

Half-Year Financial Report

The Half-Year Financial Report, comprising the financial statements, Notes to the financial statements and a Directors' declaration, for the six months ended 31 December 2023.



Statement of profit or loss and other comprehensive income

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

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

Statement of financial position

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

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

Statement of changes in equity

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

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

Statement of cash flows

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

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

Notes to the financial statements

A. About this report

NBN Co Limited (NBN Co or the Company) is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly-owned by the Commonwealth of Australia.

The Half-Year Financial Report is comprised of the financial statements, selected explanatory Notes to the financial statements and a Directors' declaration, for the six months ended 31 December 2023. NBN Co is a for-profit entity for the purpose of preparing the Half-Year Financial Report.

Basis of preparation

This non-statutory Half-Year Financial Report has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting* (which complies with International Accounting Standards (IAS) 34 *Interim Financial Reporting*).

The Half-Year Financial Report does not include notes of the type normally included in an Annual Financial Report and should be read in conjunction with the most recent Annual Financial Report for the year ended 30 June 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the most recent Annual Financial Report.

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

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

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

Going concern

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

As at 31 December 2023, the Company's current liabilities exceeded its current assets by \$10,711 million and the Company has net liabilities of \$3,607 million. These metrics are in line with expectations given the significant upfront investment in the network in advance of the Company generating free cash flows. The Company's financial performance remains on track to achieve the stated financial targets as outlined in its Corporate Plan 2024.

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

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

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

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

investment grade credit rating and the outcomes of recent financing transactions.

At the date of signing the Half-Year Financial Report, the Directors expect that NBN Co will be able to meet all of its obligations as and when they fall due for at least twelve months from the date of this report. This will be achieved through a combination of the Company's operational activities, the expected outcomes from the Company's future financing activities (including future equity injections), and utilisation of undrawn available bank facilities. As at 31 December 2023, NBN Co has \$9,260 million of undrawn available bank facilities.

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.

Functional and presentation currency

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

Rounding of amounts

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

Comparative figures

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

Material accounting policies

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability. The Company's material accounting policies align to its significant accounting policies as outlined in NBN Co's Financial Report 2023.

Except where otherwise stated, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

Operating segment reporting

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

NBN Co's Chief Executive Officer (CEO) has been identified as the CODM. NBN Co has determined that it operates in a single segment providing wholesale broadband services across Australia. The CODM assesses the performance of the Company using revenue, EBITDA¹, and net cash flows as presented in the primary financial statements. NBN Co's EBITDA result was \$1,985 million as at 31 December 2023 (31 December 2022: \$1,807 million).

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

Material accounting estimates and judgements

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

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

Estimates and judgements which are material or have the potential to be material to the Half-Year Financial Report are consistent with those referred to on page 7 of NBN Co's Financial Report 2023. These estimates have been consistently applied to all periods presented, unless otherwise stated.

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

B. Revenue

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

Revenue from contracts with customers

The Company's operations and main revenue streams are consistent with those described in NBN Co's Financial Report 2023.

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

Further disaggregation of revenue

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

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

C. Assets and liabilities

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

C1. Cash and cash equivalents

The cash and cash equivalents disclosed in the Statement of financial position and the Statement of cash flows include \$57 million (30 June 2023: \$38 million) held by the Company which is subject to contractual restrictions and therefore not available for general use.

C2. Property, plant and equipment

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

Depreciation on assets is calculated using the straight-line method to allocate the cost, net of any residual values, over their estimated useful lives or, in the case of leasehold improvements and leased network assets and other assets, the shorter of the lease term or useful life. The remeasurement of NBN Co's Property, Plant and Equipment during the period primarily relates to the remeasurement of right-of-use assets to reflect contractually-linked CPI increases within NBN Co's leasing arrangements.

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

During the year ended 30 June 2023, NBN Co revised the estimated useful lives of certain network assets, within the existing range of 5 – 40 years, to align their expected period of use with the Company's latest business plans and upgrade strategies. The financial impact of the revised estimated useful lives was a decrease in depreciation expense of \$337 million for the period ended 31 December 2022 and \$681 million for the year ended 30 June 2023.

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

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

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

Assets in the course of construction

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

Right-of-use assets

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

Assets acquired for no consideration and under government grant

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

Non-current assets pledged as security

None of the non-current assets have been pledged as security by the Company.

C3. Intangible assets

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

Assets in the course of construction

The carrying amount of intangible assets includes expenditure recognised on software assets which are in the course of construction. As these assets have not been fully installed and are not yet ready for use, no amortisation is charged on these assets. Total software assets in the course of construction are \$46 million (30 June 2023: \$121 million).

C4. Lease liabilities

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

The majority of the Company's lease liabilities relate to right-of-use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre network cables. The terms of these right-of-use licences are governed by the Revised Definitive Agreements (RDAs) with Telstra (refer to Note F1 of NBN Co's Financial Report 2023).

The Company also leases certain commercial properties, commercial vehicles, and wireless base stations with various terms that are due to expire within a range of 1 - 30 years.

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

C5. Borrowings and related party borrowings

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

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

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

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

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

The loan agreement with the Commonwealth Government has a fixed interest rate of 3.96 per cent per annum and was fully drawn as at 31 December 2023. Interest is payable monthly over the life of the facility and the full principal amount of the loan is due to be repaid by 30 June 2024. The terms of the Commonwealth loan allow NBN Co to use proceeds from debt raisings to make loan prepayments in advance of the maturity date. Once a repayment is made, the facility limit of the loan is reduced by the repaid amount, meaning it cannot be redrawn after being repaid.

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

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

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

The Company's nominal weighted average cost of issued and drawn debt, taking into account hedging activities, as at 31 December 2023 is 3.30 per cent (31 December 2022: 2.93 per cent). All borrowings are repayable in full at the end of the contracted period.

Net finance costs

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

		NBN Co	
		31 December 2023	31 December 2022
For the six months ended	Note	\$m	\$m
Finance charges on lease arrangements		(464)	(440)
Interest on related party borrowings	F2	(110)	(116)
Interest on borrowings		(309)	(223)
Other finance charges ¹		(34)	(7)
Total		(917)	(786)

1. Other finance charges include hedge ineffectiveness.

Fair value of borrowings

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

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

The difference between the carrying value and fair value reflects the movements in underlying market interest rates between settlement date and reporting date for the Company's borrowings. The fair value of the Company's borrowings are measured using Level 2 inputs (refer to page 15).

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

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

C6. Derivative financial assets and liabilities

As a result of its operations, the Company is exposed to a number of financial risks including market risks (interest rate risk and foreign currency risk), liquidity risk and credit risk. The Half-Year Financial Report does not include all financial risk management information and disclosures required in the Annual Financial Report and as such, should be read in conjunction with NBN Co's Financial Report 2023. For further details on the Company's financial risk management refer to Note G in its Financial Report 2023. There have been no significant changes to the Company's risk management policies since 30 June 2023.

Derivatives and hedging activities

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

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

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

Fair value measurement of financial instruments

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

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

Fair value of derivative assets and liabilities

The Company's derivative financial assets and liabilities are the only assets and liabilities carried at fair value in the Statement of financial position. The fair value of these instruments is determined using valuation techniques with observable market data, categorised as Level 2, other than the 'contract for difference' (CfD) derivatives within Power Purchase Agreements (PPAs) which are categorised as Level 3 as one of the key inputs, being the electricity forward prices, cannot be forecast (using observable market data) for the duration of the contract.

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

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

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

There were no other changes in the valuation techniques applied and there were no transfers between hierarchy levels during the period.

Fair value of other financial instruments (excluding lease liabilities)

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

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

D. Equity

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

D1. Contributed equity

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

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

E. Significant contractual arrangements and other commitments

NBN Co's significant contractual arrangements and commitments are set out on pages 36 - 38 of its Financial Report 2023 and have not significantly changed from 30 June 2023.

E1. Commitments

Capital commitments

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

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

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

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

F. Other financial information

This section provides information on further disclosures required by the Australian Accounting Standards.

F1. Contingent assets and contingent liabilities

NBN Co's accounting policy in relation to contingent assets and contingent liabilities is set out on pages 52 - 53 of its Financial Report 2023. There have been no material changes to these contingent assets and contingent liabilities during the period.

F2. Related party transactions

Parent entity

The Company's ultimate parent entity and ultimate controlling entity is the Commonwealth of Australia.

Transactions with related parties

The following transactions occurred with related parties:

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

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

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

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

During FY22, NBN Co received \$480 million grant funding from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts as part of the NBN Co Fixed Wireless and Satellite Upgrade Program, with NBN Co also contributing an estimated \$270 million of investment into the Program. NBN Co recognises grant income in profit or loss on a basis aligned to the expenditure incurred by the Company for which the grant is intended to compensate. For the six months ended 31 December 2023, NBN Co had recognised \$48 million (31 December 2022: \$48 million) as other income and as at 31 December 2023, \$336 million had been recognised as a deferred gain (30 June 2023: \$384 million).

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

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

F3. Changes in material accounting policies

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

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

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

G. Events occurring after the reporting period

No matters or circumstances have arisen since 31 December 2023 to the date of signing of this report that has significantly affected, or may affect:

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

Directors' declaration

- (1) These non-statutory half-year financial statements and notes set out on pages 1 to 20 are in accordance with AASB 134 *Interim Financial Reporting* (which complies with IAS 34 *Interim Financial Reporting*), giving a true and fair view of NBN Co's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (2) There are reasonable grounds to believe that NBN Co will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors.



Kate McKenzie
Chair
6 February 2024



Stephen Rue
Chief Executive Officer
6 February 2024

Independent Auditor's Review Report



Independent auditor's review report to the Board of Directors of NBN Co Limited **Report on the half-year financial report**

Conclusion

We have reviewed the half-year financial report of NBN Co Limited (the Company) which comprises the statement of financial position as at 31 December 2023, the statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income for the half-year ended on that date, material accounting policy information and selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of NBN Co Limited does not present fairly, in all material respects, the Company's financial position as at 31 December 2023 and its financial performance and its cash flows for the half-year ended on that date, in accordance with the accounting policies as described in Note A to the financial statements.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Company in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note A in the half-year financial report, which describes the basis of accounting. The half-year financial report has been prepared by management to meet the information needs of the Company and its directors. As a result, the half-year financial report may not be suitable for another purpose. Our report is intended solely for the Company and its directors. Our conclusion is not modified in respect of this matter.

Responsibilities of management for the half-year financial report

Management of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note A to the financial statements and for such internal control as management determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the half-year ended on that date in accordance with the accounting policies as described in Note A to the financial statements.

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 us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Rosalie Wilkie

Rosalie Wilkie
Partner

Sydney
6 February 2024

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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 Financial 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 Financial Report is for the six months ended 31 December 2023.

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

