



2022
Half-Year Report

For the six months ended
31 December 2021

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* and operating in accordance with the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

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

Half-Year Financial Report

This Half-Year Report is for the six months ended
31 December 2021.

The Half-Year Report was authorised for issue by the Directors on 7 February 2022. The Directors have the power to amend and reissue the Financial Report.

Glossary

Defined terms within this Half-Year Report should be read in conjunction with the Glossary on the NBN Co website:

<https://www.nbnco.com.au/utility/glossary-of-terms>

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ABN 86 136 533 741



RECONCILIATION
ACTION PLAN

INNOVATE

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 Aboriginal and Torres Strait Islander peoples today.

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About NBN Co

NBN Co is committed to responding to the digital connectivity needs of all Australians, working with industry, governments, regulators and community partners to lift the digital capability of Australia.

As a Government Business Enterprise (GBE), the principal responsibility of NBN Co is to build and operate the National Broadband Network (**nbn**[™] network) in accordance with the Commonwealth Government's Statement of Expectations, 26 August 2021¹.

One of the Company's key objectives is to support Australia's digital economy and enhance social connection by creating opportunities for communities, governments and industry to drive digital adoption and innovation.

In addition to building and operating a network that is reliable, fast, resilient and secure, NBN Co also has the objective of meeting the current and future broadband needs of households and businesses, including in regional Australia, fostering productivity and innovation, and supporting the nation to be a leading digital economy and society.

As the network wholesaler, NBN Co provides access to all Retail Service Providers (RSPs) on a non-discriminatory basis. This approach is intended to level the playing field in the Australian telecommunications industry, enhancing competition and innovation, and providing greater choice for customers² across the country. It is through RSPs that customers connect to the **nbn**[™] network for access to high-speed internet.

NBN Co is delivering high-speed broadband to customers across Australia over an area of more than seven million square kilometres. Working in collaboration with industry partners, NBN Co is committed to connecting Australian homes and businesses so they can access the positive social and economic benefits that fast broadband enables.

1. <https://www.nbnco.com.au/corporate-information/about-nbn-co>

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

Directors' Report

The Directors of the Company present their report of NBN Co Limited (NBN Co or the Company) together with the financial statements of the Company for the six months ended 31 December 2021 and the Independent Auditor's Review Report therein.

HY22 results and operations review

HY22 performance

During the first half of the Financial Year 2022 (HY22), NBN Co continued to invest in the next evolution of the **nbn**[™] network as the Company delivers on its purpose to lift the digital capability of Australia.

With Australia continuing to experience the considerable challenges and impacts of COVID-19, the need for reliable, fast, resilient and secure broadband has never been greater for people across the nation.

During this time, the **nbn**[™] network has performed extremely well, supporting Australia's social and economic needs, as Australians continue to navigate through the challenges and disruptions of COVID-19.

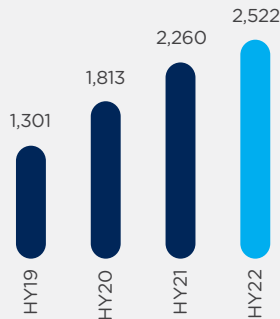
The network has reliably and effectively met, through RSPs, the needs of customers, enabling them to work and study from home, shop online and stream entertainment content on demand.

Progress and performance

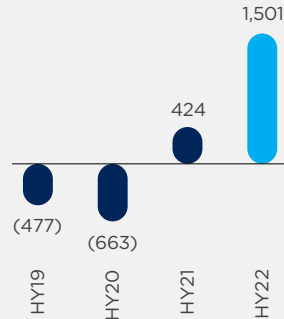
During this challenging period, NBN Co made strong financial and operational progress in line with the strategy set out in its 2022 Corporate Plan.

The Company connected an additional 190,000 residential and business premises to the **nbn**[™] network during the half, with 8.4 million premises connected to the network as at 31 December 2021.

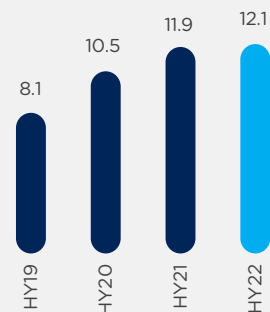
Revenue (\$ million)



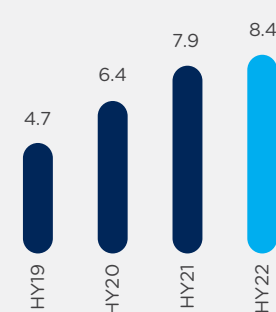
EBITDA¹ (\$ million)



Cumulative Ready To Connect (RTC) premises (million)



Cumulative activated premises (million)



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

At 31 December 2021, approximately 76 per cent of residential and business customers were connected to plans based on **nbn**[™] wholesale speed tiers with peak download speeds of 50 Mbps and above.

The growth in our customer base, as well as the continued take-up of higher speed services on the **nbn**[™] network, helped increase total revenue to \$2.5 billion for the half, up 12 per cent on HY21.

The Company achieved Earnings before interest, tax, other non-operating income, depreciation and amortisation (EBITDA) of \$1.5 billion in the first half, which was an increase of more than \$1 billion from the HY21 result of \$424 million. EBITDA before subscriber costs increased to \$1.6 billion, up 32 per cent on HY21.

The rate of revenue and EBITDA growth has placed the Company on a trajectory to achieve its FY22 guidance targets as set out in its 2022 Corporate Plan.

On 26 August 2021, the Federal Government released a new Statement of Expectations for NBN Co. The new statement will guide the Company in its next phase as a wholesaler, focused on sustainable service delivery, which strives to meet the broadband needs of Australian homes and businesses now and into the future.

The new Statement of Expectations specifies under the heading 'Objective', that: "The Government's objective is to maximise the economic and social benefits of NBN Co and for NBN Co to operate as a sustainable, commercial business. Within legal and policy parameters, NBN Co should generate sufficient revenue to support appropriate levels of investment in the network to meet the current and future needs of Australians, wherever they live. NBN Co will reliably and affordably meet the current and future broadband needs of households and businesses, including in regional and remote Australia, foster productivity and innovation, and support our goal for Australia to be a leading digital economy and society by 2030."

Network investment update

During HY22, NBN Co continued to execute its \$4.5 billion network investment plan as set out in its 2022 Corporate Plan.

The network investment plan has three components:

- network upgrades to make NBN Co's highest wholesale speed plans available, as demand arises, to up to 75 per cent of homes and businesses on the fixed-line network by 2023 (and up to 68 per cent of the total network);
- the creation of a dedicated fund to co-invest with governments or local councils to continue to enhance broadband services for Australia's regional and remote communities; and
- a package of initiatives to collaborate with industry to help deliver enhanced digital capabilities for businesses across Australia supporting innovation, productivity and growth.

Making our highest wholesale speed plans available to more Australians

The Company's network investment program remains on track to deliver download speeds of close to 1 Gbps to around 8 million premises, or up to 75 per cent of the fixed-line network by the end of 2023.

A core element of this investment plan is to push fibre deeper into communities and enable Fibre to the Node (FTTN) to Fibre to the Premises (FTTP) network upgrades to eligible premises, on demand. The program has been designed to enable up to 2 million premises currently served by the FTTN network to access NBN Co's highest wholesale speed tier – **nbn**[™] Home Ultrafast, which offers wholesale download speeds of close to 1 Gbps.

HY22 results and operations review

continued

In November 2021, NBN Co announced the latest list of suburbs and towns where an additional 200,000 homes and businesses are set to benefit from the extension of fibre deeper into communities.

At 31 December 2021, the Company had identified and announced the suburbs and towns across Australia where 1.6 million premises of the total planned footprint of approximately 2 million premises currently served by FTTN will become eligible to order NBN Co's highest speed residential broadband services on demand.

The pre-design work has been completed for these premises and, so far, the footprint covering approximately 980,000 premises has been released to our Delivery Partners for field survey and design.

Construction has commenced on the Local Fibre Network that will serve more than 530,000 premises, and more than 45,000 premises are now ready for migration. The first eligible premises currently served by FTTN will be able to order higher speed services from late March 2022.

NBN Co is also planning to commence similar full fibre upgrades to be made available on demand to eligible customers living or working in premises currently served by Fibre to the Curb (FTTC).

Most premises served by FTTC can already achieve line speeds that are sufficient to support the **nbn**[™] Home Fast wholesale speed tier. However, later this year the Company expects to be ready to progressively invite customers living and working in eligible premises currently served by FTTC to order a higher speed **nbn**[™] Home Superfast or **nbn**[™] Home Ultrafast service.

During the past six months, the Hybrid Fibre Coaxial (HFC) upgrade program continued delivering additional capability and capacity across the network and by 31 December 2021, approximately 95 per cent of premises within the HFC footprint were able to order NBN Co's highest speed plan – **nbn**[™] Home Ultrafast.

Supporting regional and remote Australia

NBN Co continued to make good progress on providing access to fast and reliable broadband services in regional and remote communities.

This includes the delivery of investments to help manage capacity and performance on the Fixed Wireless network, and improvements to Sky Muster[™] Plus, which allows homes and businesses to access unmetered data for essential online activities.

NBN Co has previously committed up to \$300 million for regional co-investment with local councils, state and territory governments.

The Regional Co-investment Fund (RCIF) is aimed at upgrading NBN Co's Fixed Wireless and Satellite footprint to enhance infrastructure and deliver higher speed broadband services to households, businesses and communities in regional Australia.

Not only will this initiative help meet the growing and diverse needs of people living and working in regional areas, it will also deliver long-term social and economic benefits to regional and rural Australia.

The Company also signed a landmark agreement in August 2021 with the Victorian Government to deliver more fibre and faster broadband services to more areas of Victoria.

The Victorian Government committed \$73 million to establish the Victorian NBN State Program Fund. The first project that NBN Co and the Victorian Government will co-invest in as part of this agreement is the creation of 11 new **nbn**[™] Business Fibre Zones across outer metropolitan and regional areas, enabling up to 10,000 additional Victorian businesses to become eligible for business-grade fibre connections.

Lifting the digital capability of Australian businesses

During the half, NBN Co continued to support the digitisation of small, medium and large businesses and government enterprises and agencies across Australia by making business-grade fibre services available via dedicated Business Fibre Zones in more locations across the nation.

nbn™ Business Fibre Zones are enabling more businesses across the nation to compete on an equal footing, by offering access to **nbn™** Enterprise Ethernet, the Company's fastest symmetrical wholesale products, via a \$0 upfront build cost, provided businesses sign up to an Enterprise Ethernet plan for at least three years with their RSP. NBN Co has effectively reduced the significant variation that previously existed in the cost of business broadband services in regional and rural areas compared to CBD Zones.

In HY22, NBN Co made a further 44 new **nbn™** Business Fibre Zones available for the benefit of an additional 60,000 eligible business premises.

This takes the total number of **nbn™** Business Fibre Zones across Australia to 295, which offer direct fibre connections and premium business-grade fibre services to more than 860,000 eligible business premises.

Importantly, 120 of these zones are located in regional areas where they will provide business-grade fibre access to more than 300,000 eligible business premises.

The Company also allocated an additional \$50 million to work with local councils and state and territory governments to identify opportunities to extend business-grade services outside existing **nbn™** Business Fibre Zones.

Working with industry

During the first half of FY22, NBN Co also continued to collaborate with the telecommunications industry to support Australians through the ongoing impacts and challenges of COVID-19.

The Company's commitment to better customer experience and industry collaboration has been demonstrated with NBN Co actively engaging with internet retailers and other industry groups on the future of wholesale broadband pricing.

NBN Co closed out the half by putting forward a proposal so that retailers can procure high quality, high-speed broadband services with greater cost efficiencies and cost certainty.

This followed six months of Special Access Undertaking (SAU) variation industry working group sessions convened by the Australian Competition and Consumer Commission (ACCC), involving NBN Co, internet retailers and industry groups.

The SAU Working Group Response Paper issued by NBN Co to internet retailers and industry groups in December, laid out the proposed framework for regulating wholesale access to the **nbn™** network and follows thorough consideration of discussions and key points raised in the industry working groups.

NBN Co's proposed package includes suggested changes and enhancements for higher speed tiers and entry level offers.

The comprehensive package seeks to balance NBN Co's financial requirements for reinvestment in the network with the removal of wholesale complexity and a commitment to provide greater certainty for retailers.

NBN Co's SAU Variation Proposal will be submitted for consideration and further consultation in Q3 FY22.

The Company remains committed to evolving its wholesale pricing and products to support retailers and achieve our mutual goal of delivering the best possible experience to customers.

HY22 results and operations review

continued

Funding our future

The quality of our assets and the network investments we are undertaking is recognised by the support we have received through bank facilities and debt capital markets as we continue to execute our financing strategy.

During the first half of 2022, the Company successfully raised a further \$5.6 billion in bank and capital markets debt.

These raisings included an additional US\$2.0 billion (A\$2.76 billion equivalent) from the US144A/Reg S markets under the Company's Global Medium-Term Note (GMTN) program.

These additional raisings enabled the Company to repay a further \$5.8 billion of the Commonwealth loan that is due to mature in 2024, reducing the outstanding balance of the Commonwealth loan to \$7.4 billion at 31 December 2021.

More investors will be welcomed during the second half of fiscal 22 as the Company continues to raise further debt from local and global capital markets.

Supporting Australia

During HY22, NBN Co delivered on its purpose to lift the digital capability of Australia by ensuring the network was able to support millions of people across the nation to adapt to new modes of work, learning and socialising, as well as having continued access to critical services such as healthcare.

COVID-19 has permanently changed the way individuals, families, businesses and their employees use and rely on the internet, and has accelerated a growing trend in recent years of demographic shifts from cities to regional areas.

The Company's support for regional, rural and remote Australia has become more important than ever as more Australians choose to relocate to regional areas, often taking their city jobs with them, thanks to the connectivity benefits made possible by the **nbn**[™] network.

Throughout the first half of FY22, the Company also made great progress in delivering social and economic benefits for its customers, communities and the country.

Towards-Zero Carbon Ambition

In HY22, NBN Co released its second Sustainability Report, which included the announcement of a 100 per cent renewable energy target and a new Towards-Zero Carbon Ambition.

As part of NBN Co's Towards-Zero Carbon Ambition, the Company has an initial roadmap and is working towards:

- reducing annual energy use by 25 GWh by December 2025;
- purchasing 100 per cent renewable energy from December 2025; and
- using electric or hybrid vehicles, where suitably available, by 2030.

The Company's sustainability commitment also involves maintaining and promoting a diverse, inclusive and healthy workforce with a strong culture, and purpose-driven people.

These efforts were illustrated in the Company's 2021 Great Place to Work employee engagement pulse survey, which delivered a favourable engagement score of 76 per cent.

The Company's second Sustainability Report also outlines the Company's continued focus on six material topics and notes its achievements in delivering social and economic benefits for its customers, communities and the country.

Beyond HY22

NBN Co is proud of its progress during the half – the **nbn**[™] network is performing incredibly well, and broadband services are in high demand and we are meeting or exceeding key financial and operational targets.

The progress we have made to date in executing the network investment plan gives us great confidence that the **nbn**[™] network will continue to meet the growing needs of Australian homes and businesses both now and in the future.

We know that there will be more challenges on the horizon, particularly as we continue to navigate through the impacts of COVID-19, but as the digital backbone of Australia we remain committed to working in close collaboration with our industry partners to help grow the digital economy in a post-pandemic world and deliver on the enduring purpose of lifting Australia's digital capability.

HY22 financial performance

For the six months ended 31 December	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Total revenue	2,522	2,260	1,813	1,301	891
Operating expenses	(914)	(1,027)	(1,038)	(1,088)	(1,022)
EBITDA¹ before subscriber costs	1,627	1,233	775	213	(131)
Subscriber costs	(126)	(809)	(1,438)	(690)	(1,246)
EBITDA¹	1,501	424	(663)	(477)	(1,377)
Depreciation and amortisation expense	(1,709)	(1,720)	(1,488)	(1,240)	(1,028)
Net finance costs	(752)	(827)	(677)	(448)	(245)
Loss for the year	(857)	(2,113)	(2,817)	(2,152)	(2,643)
Total assets	36,126	36,096	35,527	30,648	26,155
Bank and capital markets debt	17,393	6,118	-	-	-
Commonwealth loan	7,375	16,500	16,214	9,228	1,610
Lease liabilities	11,008	10,776	10,310	8,030	6,682
Contributed equity	29,500	29,500	29,500	29,500	29,500
Capital expenditure ²	1,155	1,424	2,517	2,908	2,837
Operating cash flows ³	1,521	1,193	642	116	(105)

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

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

3. Net cash flows provided by/(used in) operating activities (excluding subscriber costs).

HY22 financial performance

The Company's results for the six months ended 31 December 2021 reflect the continuation of the Company's transition from building to operating the nation's wholesale broadband network while delivering solid financial foundations to support network investments now and into the future. The Company remains on track to achieve its 2022 Corporate Plan guidance targets for revenue and EBITDA.

The growth in our customer base, as well as the continued take-up of higher speed services on the **nbn**TM network, helped increase total revenue by 12 per cent to \$2.5 billion for the half.

The growth in revenue coupled with an 11 per cent reduction in operating expense saw EBITDA before subscriber costs increase by 32 per cent compared to the corresponding prior period to \$1.6 billion.

In line with expectations, EBITDA increased to \$1.5 billion for the half due to the underlying operating result and the continued reduction in subscriber costs as the volume of first-time activations onto the network reduces following the peak levels of rollout activity. Subscriber costs are forecast to virtually cease by FY23.

The statutory net loss after tax for the period was \$857 million, which is an improvement of more than \$1.2 billion on the comparative period loss of \$2.1 billion. This improvement is in line with management's expectations and reflects the current stage of the Company's lifecycle, with significant up-front network investment required (as reflected within the depreciation and amortisation and financing costs recorded), before the Company's EBITDA results reach maturity.

Total assets have increased marginally to \$36.1 billion. This reflects the Company's transition to an operating company, where the ongoing capital investment into the network is offset by the depreciation and amortisation of the existing asset base.

Revenue

For the six months ended 31 December	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Telecommunications revenue	2,452	2,162	1,718	1,208	813
Other revenue	70	98	95	93	78
Total revenue	2,522	2,260	1,813	1,301	891

The growth in total revenue is due to the increase in telecommunications revenue, which increased by \$290 million against the comparative period. This revenue growth continues to be primarily driven by the increasing number of premises connected to the **nbn**TM network with an additional 462 thousand homes and businesses connecting to the **nbn**TM network in the past 12 months. As at 31 December 2021, there were 8.4 million premises connected to the **nbn**TM network. Further supporting the growth in telecommunications revenue was a 3 per cent uplift in Residential Average Revenue Per User (ARPU) to \$46 for the half. The uplift in Residential ARPU was driven by customer demand with more and more customers selecting or upgrading to higher speed-tier products.

Other revenue for the period of \$70 million has decreased compared to the corresponding period by \$28 million. This is due to declining volumes of licences issued to Retail Service Providers to access **nbn**TM infrastructure to provide legacy broadband services to customers who have not yet migrated to the **nbn**TM network.

Operating and other expenditure

For the six months ended 31 December	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Operating expenditure					
Direct network costs	359	326	327	359	329
Employee benefits expenses	324	453	439	430	406
Other operating expenses	231	248	272	299	287
Total operating expenditure	914	1,027	1,038	1,088	1,022
Other expenditure					
Subscriber costs	126	809	1,438	690	1,246
Depreciation and amortisation expense	1,709	1,720	1,488	1,240	1,028
Net finance costs	752	827	677	448	245

HY22 financial performance

continued

Total operating expenditure of \$914 million decreased by \$113 million or 11 per cent compared to the prior period.

Direct network costs increased by \$33 million (10 per cent) compared to the corresponding prior period as a result of the expansion of the network footprint and the greater number of homes and businesses connected to the **nbn**[™] network. These expenses directly relate to operating and maintaining the network and primarily consist of service assurance, network maintenance and restoration activities and network power costs.

Total employee expenses decreased by \$129 million (28 per cent) compared to the prior period primarily due to post rollout restructuring and workforce change undertaken by the Company in the first half of fiscal 21. Following the completion of the initial build¹ in June 2020, both the size and shape of the organisation were restructured with a reduction of approximately 800 employees as NBN Co transitioned from predominately an infrastructure build company to a wholesale operating company. As the Company continues to focus on maximising cost efficiencies and productivity through simplification and digitalisation of internal operations, the total number of Company employees has continued to decline over the past 12 months. Across the past 18 months, the number of full-time equivalent staff has fallen from approximately 6,300 to 4,800 as at 31 December 2021.

Other operating expenses decreased by \$17 million (7 per cent) against the corresponding prior period and have continued to reduce as a result of the Company's ongoing focus on cost efficiency. These costs cover a range of activities but are primarily associated with IT and software applications, outsourced business operations, strategic consulting, legal and regulatory services, communication to the public, commercial properties, and other indirect employee-related expenditure.

Other expenditure

Subscriber costs of \$126 million have decreased by \$683 million (84 per cent) due to the reduction in associated disconnections and migrations. This is in line with expectations as the peak migration period has passed following the completion of the initial build¹.

Depreciation and amortisation expense decreased marginally against the prior corresponding period. The impact of higher depreciation due to the growth in network assets has been offset by the recognition of additional depreciation in the prior period for software programs that were scheduled for decommissioning.

Net finance costs decreased by 9 per cent to \$752 million due to the refinancing of the Commonwealth loan. As outlined below, bank and capital markets debt is being acquired at lower interest rates than the Commonwealth loan resulting in the cost of debt declining despite total borrowings increasing compared to the prior corresponding period.

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

Capital management

	As at 30 June 2021	As at 31 December 2021
Group debt (\$m) ¹	23,764	24,696
Weighted average cost of drawn debt	2.79%	2.29%
Fixed interest ratio ²	88%	84%
Weighted average duration of drawn debt (years) ³	5.7	5.3
Available liquidity (\$m) ¹	3,579	2,450
Fitch/Moody's credit rating	AA/A1	AA/A1

1. Excluding uncommitted facilities and facilities with less than 12 months to maturity.

2. Percentage comprises fixed-rate debt and floating-rate debt that has been hedged and has a remaining interest period of greater than twelve months, as a proportion of total debt. Excludes forward starting interest rate swaps.

3. Excluding the Commonwealth loan.

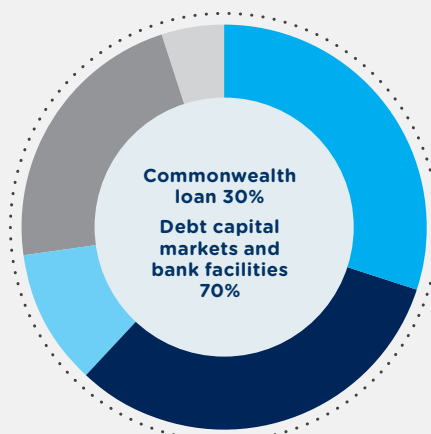
During the half, the Company continued to execute its financing strategy, which is focused on refinancing the Commonwealth loan by June 2024 and funding the network investment plan while maintaining a strong liquidity position.

As at 31 December 2021, the Company has raised \$19.8 billion from debt capital markets and bank facilities, with \$5.6 billion of this raised in HY22. These debt issuances and utilisation of bank facilities have enabled the Company to repay a further \$5.8 billion of the Commonwealth loan during the six months to 31 December 2021, reducing the outstanding balance of the Commonwealth loan to \$7.4 billion at the end of the half. In addition, the diversification of its funding sources has enabled the Company to reduce its weighted average cost of drawn debt to 2.29 per cent (30 June 2021: 2.79 per cent).

In October 2021, Fitch affirmed NBN Co's AA rating and revised the outlook from Negative to Stable. This change followed from the upgrade of Australia's AAA sovereign rating outlook from Negative to Stable. Moody's has also affirmed NBN Co's long-term issuer rating as A1 Stable.

Summary of borrowings as at 31 December 2021

- Commonwealth loan \$7.4bn
- Bank debt facilities \$7.9bn
- AMTN¹ \$2.8bn
- US144A notes \$5.3bn
- Private placements \$1.3bn



1. AMTN refers to Australian Medium-Term Note.

HY22 financial performance

continued

Capital expenditure¹

For the six months ended 31 December	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Capital expenditure	1,155	1,424	2,517	2,908	2,837

1. Capital expenditure excludes acquisitions of right-of-use assets, gifted assets and items of property, plant and equipment classified as inventories.

During the first half of fiscal 22, the Company continued to invest in its customer base and the next evolution of the **nbn**[™] network with capital expenditure totalling \$1.16 billion for the period. Capital expenditure incurred in HY22 focused on four main areas: continuing to connect customers onto the network and constructing broadband infrastructure for new premises; executing our network investment plan to deliver fibre deeper into communities and provide more customers with access to close to 1 Gbps capable speeds; constructing business-grade fibre across our Business Fibre Zones; and continuing to invest in network and fixed wireless capacity to help meet customer demand.

Cash flows

For the six months ended 31 December	2021 \$m	2020 \$m
Net cash flows provided by operating activities (excluding subscriber costs)	1,521	1,193
Payments for subscriber costs (excluding GST)	(242)	(871)
Net cash flows provided by operating activities (including subscriber costs)	1,279	322
Capital expenditure	(1,306)	(1,930)
Lease payments	(522)	(472)
Interest paid on borrowings and other financial liabilities	(288)	(399)
Free cash flow	(837)	(2,479)
Net proceeds from borrowings and other financial liabilities	909	2,136
Net cash flow	72	(343)

Net cash flows provided by operating activities continue to grow as a direct result of EBITDA performance, effective working capital management and strong cash conversion. Net cash flows provided by operating activities increased by 297 per cent to \$1.3 billion due to the strong growth in revenue and reduction in operating expenses.

Capital expenditure payments decreased by 32 per cent to \$1.3 billion due to lower ongoing build and activation costs post the execution of the rollout.

Lease payments predominately relate to the costs associated with right-of-use arrangements over infrastructure provided by Telstra, as well as commercial property and wireless site rental costs. Lease payments increased by 11 per cent to \$522 million, primarily due to an increase in the volume of network infrastructure supplied by Telstra and inflationary price increases.

Interest payments on borrowings and other financial liabilities have decreased by 28 per cent to \$288 million. This is due to the aforementioned refinancing of the Commonwealth loan with bank and capital markets debt at lower average interest rates.

In line with expectations, negative free cash flow of \$837 million has improved by 66 per cent compared to the corresponding prior period. The significant improvement in free cash flow performance is due to the growth in operating cash flows, lower capital expenditure and subscriber payments as the Company transitions to a mature operating model and reduced interest payments due to refinancing the Commonwealth loan.

Risk management

NBN Co’s Enterprise Risk Management approach is reinforced by the Board of Directors’ and Executive Committee’s commitment to robust risk management, with a framework that enables effective identification, quantification, mitigation, and management of the Company’s business risks and opportunities.

How does NBN Co manage its risks?

NBN Co’s Risk Management Framework, comprising of its Risk Management Policy, Risk Management Standard and Risk Appetite Statement, enables the proactive identification, assessment and management of business risks. This includes regular reporting to the Executive Committee, Audit and Risk Committee and the Board as well as Shareholder Departments.

The Audit and Risk Committee oversees NBN Co’s Risk Management Framework that defines the roles and responsibilities for risk management across the Company, and guides the reporting and escalation of risks requiring the attention of Management, Executive Committee and the Board. Underpinning NBN Co’s Risk Management Policy, 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 annual integrated business planning cycle forms an important part of developing a complete forward-looking view of the Company’s Risk Profile that considers strategic, operational and emerging risks. The Audit and Risk Committee, Management and the Board review these material 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 relevant stakeholders.

Overview of risks

The Company’s key risks remain consistent with those reported in the 2022 Corporate Plan. As an owner and operator of critical national communications infrastructure, the availability, resilience, and performance of the NBN Co network remains a core focus area.

In preparation for the high-risk natural disaster season, the Company has enhanced its readiness capabilities and disaster response solutions whilst ensuring the health, safety and wellbeing of its employees, contractors, customers and the community.

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

- security and resilience of our network and business operations;
- strengthening relationships with our channel partners and delivery partners to promote a positive customer experience;
- securing and optimising funding and reinvestment in the network; and
- transitional and physical impacts of climate change.

NBN Co actively monitors emerging and geo-political risks, including constraints on global supply chains due to the continued impact of COVID-19. As the Company continues to evolve as a business and critical infrastructure owner/operator, so too will its risk profile.

Board of Directors



Ms Kate McKenzie
Chair/Non-Executive Director
Appointed December 2019
Appointed Chair January 2022



Mr Michael Malone
Non-Executive Director
Appointed April 2016



Ms Nerida Caesar
Non-Executive Director
Appointed January 2022



Ms Elisha Parker
Non-Executive Director
Appointed December 2021



Mr Drew Clarke
AO PSM FTSE
Non-Executive Director
Appointed August 2017



Mr Stephen Rue
Managing Director and Chief Executive Officer
Appointed September 2018



Mr Andrew Dix
Non-Executive Director
Appointed April 2021

Former Directors

Dr Ziggy Switkowski
AO FAA FTSE FAICD
Chair/Non-Executive Director
Ceased December 2021

Ms Shirley In't Veld
Non-Executive Director
Ceased December 2021

Ms Zoe McKenzie
Non-Executive Director
Ceased December 2021

Dr Kerry Schott AO
Non-Executive Director
Ceased January 2022

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 4–16 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 HY22.

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 2021, no material claims have been made.

During HY22, the Company paid insurance premiums for contracts insuring Directors and Officers against liabilities (including costs and expenses) arising from the performance of their duties.

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

Rounding of amounts

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

Auditor independence

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

Significant events subsequent to reporting date

In January 2022, NBN Co had a further net draw down of \$150 million from existing bank facilities.

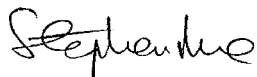
No other matter or circumstance has arisen since 31 December 2021 to the date of signing of this report, that has significantly affected, or may affect:

- the Company's operations in future financial years;
- the results of those operations in future financial years; and
- 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

7 February 2022

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 NBN Co Limited for the half-year ended 31 December 2021, to the best of my knowledge and belief, there have been:

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

Australian National Audit Office

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

Grant Hehir
Auditor-General

Canberra
7 February 2022

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 2021.

Statement of profit or loss and other comprehensive income

NBN Co			
For the six months ended	Notes	31 December 2021 \$m	31 December 2020 \$m
Revenue	B	2,522	2,260
Direct network costs		(359)	(326)
Employee benefits expenses		(324)	(453)
Other operating expenses		(231)	(248)
Subscriber costs		(126)	(809)
Depreciation and amortisation expense	C1 & C2	(1,709)	(1,720)
Other income		34	13
Net finance costs	C4	(752)	(827)
Loss before income tax		(945)	(2,110)
Income tax benefit/(expense)		88	(3)
Loss for the period		(857)	(2,113)
Loss attributable to the shareholder		(857)	(2,113)
Other comprehensive gain/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		183	(10)
Changes in the value of costs of hedging, net of tax		24	-
Total other comprehensive gain/(loss) for the period, net of tax		207	(10)
Total comprehensive loss for the period		(650)	(2,123)
Total comprehensive loss attributable to the shareholder		(650)	(2,123)

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

Statement of financial position

NBN Co			
As at	Notes	31 December 2021 \$m	30 June 2021 \$m
Current assets			
Cash and cash equivalents	C6	73	1
Trade and other receivables		511	450
Derivative financial assets	C5	29	9
Other current assets		101	69
Total current assets		714	529
Non-current assets			
Property, plant and equipment	C1	33,175	33,130
Intangible assets	C2	1,764	1,943
Derivative financial assets	C5	461	127
Other non-current assets		12	9
Total non-current assets		35,412	35,209
Total assets		36,126	35,738
Current liabilities			
Trade and other payables		1,473	1,645
Other liabilities		28	27
Derivative financial liabilities	C5	29	2
Lease liabilities	C3	419	476
Borrowings	C4	53	18
Provisions		145	209
Total current liabilities		2,147	2,377
Non-current liabilities			
Trade and other payables		22	6
Other liabilities		935	878
Derivative financial liabilities	C5	41	14
Lease liabilities	C3	10,589	10,343
Borrowings	C4	17,352	10,600
Provisions		55	60
Related party borrowings	C4	7,375	13,200
Total non-current liabilities		36,369	35,101
Total liabilities		38,516	37,478
Net liabilities		(2,390)	(1,740)
Equity			
Contributed equity		29,500	29,500
Other reserves		213	6
Accumulated losses		(32,103)	(31,246)
Total equity		(2,390)	(1,740)

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

Statement of changes in equity

	NBN Co			
	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m
Balance at 30 June 2020	(27,409)	29,500	9	2,100
Loss for the period	(2,113)	-	-	(2,113)
Other comprehensive loss	-	-	(10)	(10)
Total comprehensive loss for the period	(2,113)	-	(10)	(2,123)
Balance at 31 December 2020	(29,522)	29,500	(1)	(23)
Balance at 30 June 2021	(31,246)	29,500	6	(1,740)
Loss for the period	(857)	-	-	(857)
Other comprehensive gain	-	-	207	207
Total comprehensive gain/(loss) for the period	(857)	-	207	(650)
Balance at 31 December 2021	(32,103)	29,500	213	(2,390)

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 2021 \$m	31 December 2020 \$m
Cash flows from operating activities			
Receipts from customers		2,752	2,463
Payments to suppliers and employees		(1,474)	(2,142)
Interest received		1	1
Net cash provided by operating activities		1,279	322
Cash flows from investing activities			
Payments for property, plant and equipment		(1,148)	(1,782)
Payments for intangible assets		(158)	(148)
Net cash used in investing activities		(1,306)	(1,930)
Cash flows from financing activities			
Principal repayment of lease liabilities		(98)	(86)
Interest paid on lease liabilities		(424)	(386)
Net proceeds from borrowings and other financial liabilities	C4	7,713	6,094
Repayment of borrowings and other financial liabilities	C4	(991)	(1,000)
Proceeds from related party borrowings	E2	-	42
Repayment of related party borrowings	E2	(5,825)	(3,000)
Interest paid on borrowings and other financial liabilities	C4	(88)	(16)
Interest paid on related party borrowings	E2	(200)	(383)
Net cash provided by financing activities		87	1,265
Net increase/(decrease) in cash and cash equivalents¹		60	(343)
Cash and cash equivalents at the beginning of the period		1	344
Cash and cash equivalents at the end of the period¹	C6	61	1

1. Cash and cash equivalents are net of bank overdrafts (\$12m at 31 December 2021 and nil at 31 December 2020).

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, the Company or the parent entity) is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly-owned by the Commonwealth of Australia. The Half-Year Financial Report is comprised of the financial statements, selected explanatory notes to the financial statements and a Directors' declaration, for the six months ended 31 December 2021. The prior year comparatives include the Company and its subsidiaries it controlled for a portion of the year (together referred to as the NBN Co Group or the Group).

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

Basis of preparation

This non-statutory Half-Year Financial Report has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting* (which complies with 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 2021. 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 7 February 2022. 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 that the Commonwealth Government will continue to operate in accordance with the policy objectives as set out in the revised Statement of Expectations (SOE) as issued by the Shareholder Ministers to NBN Co on 26 August 2021, with this factor being the primary consideration in assessing the going concern assumption.

As at 31 December 2021, the Company's current liabilities exceed its current assets by \$1,433 million and the Company has net liabilities of \$2,390 million. These metrics are in line with expectations given the upfront investment in the network in advance of the Company generating free cash flows. The Company's financial performance remains on track to achieve stated financial targets outlined in its 2022 Corporate Plan.

Over the last decade, NBN Co has funded its business through a combination of \$29.5 billion equity from the Commonwealth Government and debt funding from the Commonwealth Government and domestic and international markets. During the period, \$5.8 billion of bank and capital markets debt has been used to repay the Commonwealth loan. As at 31 December 2021, the remaining balance of \$7.4 billion of the Commonwealth loan is due to mature in June 2024.

In order to finance the repayment of the Commonwealth loan and to execute the strategic initiatives outlined in its 2022 Corporate Plan, NBN Co is planning to raise additional bank and capital markets debt to a total of approximately \$27.5 billion by June 2024.

To fund its future strategy, NBN Co has been transacting with the private debt, domestic and international capital markets and secured its credit ratings, with Moody's Investor Service

assigning a credit rating of 'A1' and Fitch Ratings assigning a credit rating of 'AA'. These ratings have assisted the Company to successfully access the global debt capital markets as it progresses its financing strategy.

As at 31 December 2021, NBN Co had raised a total of \$19.8 billion in domestic and international debt. The details of these transactions are disclosed in Note C4.

Going forward, NBN Co will look to raise further debt from the domestic and global capital markets. NBN Co expects its financing strategy to be achievable based on its strong investment grade credit rating and the outcomes of recent financing transactions.

Notwithstanding the primary consideration in the going concern assessment as outlined above, at the date of signing the Half-Year Financial Report, it is expected that the remaining undrawn components of the bank facilities of \$2.5 billion as at 31 December 2021 and the expected outcomes of the Company's future financing activities will enable the Company to meet its net cash flow forecasts for at least twelve months from the date of this report.

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.

Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability. The Company's significant accounting policies are outlined in the 2021 Annual Report. 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 for the purposes of assessing segmental reporting. NBN Co has determined that it operates in a single segment providing wholesale broadband services across Australia. This determination is based upon the reports reviewed by the CEO in assessing performance, allocating resources and making strategic decisions.

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

Significant accounting estimates and judgements

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

Estimates and judgements which are material or have the potential to be material to the Half-Year Financial Report are consistent with those referred to on page 121 of the 2021 Annual Report.

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

Notes to the financial statements continued

B. Revenue

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

Revenue from contracts with customers

The Company's operations and main revenue streams are consistent with those described in the 2021 Annual Report.

	NBN Co	
	31 December 2021 \$m	31 December 2020 \$m
For the six months ended		
Telecommunications revenue	2,452	2,162
Other revenue	70	98
Total	2,522	2,260

Further disaggregation of revenue

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

C. Assets and liabilities

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

C1 Property, plant and equipment

NBN Co						
	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m	Total \$m
At 30 June 2021						
Cost	36	426	47	243	44,969	45,721
Accumulated depreciation	(3)	(235)	(33)	(172)	(12,148)	(12,591)
Net book value	33	191	14	71	32,821	33,130
Period ended 31 December 2021						
Opening net book value	33	191	14	71	32,821	33,130
Additions ¹	-	4	1	-	1,444	1,449
Reclassifications	-	(8)	-	-	8	-
Disposals	-	-	-	-	(1)	(1)
Depreciation	(1)	(23)	(4)	(10)	(1,365)	(1,403)
Net book value	32	164	11	61	32,907	33,175
At 31 December 2021						
Cost	36	421	46	243	46,420	47,166
Accumulated depreciation	(4)	(257)	(35)	(182)	(13,513)	(13,991)
Net book value	32	164	11	61	32,907	33,175

1. The additions balance includes the recognition of newly acquired right-of-use assets and the impact of the remeasurement of existing right-of-use assets.

Depreciation on assets is calculated using the straight-line method to allocate the cost, net of residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased network assets and other assets, the shorter of the lease term or useful life.

Notes to the financial statements continued

C. Assets and liabilities continued

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

	NBN Co	
	31 December 2021 \$m	30 June 2021 \$m
Constructed and purchased assets	23,187	23,387
Assets in the course of construction	889	796
Right-of-use assets	8,136	8,042
Assets acquired for no consideration and under government grant	963	905
Property, plant and equipment – net book value	33,175	33,130

Assets in the course of construction

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

Right-of-use assets

	NBN Co					
	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	Network assets \$m	Licences \$m	Total \$m
Right-of-use assets						
Balance at 1 July 2021	16	150	10	7,866	61	8,103
Additions	–	1	2	30	–	33
Remeasurement	(1)	1	–	249	–	249
Disposals	–	–	–	(1)	–	(1)
Depreciation	–	(19)	(4)	(164)	(4)	(191)
Net book value at 31 December 2021	15	133	8	7,980	57	8,193

Assets acquired for no consideration and under government grant

Included within network assets are assets acquired from developers for no consideration and an indefeasible right-of-use arrangement with the Department of Infrastructure, Transport, Regional Development and Communications 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.

C2 Intangible assets

	NBN Co			Total \$m
	Software \$m	Licences \$m	Other \$m	
At 30 June 2021				
Cost	4,144	238	188	4,570
Accumulated amortisation	(2,366)	(148)	(113)	(2,627)
Net book value	1,778	90	75	1,943
Period ended 31 December 2021				
Opening net book value	1,778	90	75	1,943
Additions	123	3	1	127
Amortisation	(280)	(9)	(17)	(306)
Net book value	1,621	84	59	1,764
At 31 December 2021				
Cost	4,267	241	189	4,697
Accumulated amortisation	(2,646)	(157)	(130)	(2,933)
Net book value	1,621	84	59	1,764

Assets in the course of construction

The carrying amount of intangible assets includes expenditure recognised on software assets which are in the course of construction. As these assets have not been installed and are not ready for use, no amortisation is charged on these assets. Total software assets in the course of construction are \$42 million (30 June 2021: \$154 million).

C3 Lease liabilities

	NBN Co	
	31 December 2021 \$m	30 June 2021 \$m
Current		
Lease liabilities	419	476
Non-current		
Lease liabilities	10,589	10,343
Total	11,008	10,819

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. The terms of these right-of-use licences are governed by the Revised Definitive Agreements (RDAs) with Telstra (refer to Note F1 of the 2021 Annual Report).

The Company also leases certain commercial properties, commercial vehicles, and wireless base stations with various terms that are due to expire within one to thirty years.

Lease payments generally comprise a base amount plus an incremental contingent rental amount based on movements in the Consumer Price Index and periodic reviews to market-based levels.

Notes to the financial statements continued

C. Assets and liabilities continued

C4 Borrowings and related party borrowings

	NBN Co	
	31 December 2021 \$m	30 June 2021 \$m
Current		
Borrowings	53	18
Non-current		
Borrowings	17,352	10,600
Related party borrowings - Commonwealth loan	7,375	13,200
Total	24,780	23,818

NBN Co's borrowings consist of unsecured bank facilities, Australian Medium-Term Note (AMTN) issuances, US144A/Reg S bond issuances, private placements and related party borrowings issued under the loan with the Commonwealth Government, details of which are shown in the following debt issuance and loan facility tables.

During the period ended 31 December 2021, the Company executed the following debt arrangements in the debt capital markets:

- Issued \$825 million Australian Medium-Term Notes (AMTN)
- Issued \$2.8 billion US 144A/Reg S bonds under the Global Medium-Term Notes (GMTN) programme
- Issued \$1.1 billion in private placements in Australian dollars (AUD), United States dollars (USD) and Norwegian Krone (NOK).

The debt capital market issuances by the Company are shown below:

NBN Co				
	Interest	Issued debt \$m	Tenor	Maturity
At 31 December 2021				
AMTN	Fixed	1,200	5 years	Dec 2025
AMTN	Fixed	350	7 years	Jun 2028
AMTN	Fixed	400	10 years	Dec 2030
AMTN	Fixed	400	3 years	Sep 2024
AMTN	Floating	425	3 years	Sep 2024
US144A (US\$750m) ¹	Fixed	968	5 years	May 2026
US144A (US\$1,250m) ¹	Fixed	1,625	10 years	May 2031
US144A (US\$600m) ¹	Fixed	824	3 years	Oct 2024
US144A (US\$700m) ¹	Fixed	965	5.3 years	Jan 2027
US144A (US\$700m) ¹	Fixed	966	10.3 years	Jan 2032
Private placements	Fixed	200	6 years	Jun 2027
Private placements	Fixed	200	5 years	Jul 2026
Private placements	Fixed	50	12 years	Jul 2033
Private placements	Fixed	200	7 years	Oct 2028
Private placements	Fixed	200	7 years	Nov 2028
Private placements (US\$50m) ¹	Fixed	68	7 years	Aug 2028
Private placements (NOK\$1,250m) ¹	Fixed	191	12 years	Jul 2033
Private placements (NOK\$1,500m) ¹	Fixed	239	10 years	Oct 2031
Total		9,471		
At 30 June 2021				
AMTN	Fixed	1,200	5 years	Dec 2025
AMTN	Fixed	350	7 years	Jun 2028
AMTN	Fixed	400	10 years	Dec 2030
US144A (US\$750m) ¹	Fixed	968	5 years	May 2026
US144A (US\$1,250m) ¹	Fixed	1,625	10 years	May 2031
Private placements	Fixed	200	6 years	Jun 2027
Total		4,743		

1. Amounts shown reflect the AUD value of the hedged principal amount at inception of the debt.

The Company utilised the proceeds from the above debt issuances and bank facilities to repay \$5.8 billion of the Commonwealth loan. 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.

Notes to the financial statements continued

C. Assets and liabilities continued

During the period ended 31 December 2021, the Company entered into new bank facilities for \$1.1 billion and terminated one existing bank facility of \$200 million. The total drawn and undrawn amounts across all available committed facilities are shown below. Facilities are committed for the duration of the facility and the undrawn portion cannot be withdrawn by the lenders, who are major institutional banks.

NBN Co						
	Interest	Facility limit \$m	Drawn \$m	Undrawn \$m	Tenor	Maturity
At 31 December 2021						
Commonwealth loan	Fixed	7,375	7,375	-	7.5 years	Jun 2024
Bank facilities	Floating	800	300	500	5 years	Apr 2025
Bank facilities	Floating	2,350	1,650	700	5 years	Dec 2025
Bank facilities	Floating	550	100	450	6 years	Mar 2026
Bank facilities	Floating	4,500	4,200	300	6 years	Apr 2026
Bank facilities	Floating	950	700	250	5.3 years	Apr 2026
Bank facilities	Floating	50	-	50	7 years	Dec 2027
Bank facilities	Floating	200	-	200	4 years	Aug 2025
Bank facilities	Floating	250	250	-	5 years	Sep 2026
Bank facilities	Floating	650	650	-	5 years	Dec 2026
Overdraft facility	Floating	100	12	88	Rolling	Rolling
Total		17,775	15,237	2,538		
At 30 June 2021						
Commonwealth loan	Fixed	13,200	13,200	-	7.5 years	Jun 2024
Bank facilities	Floating	1,000	491	509	5 years	Apr 2025
Bank facilities	Floating	2,350	1,000	1,350	5 years	Dec 2025
Bank facilities	Floating	550	220	330	6 years	Mar 2026
Bank facilities	Floating	4,500	3,710	790	6 years	Apr 2026
Bank facilities	Floating	950	400	550	5.3 years	Apr 2026
Bank facilities	Floating	50	-	50	7 years	Dec 2027
Overdraft facility	Floating	100	-	100	Rolling	Rolling
Total		22,700	19,021	3,679		

The Company's nominal weighted average cost of issued and drawn debt as at 31 December 2021 is 2.29 per cent (31 December 2020: 3.17 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 2021	31 December 2020
For the six months ended	\$m	\$m
Finance charges on lease arrangements	(431)	(431)
Unwinding of the discount on other lease-related provisions	(1)	(1)
Interest on drawn external borrowing facilities	(70)	(11)
Interest on bonds	(51)	(2)
Interest on related party borrowings	(200)	(383)
Interest on working capital facilities	-	(2)
Fees on undrawn external borrowing facilities	(5)	(10)
Other finance charges	1	-
Other net interest income	5	13
Total	(752)	(827)

C5 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, foreign currency risk), liquidity risk and credit risk. The Half-Year Financial Report does not include all financial risk management information and disclosures required in the annual financial statements and as such, should be read in conjunction with the 2021 Annual Report. For further details on the Company's financial risk management refer to Note G of the 2021 Annual Report. There have been no significant changes to the Company's risk management policies since 30 June 2021.

Derivatives and hedging activities

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

The fair value of the Company's derivative instruments at 31 December 2021 are as follows:

NBN Co					
	31 December 2021		30 June 2021		
	Current \$m	Non-current \$m	Current \$m	Non-current \$m	
Assets					
Forward exchange contracts	5	-	5	-	
Interest rate swaps	-	305	-	47	
Cross-currency interest rate swaps	24	156	4	80	
Total derivative assets	29	461	9	127	
Liabilities					
Forward exchange contracts	-	-	1	-	
Interest rate swaps	13	-	1	11	
Cross-currency interest rate swaps	16	41	-	3	
Total derivative liabilities	29	41	2	14	

Notes to the financial statements continued

C. Assets and liabilities continued

Foreign currency risk management

The carrying amount of monetary liabilities and assets denominated in foreign currencies and notional cash outflows as expressed in Australian dollars is as follows:

NBN Co						
	31 December 2021			30 June 2021		
	USD \$m	EUR \$m	NOK \$m	USD \$m	EUR \$m	NOK \$m
Foreign exchange risk						
Trade payables	33	-	-	63	2	-
Borrowings	5,525	-	432	2,692	-	-
Current foreign exchange risk	5,558	-	432	2,755	2	-
Forward exchange contracts						
Buy foreign currency (cash flow hedges)	5	-	-	149	2	-
Forward exchange contract risk	5	-	-	149	2	-

The Company enters into cross-currency interest rate swaps (CCIRS) to mitigate the foreign currency exposure on foreign currency denominated borrowings.

The maturity profile of the Company's cross-currency interest rate swaps is as follows:

NBN Co								
Cross-currency interest rate swaps	31 December 2021				30 June 2021			
	Average AUD/USD FX rate	Average AUD/NOK FX rate	Notional maturity profile (USD)	Notional maturity profile (NOK)	Average AUD/USD FX rate	Average AUD/NOK FX rate	Notional maturity profile (USD)	Notional maturity profile (NOK)
	Hedged rate	Hedged rate	\$m	\$m	Hedged rate	Hedged rate	\$m	\$m
	Within 1 year	-	-	-	-	-	-	-
1 to 5 years	0.753	-	1,792	-	0.775	-	969	-
Greater than 5 years	0.745	6.394	3,624	430	0.769	-	1,626	-

Interest rate risk management

The Company manages its interest rate risk by entering into a combination of fixed and floating rate borrowings as well as entering into interest rate swaps to manage interest rate exposure in accordance with the Treasury Policy. As at 31 December 2021, the Company had entered into interest rate swaps to hedge \$9.6 billion of its floating rate debt portfolio.

	NBN Co		
	Notional amount \$m	Notional swapped from floating to fixed \$m	Net exposure to floating interest rate risk \$m
At 31 December 2021			
Floating debt portfolio	13,622	9,560	4,062
Total	13,622	9,560	4,062
At 30 June 2021			
Floating debt portfolio	8,416	5,600	2,816
Total	8,416	5,600	2,816

Taking the interest rate swaps into account, the proportion of debt exposed to floating rates is 16 per cent (30 June 2021: 12 per cent).

The maturity profile of the Company's interest rates swaps is as follows:

Interest rate swaps	NBN Co			
	31 December 2021		30 June 2021	
	Average pay fixed	Notional maturity profile	Average pay fixed	Notional maturity profile
	Hedged rate	\$m	Hedged rate	\$m
Within 1 year	-	-	-	-
1 to 5 years	0.703%	7,260	0.509%	4,000
Greater than 5 years	1.431%	4,100	1.343%	1,600

Notes to the financial statements continued

C. Assets and liabilities continued

Fair value measurement of financial instruments

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
- Level 3: If one or more of the significant inputs for the asset or liability are not based on observable market data (unobservable inputs).

Fair value of derivative assets and liabilities

The Company's derivative financial assets and liabilities are the only assets and liabilities carried at fair value in the Statement of financial position. The fair value of these instruments is determined using valuation techniques with observable market data, categorised as Level 2, other than power purchase agreement (PPA) derivatives which are categorised as Level 3. The PPA is not a physical electricity supply contract. It operates as a "contract for difference" (CfD) which is a derivative financial instrument, hence it is recorded in the Statement of financial position at fair value with movements recorded in the Statement of profit or loss. The CfD will be measured as a Level 3 financial instrument as the key inputs, the electricity spot prices, cannot be forecasted (using observable market data) for the duration of the contract. As at 31 December 2021, the solar plant was not operational.

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

Fair value of other financial instruments (excluding lease liabilities)

In line with accounting standards, the Company has a number of financial instruments which are not measured at fair value in the Statement of financial position. The Company has determined that the carrying value of the loan from the Commonwealth of Australia is materially consistent with its fair value at the reporting date. The fair value has been estimated using both observable and hypothetical unobservable inputs to determine a hypothetical cost of debt, which includes an estimate of an appropriate execution charge should this be replaced at the reporting date. Other assumptions are consistent with the terms of the loan.

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

C6 Cash and cash equivalents

The cash and cash equivalents disclosed in the Statement of financial position and the Statement of cash flows include \$67 million held by the Company which is subject to restrictions and therefore not available for general use.

D. Significant contractual arrangements and other commitments

NBN Co's significant contractual arrangements and commitments are set out on pages 147-148 of the 2021 Annual Report and have not significantly changed from 30 June 2021.

D1 Commitments

Capital commitments

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

	NBN Co	
	31 December	30 June
	2021	2021
	\$m	\$m
Within one year	581	830
Later than one year but not later than five years	120	90
Later than five years	6	11
Total	707	931

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

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

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

Notes to the financial statements continued

E. Other financial information

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

E1 Contingent assets and contingent liabilities

NBN Co's significant contingent assets and contingent liabilities are set out on page 164 of the 2021 Annual Report. There have been no significant changes to these contingent assets and contingent liabilities during the period.

E2 Related party transactions

Parent entity

The prior period comparatives include the financial results of the Company and the subsidiaries it controlled for a portion of the period. During this period, the parent entity within the Group was NBN Co Limited. The ultimate parent entity and ultimate controlling entity is the Commonwealth of Australia.

Subsidiaries

NBN Co has liquidated and deregistered NBN Tasmania Limited and NBN Co Spectrum Pty Ltd to simplify the operations of the Company. These wholly-owned subsidiaries ceased to be controlled by the Company on 2 October 2020 when the liquidators were appointed. All assets and liabilities of the subsidiaries were transferred to NBN Co Limited at carrying value.

Transactions with related parties

The following transactions occurred with related parties:

For the six months ended	NBN Co	
	31 December 2021	31 December 2020
	\$	\$
Loans from the Commonwealth of Australia		
Balance at 1 July	13,200,000,000	19,458,078,766
Loans advanced during the period	-	42,000,000
Loans paid during the period	(5,825,000,000)	(3,000,000,000)
Interest charged on government borrowings	199,669,710	383,304,349
Interest paid on government borrowings	(199,669,710)	(383,383,115)
Balance at 31 December	7,375,000,000	16,500,000,000

Other Directors' interests

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

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

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

	NBN Co	
For the six months ended	31 December 2021	31 December 2020
	\$	\$
Payments for various goods and services (excluding GST) from entities with common key management personnel	2,534,200	18,781,441

E3 Changes in significant accounting policies

The Company has consistently applied the accounting policies, as outlined in the 2021 Annual Report, to all periods presented in these condensed financial statements, except for new standards, amendments to standards and interpretations effective from 1 July 2021.

The Company has adopted AASB 2020-8: *'Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform-Phase 2'* effective from 1 July 2021. The standard provides relief for hedging arrangements directly affected by the interest rate benchmark reform during the period until the existing interest rate benchmark is replaced with an alternative risk-free rate. NBN Co's borrowing and hedging derivatives are exposed to BBSY, BBSW and LIBOR, however, the adoption of the new standard has had no material impact on NBN Co's financial results for the half-year ended 31 December 2021.

A number of standards, amendments and interpretations, including the revised Conceptual Framework, were applicable for the first time from 1 July 2021. These have not had a significant or immediate impact on the Company's half-year condensed financial statements.

F. Events occurring after the reporting period

In January 2022, NBN Co had a further net draw down of \$150 million from existing bank facilities.

No other matter or circumstance has arisen since 31 December 2021 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; and
- the Company's state of affairs in future financial years.

Director's declaration

- (1) These non-statutory half-year financial statements and notes set out on pages 22 to 41 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 2021 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
7 February 2022



Stephen Rue

Chief Executive Officer
7 February 2022

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 2021 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 2021 and for the half-year then ended:

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

Basis for Conclusion

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

Directors' responsibility for the Half-Year Financial Report

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

Independent Auditor’s Review Report continued***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 2021 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
7 February 2022

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