill Morrow: We see two areas where we see that is going to lift our ARPU. The first is in the consumer segment, which is largely what we're seeing today. 90% of those customers today are flat in the consumer side of it. As we see users demanding more and more product, new applications coming on, we see them interested in taking up some of the higher speed tiers. Equally so we see them consuming more, which will of course have the retailers open up more of the CVCs. Those two elements give an ARPU lift from where we are today.

The second area is the business segment. Now, we haven't really moved as aggressively into that. As I mentioned, we are preparing a number of products and services to be able to launch into that area. That will also give us a substantial lift in the ARPU, to where the model, as we have articulated, comes together at the [8 million per year].

Question: (Lucy Battersby, Fairfax, Media) Can you also give me some details on the extra spending in the transit network - what have you had to build that you weren't expecting to?

Bill Morrow: There wasn't anything that we had to build that we weren't expecting. It's usually a timing issue mostly depending on how fast the network needs to grow to handle the capacity. With this increase in data consumption that we've seen up over 150 gigabytes, that means that we have to have that background transport network that can handle that volume as well. So that's

all you are seeing is just an acceleration of expanding that capacity.

Question: (Lucy Battersby, Fairfax, Media) Can you provide any detail - like a fibre link between capital cities, or into regional areas?

Bill Morrow: It's just really a matter of expanding the capacity. We have the managed services that we look at, we upgrade the equipment that's behind there. I think we can perhaps provide a little bit more detail - Stephen - Lucy, we can set you up a call more direct with Stephen if you want to get into further detail.

Question: (Lucy Battersby, Fairfax, Media) Thank you.

Bill Morrow: Okay, one more on the audio please.

Operator: The next question comes from the line of Ian Martin from New Street Research. Your line is now open.

Question: (Ian Martin, New Street Research, Media) Thank you, good morning. Bill...

Bill Morrow: Hi Ian.

Question: (Ian Martin, New Street Research, Media) Hi Bill, previously I think when you brought in the dimension based price discounting you talked about moving towards specific dimension based prices, and perhaps another discussion paper on where that pricing might go to. Could you perhaps give us an update on the timing with that and whether - I think it's been a bit of push-back to company specific discounts, where does that stand now?

Bill Morrow: Ian, I'll hand you over to John Simon who will answer that question.

John Simon: Hi Ian, yes, so we have been in consultation with our customers and we've issued documentation. We're going through the final phases of closing out that consultation, so I think it's just something you just need to watch that space and you will hear more about it shortly.

Question: (Ian Martin, New Street Research, Media) Very good, okay, thanks for that.

Operator: Your next question comes from the line of Jennifer Dudley-Nicholson from News Corp. Your line is now open, please go ahead.

Question: (Jennifer Dudley-Nicholson, News Corp, Media) Thank you. So we've heard you make reference to this mobile phones network plan costing - one gigabit per second speed. The nbn has been saying that this is possible for some time, but it's not available to consumers. Why do you think it's not available, and when do you foresee the RSPs making it available?

Bill Morrow: So we have roughly 1.5 million homes that can have the technology to give a gigabit per second service capability today. We have a product that we can offer the retailers should they want to sell it. Jennifer, the reality is that a couple of the retailers have signed up for a trial based as to where they're looking at what a gigabit per second service might look like. But they have chosen not to offer that to the consumers. You'd need to talk to them as to why, but I will presume it is because there isn't that big of a demand out there for them to actually develop a product to sell to those end users.

Question: (Jennifer Dudley-Nicholson, News Corp, Media) How much are we talking about that it would cost at the end if there's no demand for it?

Bill Morrow: I'm sorry, how much would it cost if there's no demand for it?

Question: (Jennifer Dudley-Nicholson, News Corp, Media) Well, no, how much would it cost in terms of delivering the service - is it prohibitively expensive and is why people sort of can't access it?

Bill Morrow: Well, again I suspect - all I can do is assume here because it's the retailers that do their market research and determine which product. But a gigabit per second is a lot of bandwidth. We did scour the planets and go around to talk to a variety of different carriers that have gigabit per second services in the market that

in fact are selling, and where consumers have taken up gigabit per second services. We asked the question, has anybody actually used that amount of bandwidth. The answer was unanimously no.

There are not that many applications that warrant much above the products that are being sold at nbn today. So I suspect that's the main reason. If I have to pay for it - to move from 100 up to a gigabit per second - I don't really have the application or the need for it, so why would I pay more to do that. Jennifer, I believe that's the market dynamic that is occurring today.

Now I say that as we know there are things on the horizon that are going to increase the need for further demand. What do you think about AR or AI, or any of these other elements with media streaming going to 4K and 8K and immersive sound. All of these other things could certainly drive up more of that consumer need, but we haven't seen that as of yet because those aren't really here to where people feel I need to pay extra money to get that kind of service. Even if we offered it for free, we see the evidence around the world that they wouldn't use it anyway.

So moving to a question over the webcast, this question comes from Lucy Battersby at Fairfax. Her question is, at the current [unclear] of \$43 you need to connect 9.6 million homes. I believe we answered this already, to get the \$5 billion revenues you are predicting eight million homes in 2020 [unclear]. Sorry, I think we did that one already on the audio as well.

Okay, this is another one from the webcast here, and this is from Ry from IT News. It seems like - the question is - it seems like you've got the build cadence for FTTN, the build prep to RFS down quite a bit as the rollout has progressed. Where does it currently sit, and where do you want to take it?

So FTTN has been a remarkable success, to be able to build this network faster and cheaper because it's a pre-built existing infrastructure that's in the ground. I mentioned we have roughly

1.5 million homes that are using fibre with gigabit per second capabilities. We'll have equal that number of FTTN homes now that are also made ready for service. Think about the time from when we started to launch FTTN versus how long we've been going with FTTP. That gives an indication of how quickly this can wrap up.

This is still an important technology in our multi-technology mix as we go forward. We have indicated before that there is going to be roughly five million or more homes that will be served by this FTTN technology. Again I will comment on the service usage of this, we see the dominant portion of our customers that are happy with this service. They have speed plans that are their preference that the technology can well serve, and we're constantly looking at upgrades to this technology to be able to be ready for it when that demand goes above what the capacity of that technology is. Then of course we will respond accordingly.

Okay, back to the webcast again, this is from Paul Smith again from the AFR. The question is, a while ago you mentioned that widespread fibre to the curb deployment as opposed to FTTN would require nbn to observe how it performs in all seasons and weather. Do you have any indication of how it held up in the winter and summer extremes yet?

Paul, I can tell you that the trials have gone extremely well on this. We are very confident this will be a viable technology to use in the nation. We still have a couple of things that we need to iron out. We're working with some great suppliers around the world to be able to even take it to the next level. Right now it is very much a part of our plan as we go forward into the future and I do not believe [unclear].

Another question on the webcast, this is Raymond Tong from Evans & Partners. The question is, can you discuss what you are seeing in terms of fixed line infrastructure based competition? Are there many areas you are seeing this, how are you competing

- for example, can you lower your price? What kind of market shares are you seeing?

So Raymond, again as I said, we have always known that we will see a degree of infrastructure competition in Australia. Hence the reason why we have a 72%, 73% take-up rate as a target. That is built into our business model to offer the rates of return that we've spelled out before. We know that when you look at even 5G, that is a potential for some infrastructure competition as it comes in. We have heard signs of certain people saying that they will build fibre into the home and offer a competing service. I suspect we're going to see other forms of infrastructure competition come together as well.

Now we are a business for profit. We have a strong social element to who we are at nbn, but we are working for the taxpayer - the investment that they made in to provide a return. So naturally we will respond to anything that does start to look like it would be a threat to our business model. Whether we have to be more aggressive on a better network, whether we have to be aggressive on price that we offer to our retailers in that particular area. These are things the management team is constantly weighing and considering in order to give a great service to all Australians, and still offer a sale return back for the investors - which is all of us, the taxpayers.

A question from the audio.

Operator: The next question is from Lucy Battersby from Fairfax. Your line is now open, please go ahead.

Question: (Lucy Battersby, Fairfax, Media) Thank you - thanks for taking all the questions Bill. I just wanted to ask if you're happy with the experience that consumers are having at the moment. I've got some family who are recently connected on their HFC network and they've had about two weeks to three weeks of trouble making sure that people can ring in on their telephone line, their phone line's been going off and on. There seem to be a lot of

complaints on social media, and when you talk to people who are getting connections about just keeping their basic phone line going - particularly if there's a blackout. Do you know if nbn can improve this in any way, are you making any changes? Or is this just something that people have to put up with?

Bill Morrow:

Ah well, first of all let me say on the first part of your question as far as whether we're happy, we are not happy until every customer has a wonderful experience as it relates to nbn. Our heads are down and obsessed with that- we profit off that - equally within our management meetings, and it very much is a focus for us.

Now having said that, when you look at introducing the kinds of technology that we're introducing, when we're building up a case to which we're building, and we're signing up customers at the rates at which we are signing up, there are bound to be issues that will test those processes that we have built. So we're in a constant refinement and self-improvement mode to be able to deliver this. We have - for each technology we have ever launched, including going back to the initial FTTP - seen a very rough patch when we've started out.

But each of these technologies - as they mature - we have refined these processes, put the problems of the past behind us and each one of those are now performing at an acceptable level. We have FTTN as an example, where it was a problem when we first launched it. The team have really gone in and addressed this, and it is a well performing - as indicated by the perception scores that come back from our surveys - that people are happy with the activation and the use of that service.

Things like satellite which are newer - as I mentioned before - we know that we have issues on this. We are heads down, elbows up on trying to actually make sure that this thing gets up to that satisfactory level. HFC is the next new one that will be tested. At the volumes that we're going to see in the second half we know

there will be issues, but we also know what a capable group of people that get early detection on it and put a quick response in to make sure these things don't happen.

Again, we won't rest until we know that everybody is getting a great service with their nbn product. What I would say Lucy here, I think it's important that we all understand, this is an industry wide effort to make sure those end users get a great service. nbn is just a link or two of the chain that has many other links in it, including the RSP's network, including what the RSPs purchased from the CVC, including the RSP IT systems how they work. Together we're actually pulling together with the RSPs and saying, how can we make a step change to actually offer that end user - who could care less about which company it is that's providing it - they just want a good broadband service.

So again, this is one of our top priorities for this year, and I'm confident that we've done a good job and we're going to continue to improve in this area.

Question:

(Lucy Battersby, Fairfax, Media) Well, for the end users their problem is that they spend hours on hold with a call centre based overseas trying to tell them what's going on in their front yard. So there does seem to be a disconnect between the people on the ground here and then the consumers talking to someone thousands of kilometres away there. It is making a lot of people frustrated.

Bill Morrow:

JB, do you want to speak to the call centre and the - yes, they'll turn it on.

JB Rousselot:

In terms of end users talking to call centres, there will be a mix of those calls will be to overseas call centres, when it comes down to the activations that we do and we have a mix of people that handle those calls of a general basis here and overseas. There will be also a mix of those calls that will be going to the call centres of the RSP. So it's hard for us to kind of ascertain where those conversations are taking place.

Bill was saying our effort is to make sure that we work with all of the RSPs so that that end-to-end user and end user experience is actually as seamless as possible. So as Bill was saying we're working really hard to make sure that whenever there are holdings and gaps in the chain we fill them very quickly.

(Lucy Battersby, Fairfax, Media) Thank you.

Bill Morrow:

Okay. Well, with that we wrap up on this. Again I would like to thank all of you on the call, on the webcast, in the room here today with us. We are very proud of the progress that has been made by our employees and partners. We know we're not done yet, a third of the way already, half the way by the middle of this year. Three quarters of the way by the middle of next year and we will finish this, get everybody connected by the year - everybody will have access to nbn by the year 2020 and we intend to make sure that we keep up with it for now. Thank you.

End of Transcript