



Half-Year Report

For the six months ended
31 December 2020



- ❖ **NBN Co was established in 2009 to design, build and operate Australia’s wholesale broadband access network. Underpinned by a purpose to lift the digital capability of Australia, NBN Co’s key objective is to ensure all Australians have access to fast broadband, at affordable prices, and at least cost to taxpayers.**

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

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

Half-Year Financial Report

This Half-Year Report is for the six months ended 31 December 2020 and provides information about the Company and its subsidiaries (together referred to as the NBN Co Group or the Group).

The Half-Year Financial Report was authorised for issue by the Directors on 9 February 2021.

The Directors have the power to amend and reissue the Half-Year Financial Report.

Glossary

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

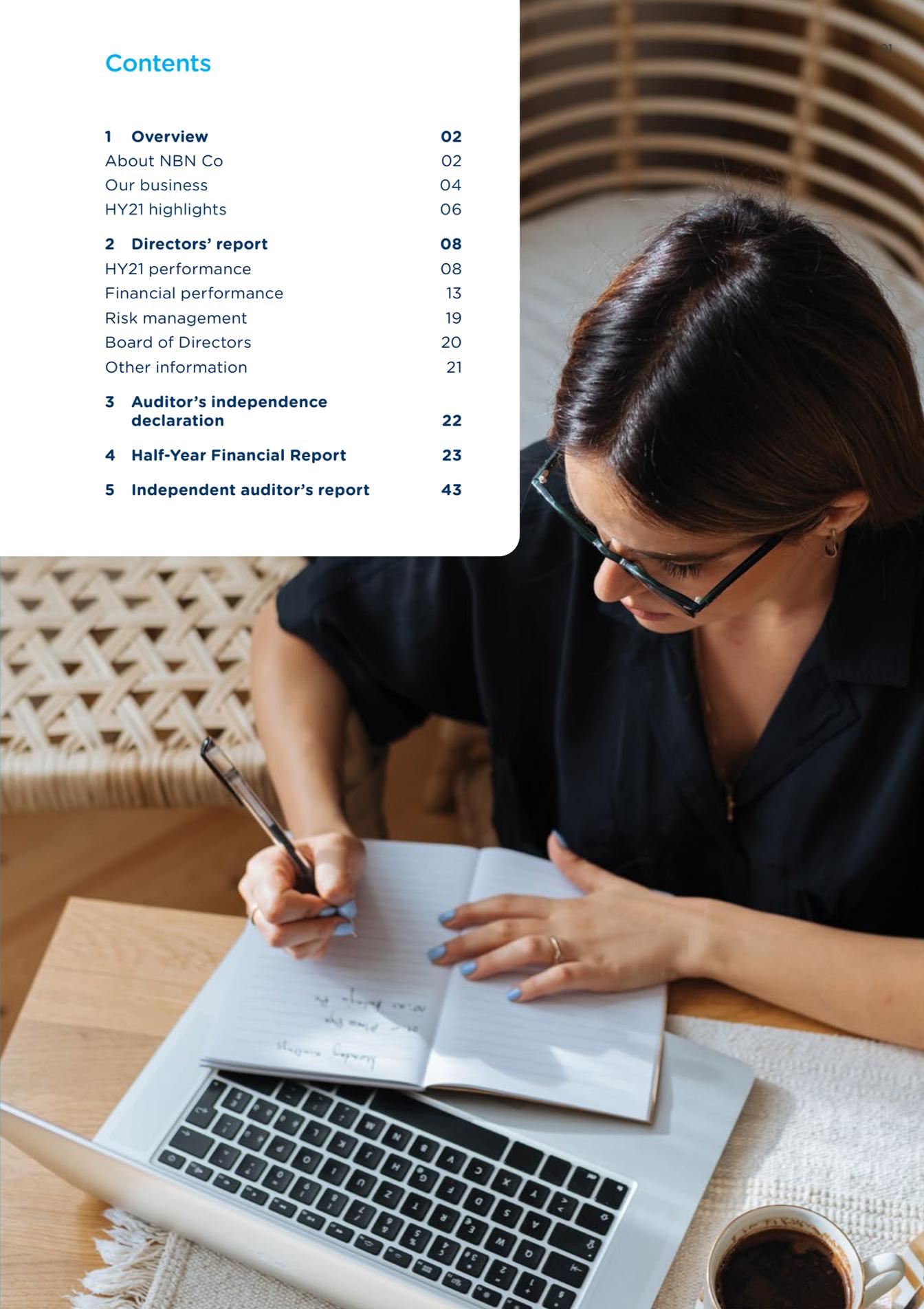
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‘nbn’, ‘bring it on’, ‘Sky Muster’, ‘gen nbn’ and the Aurora device are trade marks of NBN Co Limited.

ABN 86 136 533 741

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About NBN Co

Who we are

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

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 in accordance with the Commonwealth Government's Statement of Expectations¹, 24 August 2016.

The Company's key objective is to ensure that all Australians have access to fast broadband, at affordable prices, and at least cost to taxpayers.

In addition to building and operating a network that is resilient and secure, NBN Co is committed to delivering access to peak wholesale download speeds of at least 25 megabits per second (Mbps) to all eligible premises, and at least 50Mbps to 90 per cent of fixed-line premises².

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

NBN Co is delivering high-speed broadband to customers across Australia over an area of more than seven million square kilometres. Taking a customer-led approach, the Company is committed to working with partners to enable more Australians to use the network to drive positive social and economic benefits for themselves, their businesses and their communities, and the country as a whole.

With the completion of the initial build⁴, NBN Co is shifting focus to the challenge of transforming from a construction-focused company into a customer-led service delivery organisation that will help enable the digitisation of the economy.

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

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

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

4 NBN Co's build completion commitment was that all standard installation premises in Australia are able to connect to the **nbn**TM 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 owners, and where network construction to allow such premises to connect will be an ongoing activity of NBN Co beyond the build completion date.



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



Our business

Our purpose

To lift the digital capability of Australia

Our values

We are one team

We deliver

We are fearless

We care

Strategic pillars

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



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



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



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



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



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



Our business model



NBN Co's business model is focused around the performance of its core activities. The execution of these core activities is achieved by planning and delivering initiatives in line with our six strategic pillars. The core activities and strategic pillars are supported by cross-functional teams that provide subject matter expertise across the Company.

HY21 highlights

- ❖ The six months to 31 December 2020 (HY21) was a critical period for NBN Co as the Company unveiled the next phase of its network evolution and continued to support the nation's broadband needs through the COVID-19 pandemic.

\$4.5bn

Network investment plan announced

A better
connected
Australia



11.9m

Premises Ready to
Connect (RTC)

HY20
10.5m

Customers



7.9m

Premises connected

HY20
6.4m

70%

of customers on a
50Mbps plan or higher

HY20
67%



\$2.3bn

Revenue

HY20
\$1.8bn

\$0.4bn

EBITDA¹

HY20
\$0.7bn loss



\$10bn

Cumulative funding secured via bank facilities and Australian bonds

\$3bn

Repayment of Commonwealth loan

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

HY21 performance



**HY21 was a period
of great challenge
but also great
success for
NBN Co**



❖ **The first half of the 2021 financial year (HY21) saw NBN Co continue to connect more Australian homes and businesses to the digital tools and services helping the nation to stay productive, educated and informed.**

While the impacts and societal changes brought on by the COVID-19 pandemic continued to accelerate the digital needs of homes, businesses and schools – these same forces cemented the nbn™ network’s position as the digital backbone of the nation.

Progress and performance

The first six months of FY21 saw NBN Co remain on its trajectory of strong financial and operational progress as homes and businesses continued to rely on fast, reliable and secure broadband for work and personal needs.

More than 660,000 residential and business premises were activated on the nbn™ network in the six months to 31 December 2020, with more than 7.9 million premises connected to the network at the end of the half.

The Company continued to roll out its network to business and home premises as new housing estates and developments were built. This included an additional 160,000 residential and business premises made Ready to Connect in the first half of FY21. The total number of Ready to Connect homes and business premises was almost 11.9 million at 31 December 2020.

During HY21, NBN Co continued to invest to support customers and the industry through the COVID-19 crisis. The Company did this through a number of targeted measures, such as the offer of additional CVC capacity at no additional cost to internet retailers.

The Company also announced the launch of its 'Focus on Fast' campaign which was designed to help retail partners encourage more customers to take-up higher speed plans and to deliver a better home internet experience.

The growth in customers, as well as the continued take-up of higher speed services on the **nbn**[™] network, helped increase total revenue by 25 per cent in the half to \$2.3 billion.

The Company posted a \$1.1 billion improvement in EBITDA¹ in the first half to \$424 million. EBITDA before subscriber costs increased by 59 per cent to \$1.2 billion.

The strong rate of customer growth has placed the Company on a trajectory to achieve the FY21 operational and financial targets as set out in its Corporate Plan 2021. These include connecting a total of 8.2 million premises to the **nbn**[™] network by 30 June 2021, and achieving revenue of \$4.5 billion and EBITDA of \$1.3 billion in FY21.

Working with industry

NBN Co remains committed to its customer experience strategy of improving access, affordability and use for all Australians on the **nbn**[™] network. This commitment continued throughout the first half of FY21 as NBN Co worked closely with industry, regulators and customers to help ensure Australians' digital needs are met on a daily basis.

The Company's commitment to deep and detailed industry collaboration culminated in the launch of NBN Co's fourth Wholesale Broadband Agreement (WBA4). The latest iteration of the agreement has been designed to provide enhanced customer service commitments with clearer accountabilities between NBN Co and internet retailers, as well as greater price certainty for retailers and enhanced value to customers.

On 1 December 2020, NBN Co transitioned participating Retail Service Providers (RSPs) to WBA4. This new agreement provides RSPs with lower entry level prices and greater pricing certainty; stronger service delivery and performance rebates; substantial improvements to the fix experience; and new accountabilities that aim to drive better customer experience outcomes.

The Company's collaborative work with the telecommunications industry to support Australians through the impacts of COVID-19 was also a highlight through the first half of FY21 and an important reminder of the critical role that broadband services play in supporting the nation's prosperity and productivity.

The ongoing impacts of COVID-19 have seen NBN Co continue to provide sustained assistance and significant financial relief to customers and the broader telecommunications industry. From March 2020, NBN Co initiated an offer of up to 40 per cent additional CVC capacity to RSPs at no additional cost to retailers. When the original COVID-19 CVC credit offer expired on 30 November 2020, NBN Co offered a transition credit to eligible internet retailers in December 2020 and January 2021.

Financial assistance packages also continued to be on offer to help RSPs connect low income households with home schooling needs, support emergency and essential services and assist small and medium businesses and residential customers facing financial hardship.

The impacts from COVID-19 have also continued to present challenges to the Company, including impacts on global supply chains for key equipment componentry. In February 2021, NBN Co made the decision to temporarily stop taking new orders for services on its HFC network following a global shortage of silicon chips used in its cable modems.

While this issue does not affect current customers already connected to the **nbn**[™] network, it will delay some new connections to the HFC network throughout the second half of FY21.

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

Network investment

The start of the FY21 period was marked by the release of NBN Co's Corporate Plan 2021, which unveiled the blueprint for the next evolution of the **nbn**[™] network.

This Corporate Plan is deeply rooted in NBN Co's purpose to lift the digital capability of Australia. The plan will extend the reach and capability of the **nbn**[™] network; enhance the digitisation of Australian businesses; and deepen connectivity support for rural and regional communities.

The Corporate Plan 2021 laid out \$6 billion of initiatives aimed at enhancing the **nbn**[™] network to meet the evolving data needs of the nation.

Key elements include:

- \$3.5 billion to make NBN Co's highest wholesale speed tiers available on a customer demand basis, to up to 75 per cent of homes and businesses on the fixed-line network by 2023
- Up to \$700 million to support the digitisation of small and medium businesses by making business grade fibre services more accessible via dedicated Business Fibre Zones
- \$300 million to establish a dedicated fund to co-invest with state and territory governments or local councils to continue to further enhance broadband services for Australia's rural and regional communities.

A further \$1.5 billion has been allocated to:

- Build and connect more than 300,000 new premises
- Continued COVID-19 relief measures
- Investment in IT simplification aimed at reducing costs for NBN Co and RSPs while simultaneously improving customer experience
- Increased focus on regional areas through targeted investments in NBN Co's fixed wireless and satellite networks.

Work commenced on key parts of this plan in the first half of FY21, including the identification of the first 200,000 premises in the fibre-to-the-node (FTTN) network that will undergo local fibre network enhancements allowing them to become eligible for fibre-to-the-premise (FTTP) services and access higher speed services, on demand.

NBN Co also commenced its Hybrid Fibre Cable (HFC) network enhancement program in the first half of FY21. This program has seen the proportion of HFC customers able to access NBN Co's fastest speed tier - **nbn**[™] Home Ultrafast - increase from 7 per cent in May 2020, to more than 25 per cent at the end of December 2020.

Funding our future strategy

To fund its future strategy, NBN Co has been engaging through the private debt markets to raise the required capital to fulfil its Corporate Plan objectives and refinance the remaining \$16.5 billion Commonwealth loan that is due to mature in 2024.

During the half-year the Company secured its inaugural credit ratings, with Moody's Investor Services assigning an 'A1' credit rating, and Fitch Ratings assigning a rating of 'AA'. These ratings have assisted the Company to confidently enter negotiations with debt markets as it progresses its refinancing strategy.

As at 31 December 2020, the Company had raised in excess of \$10 billion in private debt. In addition to the \$6.1 billion in long-term unsecured credit facilities that were secured in April 2020, NBN Co raised a further \$2.4 billion in long-term unsecured credit facilities and \$1.6 billion in medium-term Australian bonds in December 2020.

These funds will be allocated to ongoing business activities and to repay the Commonwealth loan, of which \$3 billion was repaid in December 2020.

Supporting Australia

NBN Co is proud of the progress it has made towards achieving its financial and operational targets for FY21.

While these achievements remain in sight, the Company also recognises that it will continue to confront and overcome challenges through the remainder of FY21. These include the ongoing support of the nation through the COVID-19 pandemic, the continued enhancement and availability of high-speed broadband services for homes and businesses, and the enduring purpose of the Company to lift the digital capability of Australia.

As the digital backbone of the nation, NBN Co is committed to support the nation by providing access to the digital tools and services made possible by high-speed broadband.

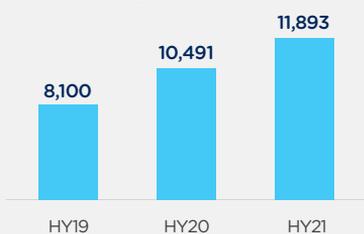
Revenue (\$ billion)



EBITDA (\$ billion)



Cumulative RTC Premises (million)



Cumulative Activations Premises (million)



Financial performance

Financial highlights

For the six months ended 31 December	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Financial performance					
Total revenue	2,260	1,813	1,301	891	403
Operating expenses	(1,027)	(1,038)	(1,088)	(1,022)	(858)
EBITDA¹ before subscriber costs	1,233	775	213	(131)	(455)
Subscriber costs	(809)	(1,438)	(690)	(1,246)	(549)
EBITDA¹	424	(663)	(477)	(1,377)	(1,004)
Net loss after tax	(2,113)	(2,817)	(2,152)	(2,643)	(1,829)
Financial position					
Capital expenditure ²	1,424	2,517	2,908	2,837	2,839
Total Assets	36,096	35,527	30,648	26,155	20,978
Borrowings	6,118	-	-	-	-
Commonwealth loan	16,500	16,214	9,228	1,610	-
Contributed equity	29,500	29,500	29,500	29,500	23,805

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

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

The Company's results for the six months ended 31 December 2020 continue to reflect strong growth and performance across the key financial metrics. The Company remains on track to achieve its FY21 Corporate Plan targets for revenue, EBITDA and net profit after tax.

Total revenue grew by 25 per cent to \$2.3 billion. This was primarily driven by the 23 per cent increase in the residential and business customer base compared to the corresponding prior period.

Underlying operating expenses decreased by 1 per cent or \$11 million. This decrease is in line with expectations as the Company moves beyond the initial build¹ phase.

EBITDA before subscriber costs grew to \$1.2 billion driven by the strong growth in revenue and stable operating costs.

Subscriber costs of \$809 million have decreased by 44 per cent due to the declining payments to Telstra for the disconnection of existing services and to Optus for the migration of subscribers to services over the **nbn**TM network.

These costs peaked in FY20 in line with the progression of the network rollout and are expected to virtually cease by FY23.

The Company achieved a positive EBITDA of \$424 million for the six months ended 31 December 2020, which is a \$1.1 billion improvement in the EBITDA result compared to the prior comparative period.

The statutory net loss after tax for the six month period of \$2.1 billion has improved by 25 per cent compared to the comparative period loss of \$2.8 billion. This improvement is in line with expectations and reflects the current stage of the Company's life-cycle.

Total assets increased by 2 per cent to \$36.1 billion driven by the increase in network assets in line with the completion of the initial build¹.

1 For further details on the initial build, refer to footnote 4 on page 2.

As at 31 December 2020, the outstanding balance of the Commonwealth loan was \$16.5 billion, with the cost of this debt remaining fixed at 3.96 per cent. The Company repaid \$3 billion of the loan using draw downs on the available third party debt facilities and the proceeds received from the issuance of Australian Medium-Term Notes.

The draw down of third party debt facilities in the period was also used to fund subscriber-related expenditure and ongoing capital expenditure.

Revenue

For the six months ended 31 December	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Telecommunications revenue	2,162	1,718	1,208	813	375
Other revenue	98	95	93	78	28
Total revenue	2,260	1,813	1,301	891	403

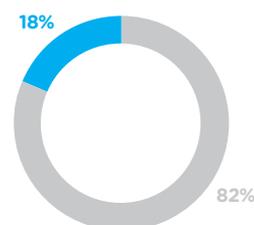
Telecommunications revenue increased by 26 per cent to \$2.2 billion driven by the significant growth in the customer base with more than 7.9 million homes and businesses now connected to services over the **nbn™** network.

Telecommunications revenue includes residential and business segment revenue. Residential telecommunications revenue increased by 26 per cent to \$1,765 million and telecommunications revenue from the business segment increased by 25 per cent to \$397 million.

Notwithstanding significant industry and customer COVID-19 support, Residential Average Revenue Per User (ARPU) remained steady at \$45 during the period. Offsetting the impact of COVID-19 support measures on ARPU was the increased demand by customers for higher speed plans with 70 per cent of customers now on plans based on wholesale speed tiers of 50 Mbps or above.

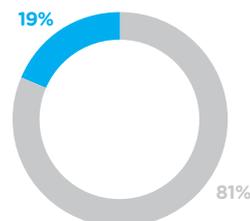
Other revenue of \$98 million includes revenue from developers, commercial works activities and the Technology Choice Program, as well as licensing fees.

HY21



■ Residential telecommunications revenue
■ Business telecommunications revenue

HY20



■ Residential telecommunications revenue
■ Business telecommunications revenue

Operating and other expenditure

For the six months ended 31 December	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Operating expenditure					
Direct network costs	326	327	359	329	246
Employee benefits expenses	453	439	430	406	362
Other operating expenses	248	272	299	287	250
Total operating expenditure	1,027	1,038	1,088	1,022	858
Other expenditure					
Subscriber costs	809	1,438	690	1,246	549
Depreciation and amortisation expense	1,720	1,488	1,240	1,028	658
Net finance costs	827	677	448	245	170

Operating expenditure

Direct network costs remained flat compared to the corresponding prior period despite the growth in the network footprint and customer base. These costs directly relate to operating the **nbn**[™] network and primarily relate to service assurance, maintenance and restoration activities, rental of network infrastructure, and network power.

Employee benefits expenses increased by 3 per cent compared to the corresponding prior period due to higher restructuring costs and significantly lower levels of annual leave taken during the period. Employee benefits expenses include costs of NBN Co employees, as well as temporary contractors (net of amounts that have been capitalised and included in the cost base of non-current assets).

Other operating expenses decreased by 9 per cent compared to the corresponding prior period. These expenses continue to decline as a result of various cost saving initiatives. These costs are associated with IT and software applications, outsourced business operations, strategic consulting, legal and regulatory services, communication and public information provision, commercial properties and other indirect employee-related expenditure.

Other expenditure

Subscriber costs decreased by 44 per cent to \$809 million due to the timing of associated disconnections and migrations as the peak migration period passed.

Depreciation and amortisation expense increased by 16 per cent to \$1.7 billion primarily due to the growth in network assets.

Net finance costs increased by 22 per cent to \$827 million. These costs primarily relate to interest on the Commonwealth loan and finance charges relating to accounting for assets under a lease or right-of-use arrangement under AASB 16. These charges have increased in line with the growth in borrowings and infrastructure supplied by Telstra under right-of-use arrangements.

Capital expenditure¹

For the six months ended 31 December	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Capital expenditure	1,424	2,517	2,908	2,837	2,839

As outlined in NBN Co's Corporate Plan 2021, network investments will continue, which are aimed at enhancing the **nbn**[™] network to meet the evolving needs of the nation. During the first half of FY21, NBN Co invested \$1.4 billion in capital expenditure, which primarily related to direct customer investments.

Capital expenditure for the first six months of FY21 includes build costs for an additional 160,000 premises added to the network and costs associated with connecting over 660,000 new customers to the **nbn**[™] network. In addition, significant investments continued in customer experience initiatives to raise the quality and performance of the network. Specifically, targeted investments in capacity upgrades across the network were executed to cater for Australia's growing data demand. Furthermore, NBN Co continues to invest in the deployment of enterprise-grade capabilities and products to service business customers.

Progress is being made on the \$4.5 billion network investment initiatives announced in September as part of the NBN Co Corporate Plan 2021. The initiatives aim to deliver NBN Co's highest speed plans to up to 75 per cent of premises within the fixed line network by 2023. During the period, work has commenced to deploy fibre deeper into communities and enhance the HFC and FTTC networks.

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

Summary of borrowings and other financial liabilities

	As at 31 December 2020 \$m	As at 30 June 2020 \$m	As at 31 December 2019 \$m
Commonwealth loan	16,500	19,458	16,214
Private debt facilities	4,540	-	-
Australian Medium-Term Notes (AMTN)	1,600	-	-
Working capital facilities	-	1,000	1,000
Overdraft facility	4	-	-
Total borrowings and other financial liabilities	22,644	20,458	17,214

NBN Co's capital strategy remains focused on refinancing the Commonwealth loan by June 2024 and funding ongoing business activities and value accretive investments, in line with our current corporate plan.

In addition to the \$6.1 billion of private debt facilities secured in April 2020, NBN Co arranged a further \$2.4 billion in incremental revolving credit facilities across six new banks in December 2020.

Also in December 2020, NBN Co completed its inaugural Australian Medium Term Note (AMTN) issuance for \$1.6 billion, establishing a strong platform for future bond issuances in both the Australian and offshore markets. These raisings enabled the Company to prepay \$3 billion of the Commonwealth loan, reducing the outstanding loan balance to \$16.5 billion.

Liquidity summary

As at 31 December 2020	Facility Limit \$m	Drawn \$m	Undrawn \$m	Maturity
Commonwealth loan	16,500	16,500	-	June 2024
Private debt facilities	8,450	4,540	3,910	March 2025 to December 2025
AMTN	1,600	1,600	-	December 2025 to December 2030
Overdraft facility	200	4	196	Rolling
Total	26,750	22,644	4,106	

Cash flows

For the six months ended 31 December	2020 \$m	2019 \$m
Net cash flows provided by operating activities (excluding subscriber costs)	1,193	642
Payments for subscriber costs (excluding GST)	(871)	(1,405)
Net cash flows provided by/(used in) operating activities (including subscriber costs)	322	(763)
Capital expenditure	(1,930)	(2,813)
Lease payments	(472)	(427)
Interest paid on borrowings and other financial liabilities	(399)	(289)
Free cash flow	(2,479)	(4,292)
Net proceeds from borrowings and other financial liabilities	2,136	4,161
Net cash flow	(343)	(131)

Net cash flows provided by operating activities increased by 86 per cent to \$1,193 million due to strong revenue growth.

Payments for subscriber costs fell by 38 per cent to \$871 million, reflecting the expected decline in first-time activations and associated cash payments after the peak of rollout activity in FY20.

Capital expenditure payments decreased by 31 per cent to \$1,930 million due to lower build and activation costs post the completion of the initial build¹.

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. These payments have increased by 11 per cent to \$472 million, primarily due to an increase in the volume of network infrastructure supplied by Telstra.

Interest payments on borrowings and other liabilities have increased by 38 per cent to \$399 million. This is due to the higher level of borrowings during the period.

In line with expectations, free cash flow has improved by 42 per cent compared to the prior period due to positive operating cash flows and lower capital expenditure and subscriber payments as the Company continues to transition from a build to operate model.

¹ For further details on the initial build, refer to footnote 4 on page 2.

Risk management

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

How does NBN Co manage its risks?

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

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

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

In the event of a risk event occurring, the 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 Corporate Plan 2021. In particular, risks in relation to improving the customer experience, responding to competition and undertaking a major transformation program remain a key focus while NBN Co continues to manage network performance and resilience over the summer season and throughout the COVID-19 pandemic.

The risk related to our ability to secure, optimise and manage financing arrangements has been expanded to reflect the scale of work required to successfully execute the Network Investment Plan, and the need to ensure these investments will deliver on expected financial returns and customer outcomes.

NBN Co also actively monitors emerging and geo-political risks.

Board of Directors



Dr Ziggy Switkowski
AO FAA FTSE FAICD

Chairman/Non-Executive Director
Appointed in October 2013.



Mr Drew Clarke AO PSM

Non-Executive Director
Appointed in August 2017.



Ms Shirley In't Veld

Non-Executive Director
Appointed in December 2015.



Mr Michael Malone

Non-Executive Director
Appointed in April 2016.



Ms Kate McKenzie

Non-Executive Director
Appointed in December 2019.



Ms Zoe McKenzie

Non-Executive Director
Appointed in July 2018.



Mr Stephen Rue

Managing Director and Chief
Executive Officer
Appointed in September 2018.



Dr Kerry Schott AO

Non-Executive Director
Appointed in September 2012.

Other information

Corporate information

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

Significant changes in the state of affairs

Other than the information set out in the HY21 and Financial Performance sections, there were no significant changes in the state of affairs of the Group during HY21.

Dividends

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

Directors' interests

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

Rounding of amounts

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

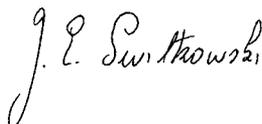
Auditor independence

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

Significant events subsequent to reporting date

No matter or circumstance has arisen since 31 December 2020 to the date of the signing of this report that has significantly affected, or may affect:

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



Dr Ziggy Switkowski AO
Chairman



Stephen Rue
Chief Executive Officer
9 February 2021

Auditor's independence declaration



Auditor-General for Australia



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

NBN CO LIMITED HALF-YEAR FINANCIAL REPORT 2020–21 AUDITOR'S INDEPENDENCE DECLARATION

In relation to my review of the Half-Year Financial Report of the NBN Co Group (comprising NBN Co Limited and the entities it controlled at the period end or from time to time during the period) for the half-year ended 31 December 2020, to the best of my knowledge and belief, there have been:

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

Australian National Audit Office

Grant Hehir
Auditor-General

Canberra
9 February 2021

Half-Year Financial Report



The Half-Year Financial Report, comprising the consolidated financial statements, notes to the consolidated financial statements and a Directors' declaration, for the six months ended 31 December 2020, includes the Company and its subsidiaries (together referred to as the NBN Co Group or the Group)



Statement of profit or loss and other comprehensive income

NBN Co Group

For the six months ended	Notes	31 December 2020 \$m	31 December 2019 \$m
Revenue	B	2,260	1,813
Direct network costs		(326)	(327)
Employee benefits expenses		(453)	(439)
Other operating expenses		(248)	(272)
Subscriber costs		(809)	(1,438)
Depreciation and amortisation expense	C1 & C2	(1,720)	(1,488)
Other income		13	11
Net finance costs	C4	(827)	(677)
Loss before income tax		(2,110)	(2,817)
Income tax expense		(3)	-
Loss for the period		(2,113)	(2,817)
Loss attributable to the shareholder		(2,113)	(2,817)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		(10)	(1)
Total other comprehensive loss for the period, net of tax		(10)	(1)
Total comprehensive loss for the period		(2,123)	(2,818)
Total comprehensive loss attributable to the shareholder		(2,123)	(2,818)

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

Statement of financial position

NBN Co Group			
As at	Notes	31 December 2020 \$m	30 June 2020 \$m
Current assets			
Cash and cash equivalents		1	344
Trade and other receivables		466	512
Derivative financial assets		-	5
Other current assets		101	129
Total current assets		568	990
Non-current assets			
Property, plant and equipment	C1	33,541	33,738
Intangible assets	C2	1,954	2,093
Other non-current assets		33	29
Total non-current assets		35,528	35,860
Total assets		36,096	36,850
Current liabilities			
Trade and other payables		1,642	2,289
Other liabilities		26	25
Derivative financial liabilities		3	-
Lease liabilities	C3	437	415
Other financial liabilities	C4	-	1,000
Borrowings	C4	11	-
Provisions		157	213
Total current liabilities		2,276	3,942
Non-current liabilities			
Trade and other payables		1	1
Other liabilities		838	847
Derivative financial liabilities		2	-
Lease liabilities	C3	10,339	10,445
Provisions		56	57
Borrowings	C4	6,107	-
Related party borrowings	C4	16,500	19,458
Total non-current liabilities		33,843	30,808
Total liabilities		36,119	34,750
Net (liabilities)/assets		(23)	2,100
Equity			
Contributed equity		29,500	29,500
Other reserves		(1)	9
Accumulated losses		(29,522)	(27,409)
Total equity		(23)	2,100

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

Statement of changes in equity

NBN Co Group

	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m
Balance at 30 June 2019	(22,170)	29,500	7	7,337
Loss for the period	(2,817)	-	-	(2,817)
Other comprehensive loss	-	-	(1)	(1)
Total comprehensive loss for the period	(2,817)	-	(1)	(2,818)
Balance at 31 December 2019	(24,987)	29,500	6	4,519
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)

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

Statement of cash flows

	NBN Co Group	
	31 December 2020	31 December 2019
For the six months ended	\$m	\$m
Cash flows from operating activities		
Receipts from customers	2,463	1,935
Payments to suppliers and employees	(2,142)	(2,702)
Interest received	1	4
Net cash provided by/(used in) operating activities	322	(763)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,782)	(2,603)
Payments for intangible assets	(148)	(210)
Net cash used in investing activities	(1,930)	(2,813)
Cash flows from financing activities		
Principal repayment of lease liabilities	(86)	(76)
Interest paid on lease liabilities	(386)	(351)
Proceeds from borrowings and other financial liabilities	6,094	1,000
Repayment of borrowings and other financial liabilities	(1,000)	-
Proceeds from related party borrowings	42	3,161
Repayment of related party borrowings	(3,000)	-
Interest paid on borrowings and other financial liabilities	(16)	(7)
Interest paid on related party borrowings	(383)	(282)
Net cash provided by financing activities	1,265	3,445
Net decrease in cash and cash equivalents	(343)	(131)
Cash and cash equivalents at the beginning of the period	344	520
Cash and cash equivalents at the end of the period	1	389

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

Notes to the consolidated financial statements

A. About this report

NBN Co Limited (NBN Co, the Company or the parent entity) is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly-owned by the Commonwealth of Australia. The Half-Year Financial Report, comprising the consolidated financial statements, selected explanatory notes to the consolidated financial statements and a Directors' declaration, for the six months ended 31 December 2020, includes the Company and its subsidiaries (together referred to as the NBN Co Group or the Group).

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

Basis of preparation

This non-statutory Half-Year Financial Report has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting* (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 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the most recent Annual Financial Report.

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

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

Going concern

The 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 Statement of Expectations (SOE) as issued by the Shareholder Ministers to NBN Co on 24 August 2016.

As at 31 December 2020, the Group's current liabilities exceed its current assets by \$1,708 million and the Group has net liabilities of \$23 million. These metrics are in line with expectation given the upfront investment in the network. The Group's financial performance remains on track to achieve stated financial targets within the Corporate Plan 2021.

The Group's long-term funding strategy is to raise a total of \$27.5 billion of external debt in order to finance the repayment of the Commonwealth loan and execute the additional network investments announced in the Corporate Plan 2021. The remaining \$16.5 billion loan facility with the Commonwealth Government is due to be repaid by 30 June 2024. The risks associated with funding the Group are closely monitored and NBN Co expects to execute against its refinancing plan. This ability to obtain funding is evidenced by the fact that NBN Co has entered into facility agreements securing access to over \$8.4 billion of private sector long-term debt and subscription agreements for the issuance of \$1.6 billion of Australian Medium-Term Notes. As at 31 December 2020, \$6.1 billion has been drawn down across these debt facilities.

At the date of signing this report, cash reserves and the remaining undrawn components of the private sector facilities are sufficient to meet the net cash flow forecasts of the Group for at least twelve months from the date of this report.

Functional and presentation currency

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

Rounding of amounts

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

Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability. The Group's significant accounting policies are outlined in the 2020 Annual Report. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Operating segment reporting

As a result of the recent Australian Medium-Term Notes issuance, the Group considers that AASB 8 *Operating Segments* is now applicable.

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

Estimates and judgements which are material or have the potential to be material to the Half-Year Financial Report are consistent with those referred to on page 132 of the 2020 Annual Report.

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

NBN Co considers that there has been no material change to the significant accounting estimates and judgements applied as a result of the ongoing impacts of COVID-19.

Notes to the consolidated 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 Group's operations and main revenue streams are consistent with those described in the 2020 Annual Report.

	NBN Co Group	
For the six months ended	31 December 2020 \$m	31 December 2019 \$m
Telecommunications revenue - Residential	1,765	1,399
Telecommunications revenue - Business	397	319
Other revenue	98	95
Total	2,260	1,813

Further disaggregation of revenue

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

C. Assets and liabilities

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

C1 Property, plant and equipment

NBN Co Group

	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m	Total \$m
At 30 June 2020						
Cost	36	458	45	195	42,512	43,246
Accumulated depreciation	(2)	(180)	(29)	(151)	(9,146)	(9,508)
Net book value	34	278	16	44	33,366	33,738
Period ended 31 December 2020						
Opening net book value	34	278	16	44	33,366	33,738
Additions ¹	-	4	3	12	1,228	1,247
Disposals	-	-	-	-	-	-
Depreciation	(1)	(31)	(5)	(9)	(1,398)	(1,444)
Net book value	33	251	14	47	33,196	33,541
At 31 December 2020						
Cost	36	454	44	207	43,740	44,481
Accumulated depreciation	(3)	(203)	(30)	(160)	(10,544)	(10,940)
Net book value	33	251	14	47	33,196	33,541

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. During the period, NBN Co revised the useful lives of certain network assets. This was as a result of updated estimates over the expected period of use for these asset categories which were identified as part of the annual useful life review. The financial impact of these revised estimated useful lives is a decrease in depreciation expense of \$159 million for the six month period ended 31 December 2020. This will have an expected future annual impact of a reduced depreciation charge of \$318 million per annum.

Notes to the consolidated financial statements continued

C. Assets and liabilities continued

C1 Property, plant and equipment continued

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

	NBN Co Group	
	31 December 2020 \$m	30 June 2020 \$m
Constructed and purchased assets	23,369	23,194
Assets in the course of construction	1,060	1,150
Right-of-use assets	8,248	8,522
Assets acquired for no consideration and under government grant	864	872
Property, plant and equipment – net book value	33,541	33,738

Assets in the course of construction

The carrying value of property, plant and equipment includes \$1,060 million (30 June 2020: \$1,150 million) of expenditure on assets which are in the course of construction. The majority of assets in the course of construction are network assets. As these assets have not been installed and are not ready for use, no depreciation is charged on these assets.

Right-of-use assets

	NBN Co Group				
	Land \$m	Buildings and leasehold improvements \$m	Furniture and equipment \$m	Network assets \$m	Total \$m
Right-of-use assets					
Balance at 1 July 2020	17	202	13	8,290	8,522
Additions	-	1	3	56	60
Remeasurement	-	3	-	(107)	(104)
Disposals	-	-	-	-	-
Depreciation	(1)	(24)	(4)	(201)	(230)
Net book value at 31 December 2020	16	182	12	8,038	8,248

Assets acquired for no consideration or under government grant

Included within network assets are assets acquired from developers for no consideration and an indefeasible right-of-use arrangement with the Department of 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 Group.

C2 Intangible assets

NBN Co Group				
	Software \$m	Licences \$m	Other \$m	Total \$m
At 30 June 2020				
Cost	3,883	175	172	4,230
Accumulated amortisation	(1,917)	(141)	(79)	(2,137)
Net book value	1,966	34	93	2,093
Period ended 31 December 2020				
Opening net book value	1,966	34	93	2,093
Additions	122	1	14	137
Amortisation	(260)	(3)	(13)	(276)
Net book value	1,828	32	94	1,954
At 31 December 2020				
Cost	4,005	176	187	4,368
Accumulated amortisation	(2,177)	(144)	(93)	(2,414)
Net book value	1,828	32	94	1,954

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 \$217 million (30 June 2020: \$352 million).

C3 Lease liabilities

NBN Co Group		
	31 December 2020 \$m	30 June 2020 \$m
Current		
Lease liabilities	437	415
Non-current		
Lease liabilities	10,339	10,445
Total	10,776	10,860

The majority of the Group's lease liabilities relate to right-of-use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre. The terms of these right-of-use licences are governed by the Revised Definitive Agreements (RDAs) with Telstra (refer to Note F1 of the 2020 Annual Report).

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

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

Notes to the consolidated financial statements continued

C. Assets and liabilities continued

C4 Borrowings and other financial liabilities

	NBN Co Group	
	31 December 2020 \$m	30 June 2020 \$m
Current		
Borrowings	11	-
Other financial liabilities	-	1,000
Non-current		
Borrowings	6,107	-
Related party borrowings	16,500	19,458
Total	22,618	20,458

NBN Co's borrowings consist of unsecured private debt facilities, Australian Medium-Term Notes (AMTN) issuances and the related party borrowings issued under the loan with the Commonwealth Government. In the prior year, the Group entered into short-term working capital management facilities which were repayable in full within twelve months. These working capital facilities have been fully repaid during the period.

The loan agreement with the Commonwealth Government has a fixed interest rate of 3.96 per cent per annum and had a maximum draw down limit of \$19.5 billion. The full principal amount of the loan is due to be repaid by 30 June 2024. This loan was fully drawn down by August 2020. NBN Co plans to raise further external debt in order to finance the repayment of the Commonwealth loan and execute the additional network investments announced in the Corporate Plan 2021.

During the period, NBN Co varied the terms of the loan with the Commonwealth Government to allow NBN Co to use proceeds from future debt raisings to make loan prepayments in advance of the maturity date. Once a prepayment is made, the facility limit of the loan is reduced by the prepaid amount, meaning it cannot be redrawn after being repaid. During December, NBN Co made prepayments against the Commonwealth loan totalling \$3 billion. As at 31 December 2020, the loan from the Commonwealth Government of \$16.5 billion is fully drawn. The Group plans to make further prepayments against the Commonwealth loan as further debt raisings are completed.

In April 2020, NBN Co entered into private sector debt facilities with a number of financial institutions to secure \$6.1 billion for a period of five years.

During December 2020, NBN Co also secured a further \$2.35 billion and \$50 million of private sector debt facilities with a number of financial institutions for a period of 5 years and 7 years respectively. The facility agreements bear interest at variable market rates and are repayable in full at the end of the contracted period.

In addition, during December 2020, NBN Co entered into two separate subscription agreements with various financial institutions to secure the issuance of \$1.2 billion and \$0.4 billion Australian Medium-Term Notes (AMTNs) for periods of 5 years and 10 years respectively. The AMTNs bear interest at a fixed rate and are repayable in full at the end of the contracted period.

All of the Group's borrowings are issued in AUD. The Group's nominal weighted average cost of debt as at 31 December 2020 is 3.17 per cent.

Recognition and measurement

All loans are initially recorded at fair value, which typically reflects the proceeds received, net of directly attributable transaction costs.

Establishment fees paid upon entering into loan facilities are recognised as transaction costs related to the loan to the extent that it is probable that some or all of the loan facility will be drawn down. In this case, establishment fees are deferred until the draw down occurs. If it is not deemed probable that some or all of the loan facility will be drawn down, then the fee is capitalised as a prepayment and amortised over the period of the related loan facility. After initial recognition, all interest-bearing loans are measured at amortised cost, using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial Risk Management

The Group's approach to financial risk management is outlined within the Annual Report for the year ended 30 June 2020. However, the changes to the Group's long-term borrowings during the period have resulted in further evolution in the Group's approach to managing financial risk. The relevant changes in financial risk, including the nature of the risks, their quantification and management are discussed below.

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk due to changes in market interest rates associated with interest-bearing cash and cash equivalents and long-term private debt borrowings. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The Group manages its risk in relation to the long-term private debt borrowings by entering into Interest Rate Swaps (IRS) to swap the floating rate for a fixed interest rate and thereby hedge against interest rate movements. As at 31 December 2020, the Group had entered into interest rate swaps to hedge \$1 billion out of the \$4.5 billion in drawn variable rate private debt borrowings. These interest rate swaps cover the entire period of the private debt borrowings that are hedged. The proportion of net debt exposed to floating rates is 16 per cent.

Notes to the consolidated financial statements continued

C. Assets and liabilities continued

C4 Borrowings and other financial liabilities continued

		NBN Co Group		
		Notional Amount \$m	Notional swapped from floating to fixed \$m	Net exposure to floating interest rate risk \$m
At 31 December 2020				
Commonwealth loan	Fixed	16,500	-	-
Private debt facilities	Floating	4,540	1,000	3,540
Australian Medium-Term Notes (AMTN)	Fixed	1,600	-	-
Overdraft facility	Floating	4	-	4
Total		22,644	1,000	3,544

Credit risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (e.g. a group of companies). Credit risk is managed on a group basis. The Group manages its credit risk via Board approved policies that require a formal approval of new counterparties, credit limit monitoring by counterparty and ongoing monitoring and reporting to manage credit risk exposure.

Liquidity risk

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring sufficient funds are available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. The Group's financial liabilities are trade and other payables, finance lease liabilities, and borrowings.

The Group measures and manages liquidity risk through the liquidity ratio and by forecasting liquidity and funding requirements for the next four years as a minimum, which is reviewed annually by the Board as part of the Corporate Plan. In addition, the Group prepared and reviews a rolling monthly cash forecast. The risk of refinancing is reduced by ensuring that the Group's borrowings mature across different periods.

The total drawn and undrawn amounts across all available borrowings are included 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 Group				
At 31 December 2020	Facility Limit \$m	Drawn \$m	Undrawn \$m	Maturity
Commonwealth loan	16,500	16,500	-	June 2024
Private Debt Facilities	8,450	4,540	3,910	March 2025 to December 2025
Australian Medium-Term Notes (AMTN)	1,600	1,600	-	December 2025 to December 2030
Overdraft facility	200	4	196	Rolling
Total	26,750	22,644	4,106	

Net finance costs

NBN Co Group		
For the six months ended	31 December 2020 \$m	31 December 2019 \$m
Finance charges on lease arrangements	(431)	(405)
Unwinding of the discount on other lease related provisions	(1)	(1)
Interest on related party borrowings	(383)	(282)
Interest on working capital facilities	(2)	(7)
Interest on fixed rate bonds	(2)	-
Interest on drawn borrowing facilities	(11)	-
Fees on undrawn borrowing facilities	(10)	-
Other net interest income	13	18
Total	(827)	(677)

D. Significant contractual arrangements and commitments

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

NBN Co's significant contractual arrangements are set out on pages 158-159 of the 2020 Annual Report and have not significantly changed from 30 June 2020.

Notes to the consolidated financial statements continued

D. Significant contractual arrangements and commitments (continued)

D1 Commitments

Capital commitments

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

	NBN Co Group	
	31 December 2020 \$m	30 June 2020 \$m
Within one year	780	1,928
Later than one year but not later than five years	17	2
Later than five years	34	1
Total capital commitments	831	1,931

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.

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 174 of the 2020 Annual Report. There have been no significant changes to these contingent assets and contingent liabilities during the period.

E2 Related party transactions

Parent entity

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

Subsidiaries

The interest in the subsidiaries is set out on page 170 of the 2020 Annual Report and remains unchanged. However, NBN Co is in the process of liquidating both subsidiaries to simplify the operations of the Company.

Transactions with related parties

The following transactions occurred with related parties:

	NBN Co Group	
	31 December 2020	31 December 2019
For the six months ended	\$	\$
Loans from the Commonwealth of Australia		
Balance at 1 July	19,458,078,766	13,053,334,593
Loans advanced during the period	42,000,000	3,161,000,000
Loans paid during the period	(3,000,000,000)	-
Interest charged on government borrowings	383,304,349	282,305,471
Interest paid on government borrowings	(383,383,115)	(282,521,372)
Balance at 31 December	16,500,000,000	16,214,118,692

Other Directors' interests

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

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

During the period, Mr Malone was 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 period, the Group purchased certain assets of Speedcast Managed Services Pty Ltd and incurred 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 either the current or prior period.

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

	NBN Co Group	
	31 December 2020	31 December 2019
For the six months ended	\$	\$
Payments for various goods and services (excluding GST) from entities with common key management personnel	18,781,441	55,987,849

Notes to the consolidated financial statements continued

E. Other financial information continued

E2 Related party transactions continued

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

E3 Fair value measurement of financial instruments

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

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

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

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

Fair value of derivative assets and liabilities

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

The fair value of derivatives used for hedging is determined using forward exchange rates at the reporting date and the present value of the estimated future cash flows based on observable yield curves.

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

	NBN Co Group	
	31 December 2020 \$m	30 June 2020 \$m
For the six months ended		
Financial assets		
Hedging derivatives - Forward contracts	-	5
Balance at 31 December	-	5
Financial liabilities		
Hedging derivatives - Interest rate swaps	2	-
Hedging derivatives - Foreign currency swaps	3	-
Balance at 31 December	5	-

Fair value of other financial instruments

In line with accounting standards, the Group has a number of financial instruments which are not measured at fair value in the Statement of financial position. The Group has determined that the carrying value of the loan from the Commonwealth of Australia is materially consistent with its fair value as at the reporting date. The fair value has been estimated using both observable and hypothetical unobservable inputs to determine a hypothetical cost of debt based upon assumptions consistent with the terms of the loan.

The carrying amounts of the remaining financial instruments are also materially consistent with their fair value as at the reporting date.

E4 Changes in significant accounting policies

The Group has consistently applied the accounting policies, as outlined in the 2020 Annual Report, to all periods presented in these condensed consolidated financial statements, except for new standards, amendments to standards and interpretations effective from 1 July 2020.

The Group has adopted AASB 2019-3: 'Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform' effective from 1 July 2020. 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 and BBSW, 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 2020.

A number of standards, amendments and interpretations, including the revised Conceptual Framework, were applicable for the first time from 1 July 2020. These have not had a significant or immediate impact on the Group's half-year condensed financial statements.

F. Events occurring after the reporting period

No matter or circumstance has arisen since 31 December 2020 to the date of signing of this report that has significantly affected, or may affect:

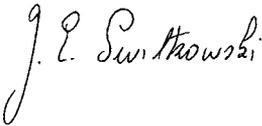
- The Group's operations in future financial years
- The results of those operations in future financial years
- The Group's state of affairs in future financial years.

Directors' declaration

- (1) These non-statutory Half-Year financial statements and notes set out on pages 24 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 the NBN Co Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (2) There are reasonable grounds to believe that the NBN Co Group will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors.



Dr Ziggy Switkowski AO

Chairman
9 February 2021



Mr Stephen Rue

Chief Executive Officer
9 February 2021

Independent auditor's review report



Auditor-General for Australia



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of NBN Co Limited

Conclusion

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the Half-Year Financial Report of NBN Co Limited does not give a true and fair view of the financial position of the NBN Co Group as at 31 December 2020 and its financial performance for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

The NBN Co Group comprises NBN Co Limited and the entities it controlled at 31 December 2020 or from time to time during that half-year.

The Half-Year Financial Report of NBN Co Limited, which I have reviewed, comprises the following statements as at 31 December 2020 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 consolidated 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 the NBN Co Group in accordance with the relevant ethical requirements for financial report reviews conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other ethical responsibilities in accordance with the Code.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

My responsibility is to express a conclusion on the Half-Year Financial Report based on my review. ASRE 2410 requires me to conclude whether anything has come to my attention that causes me to

Independent auditor's review report continued

believe that the financial report does not give a true and fair view of the financial position of NBN Co Group as at 31 December 2020 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
9 February 2021

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