

Media release

26 February 2015

NBN Co tracks towards full year targets as network transitions to new rollout model

Highlights:

- Serviceable premises increased 35% to c.748,000 in six months to 31 December 2014
- End users increased 53% to c.322,000 over the period
- Telecommunications revenue increased 191% year-on-year to \$64 million
- Solid progress towards Multi-Technology Mix rollout
- Weekly run rate of 8,900 serviceable premises in December 2014, up from 5,670 a year earlier. February run rate is tracking at 10,200 per week (12-week rolling average)

The National Broadband Network has achieved significant progress in the six months to December 2014, with substantial increases in the number of serviceable premises, active end-users and telecommunications revenue, NBN Co announced today.

The progress is a direct result of the many improvements being made across the business. It puts the company on track to meet its full year targets of 1 million serviceable premises, around 480,000 active end users and circa \$150 million in annual revenue.

In the past six months, the number of serviceable premises rose to 748,552 (across all access technologies) – up 35 per cent on the six months to 30 June 2014 (and nearly double the corresponding period in 2013).

The 12-week rolling average for serviceable premises stood at 8,900 per week at December 2014. The company has continued to escalate the rollout and in February 2015 was tracking at 10,200 serviceable premises per week.

Within the fixed line footprint, concerted efforts by the company to improve the rollout process mean that, for the first time in the project's history, more than half of all premises nominally passed by fibre can now order a National Broadband Network service.

This has contributed to an active premises count of 322,391 (across all technologies), an increase of more than a third over the period and a 147 per cent increase over the prior comparative period.

Average Revenue Per User (ARPU) year-on-year rose \$3 to \$39. The increase in ARPU was in part driven by higher connectivity revenues due to a greater demand for capacity by NBN Co's customers, the retail service providers.

The company incurred \$1.4 billion in capital expenditure for the period (+21 per cent over the prior comparative period) (\$7.1 billion Life-to-Date); an EBITDA loss of \$497 million (+4 per cent over the prior comparative period) and operating expenses of \$562 million (+12 per cent over the prior comparative period).

Multi-technology rollout

At the same time, the company is on track with its plans to progressively transfer copper and Hybrid Fibre-Coaxial (HFC) assets to the National Broadband Network. The Fibre to the Building and Fibre to the Node products remain on course to be released this calendar year.

The company this week also concluded a contract with ARRIS Group Inc. for the supply of telecommunications equipment for the HFC rollout. The company expects to conduct a customer pilot of HFC technology before the end of the calendar year, ahead the commercial launch in 2016.

NBN Co CEO Bill Morrow said:

"I'm pleased with the progress the company has made during the period.

"In the past six months we have made significant headway improving the existing rollout. This is a direct result of the work we have put into aligning our 3000 employees around our common goals, improving end-to-end processes and better collaboration with retail service providers and delivery partners.

"Combined with the active steps we are taking to transition to the Multi-Technology Mix, including the successful renegotiation of our agreements with Telstra and Optus, they put the company on a solid footing to enable us to deliver better broadband to Australians as quickly as possible and at least cost to taxpayers."

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Notes to Editors:

NBN Co's objective is to ensure that by 2020:

- all homes, businesses and communities across Australia can access high speed broadband;
 - 8 million premises are connected to the National Broadband Network;
 - the company generates more than \$4 billion of annual revenue;
 - less than the capped \$29.5bn of government equity funding is used.
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- For more information, visit nbnco.com.au/2014halfyearresults