

Event: NBN Co Full-Year Results Announcement

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Speakers: Bill Morrow, Stephen Rue

Bill Morrow: Good morning and thank you for joining us for an update on NBN's full year performance for fiscal 2018. Now I trust you've all received the presentation materials from our media team but if not, these are available now on the NBN website. And as usual, I'm joined by NBN's CFO Stephen Rue who in a moment will take you through the company's financial performance and I'll follow with overall comments on our operational progress.

But before we begin, I'd like to remind you that we'd been working through our annual corporate planning process and we will release NBN's next corporate plan on the 31st of August. And, of course, we look forward to presenting those details to you at that time.

And now turning to the year that's past. It's been a significant 12 months for the company as we balanced our goals to get the network built as quickly as possible, delivered at the least possible cost and provide positive customer experience. While there is always room for improvement, it's a balance that I believe we've achieved in this fiscal year.

We listened to consumers and industry and we put customer experience at the heart of all management decision-making and you'll know from my comments at Q3 that this resulted in some short-term delays to the build and activation schedule which is clear in today's results. But we know these decisions were necessary ones.

Today, the network is in better shape and many consumers are having a far better experience than they were a year ago and there's where our focus needs to be. The improvements we have made and how our customers get connected, use the network and resolve concerns that had a substantial lift in end user satisfaction.

I'll go into more detail shortly, but first let me pass over to Stephen who will give you the detail on the financials. Stephen, please.

Stephen Rue: Thank you, Bill, and hello everyone. It's good to be with you once again. The financial results I will present today are detailed in our annual report. The 2018 annual report which includes the director's report and an honest opinion from the Australia National Board Office will be published on our website following the tabling of the report in Parliament. I commend the document for your reading once it becomes available.

Now turning to our performance for fiscal 18, I would like to begin by talking to the headline results. The headline results for the year show total revenue almost doubling compared to last year to \$1.98 billion. The growth in revenue is primarily driven by the 65% increase in active premises of the past 12 months with more than four million premises connected to NBN services at the end of June. Revenue is supported by an average revenue per user of \$44.

Our network roll out continues to expand with more than 8.1 million premise ready for service at the end of June of which more than seven million were ready to connect. Cash funding to date is \$35 billion and includes the total government equity funding commitment of \$29.5 billion as well as the drawdown of \$5.5 billion under the \$19.5 billion loan agreement with the government.

Now turning to revenue in more detail on the following slide. The chart on this slide depicts the growth in revenue quarter on quarter over the past 12 months. Our revenue growth have continued to its fourth quarter revenue up \$566 million, bringing total revenue for fiscal 18 to almost \$2 billion. As I previously mentioned the primary driver of this achievement was the growth in premises activated.

On the right-hand side of the chart, you can see the growth and revenue have continued across all technologies. As a reminder, other revenue includes revenue from developers, commercial work activity and the technology choice programme as well as licensing fee. These revenue streams continue to grow in line with the expansion of the NBN network.

On the following slide, we can see the growth quarter on quarter in active end users with more than four million premises connected to services over the NBN network at the end of June. During the past 12 months, we activated 1.6 million end users while also improving our installed wide first-time connection metric which Bill will talk to later.

The strong take of the services over the NBN access network over the past 12 months means that now more than one-third of Australian homes and businesses are connected to services over the network.

On the right-hand side of the slide, we can see the breakdown of active end user by technology. FTTN active end users at 30th June exceeded two million with 1.2 million FTTP users and over 400,000 HFC users. With the launch of FTTC in March, almost 4,000 end users have since adopted this service by year end.

With respect to ARPU this has increased to \$44 as a result of the uplift in CVC capacity purchase over the period, driven by the growth in end user data and function.

Now turning to the speed tier mix on the next slide. Following the launch of our Focus on 50 campaign in December, we've been delighted with the significant take up of the 50/20 speed tier products. As at 30th June 48% of fixed line end user were on a speed tier plan of 50 megabits per second or higher with 37% on the 50/20 tier.

With the introduction of a wholesale bundle products in May, we will continue to see a shift in the take up of higher speed tier products in the future.

In fixed wireless, 74% of end users are on the 25/5 tier and 9% on the 50/20 tier. For satellite, 68% of end users are on the 25/5 tier.

Now turning to construction on the next slide, you can see the growth of premises ready for service over the past 12 months with an increase of more than 2.4 million premises in comparison to the same time a year ago and an increase of more than 600,000 premises in the fourth quarter of fiscal 18.

On the right-hand side, we can see the breakdown of premises ready for service by technology. In March, we launched our new access technology FTTC with over 170,000 premises ready for service at the end of June. In relation to the FTTN network, 3.8 million premises were ready for service at the end of June, reflecting an increase of 1.3 million premises from last year.

In relation to HFC, I would like to highlight that despite the pause in activations, we have continued to build that this access network in addition to the remediation work being performed.

In total across all technologies, nearly all of Australia's household and businesses are either in design, construction or are ready able to order a service of the NBN network.

As a reminder, when NBN declared an area ready for service, retail service providers are able to start selling services in that area. However, some premises within that area may require further work to enable them to meet the criteria for ready to connect. So, on the following slide, you can see the number of premises that are able to connect after placing an order with the end users prepared retail service provider. At the end of June, more than seven million premises were ready to connect, representing more than 60% of Australian homes and businesses.

The number of ready to connect premises have increased by more than 500,000 during the fourth quarter, mainly due to the expansion of the FTTN network. As you may recall, the second quarter growth trajectory reflects the HFC announcement in late November with further field work being undertaken to uplift further quality before declaring the HFC network ready to connect. In light of this

decision, approximately 700,000 premises were rolled back from the ready to connect stages during the second quarter.

The number of premises ready to connect across the HFC network at the end of June of almost 500,000 has increased from the December position with advance network testing and optimisation work being undertaken in the second half of the year. We have now optimised HFC footprint and have begun rereleasing premises for sale. As premises are rereleased, they will be reinstated as ready to connect.

Regarding FTTN, more than 3.7 million premises were ready to connect at 30th June and over 1.6 million on FTTP and following the March launch of FTTC, over 75,000 premises were ready to connect at year end.

During fiscal 18, NBN incurred \$5.7 billion in capital expenditure as illustrated on the following slide. The largest area of capex during the period was in relation to the FTTN network with a total capex spend of \$1.6 billion. In HFC, more than 1.3 billion was incurred for further design, optimisation and construction activity. Capital expenditure also continued on the FTTP network with spend of \$350 million on both the Greenfield FTTP and Brownfield FTTP build and connections.

FTTC capital expenditure of \$827 million was incurred for design and construction work. Capital expenditure of \$353 million on a fixed wireless network reflects the acquisition of wireless site and integration of base stations as well as additional capital investment to optic capacity to enhance customer experience. And we continue to incur capital expenditure on the transit network as we introduce further access network technology and expand the NBN footprint.

Ongoing spend here is also required as we cater for the demand for increased capacity and growth in end user numbers. As a result, during fiscal 18, \$451 million were spent on this part of our network.

And finally, expenditure on comment capex item was \$715 million during the period as we continue to invest in IT and engineering capabilities.

The next slide shows the cost per premises of the various access technology and as a reminder, cost per premises or CPP reflects the initial cost incurred in building the access network from the transit network to the end user activation.

At 30th June 2018, FTTP Brownfield CPP is consistent with recent reporting period of \$4,401. Greenfield CPP has increased during the period to \$2,255 which is as expected with additional premises connecting to temporary transit infrastructure as the programme expands.

The FTTN CPP is consistent with the December position at \$2,244. The increase in FTTN CPP over the year is primarily driven by higher construction and connection cost associated with more complex build requirement during the first half of the year.

HFC CPP of \$2,412 has remained consistent with the CPP position at December. The increase in HFC CPP since June last year reflects the inclusion of pre-ready to connect network optimisation and node work to be performed to facilitate a better experience for end users connected to the NBN HFC network. This work will also improve the quality of the network usage and connection experience for future end users.

And, lastly, in line with expectation, fixed wireless CPP has increased during the period to \$3,757, reflecting more complex build requirement in the latter part of the programme and the extension of the network to less densely populated area.

Now, regarding operating expenses on the next slide, again, the trends are consistent with what we've seen in recent period. Operating expenses grew to over \$2 billion for the fiscal year from \$1.8 billion last year.

We have continued to increase our labour force and direct network cost has grown due to the expected increase in operational, maintenance and assurance core in line with the expanded network. The increase in other expenses is driven by further spend in marketing and advertising, employee-related costs and IT and back office cost to support business and operational growth.

Subscriber costs growth reflects the increase in the number of end users connected to the NBN network. With further disconnections and migrations from the Telstra and Optus network.

On the following slide, we have provided a summary of our financial statement for the year end at 30th June 2018. Again, I would like to highlight the adjusted EBITA metrics which excludes subscriber call. For the fourth quarter of the adjusted EBITA was positive at \$35 million and for the full year, the loss of \$103 million was \$723 million or 88% better than last year.

And with that, I would like to hand you back over to Bill.

Bill Morrow: Alright, thank you, Stephen. So, I hope you agree that this is a solid set of results and demonstrates our commitment to improve end user experience to complete the build by 2020 and to continue driving a modest return on the tax payer's investments. We've been working hard with industry on our program to improve end user experience. We're aiming to connect end users more effectively, improve their broadband experience when they're using the network and of course quickly restore their service if issues do occur.

Now by the end of FY18 industry-wide end user satisfaction improved by more than 12% to a weighted average of 6.7 out of the 11-point scale. Now as you know this score represents the satisfaction of end users across their entire experience whether that be delivered by NBN or their RSP. As we've said previously, customer experience improvement must be managed in collaboration with RSPs and other industry stakeholders. NBN is only one link in the chain of events that affect customer experience. For the factors we do control, we have a strong program of activity in place and we've come a long way from where we were even a year ago. So let me go into some of those in more detail.

This year we've enhanced the way we work with RSPs to connect end users to the network. We're better managing installations by communicating directly with end users on appointment times and any adjustments to that schedule. We're also working with delivery partners to ensure they have ample resources that they need to deliver on time. We've also enhanced our training of field technicians this year so they can conduct the work with greater efficiency.

And the results show clear improvement. By June of 2018 we were getting 92% of the NBN equipment installations right on the first go compared to 87% in June of 2017. And today it's even better at 93%. And when it comes to completing our installation work within the agreed timeframes, we are now meeting 94% to 95% of the installations within those agreed timeframes and this compares to 92% in June of last year.

We know there's more to do, but we're getting our portion of the connect experience right with greater frequency. We know that 80% of the end user satisfaction however is based on their experience when using the network. And in June of 2017 average network congestion was sitting at 5 hours and 23 minutes per week per customer and we knew we needed to work with our RSPs to quickly reduce this.

We made important changes to our wholesale pricing in December and since then we've seen congestion fall dramatically as a direct result of RSPs increasing the amount of CVC that they provision. Average congestion across the network dropped from more than 5 hours and 23 minutes in June of 2017 to less than 30 minutes since the RSPs joined the program.

Now this level of congestion will always fluctuate, slightly at least, depending on the network activity during the month. For July some RSPs were experiencing congestion as they migrated to the bundled plans which is why we saw a slight increase from the previous reports. But this is still a dramatic improvement from where we were.

We've seen significant uptake of end users on our high-speed plans as RSPs repositioned the 50 megabit per second as their core offering. In June of 2017, only 16% were on a 50 megabit per second speed plan or higher. But in June of this year, this had increased to 45% of our entire base. Now even a month after that this has increased to 47%.

Now all networks are susceptible to faults but we recognise that our rate was higher than what we would particularly like on the HFC network. And after making a tough call to pause HFC sales in November of last year, we've worked to optimise this part of the network to improve performance and reliability. This work continues at pace and we've now released over 73,000 homes back into the footprint. We remain on track for the average nine month release of premises but are being especially careful with the release to ensure that we get it right.

Today we know the pause was the right decision. The network is of a much higher quality and is providing a greater experience for both existing and new end users. Our overall network fault rate has decreased. In June of 2017 we saw one fault per 100 homes and businesses but in June of 2018 this improved to 0.9. Now today's result also shows 0.9 for July showing that we're maintaining that level of performance.

We're now fixing our faults much quicker when they do occur. In June of 2017 we were meeting agreed fault restoration timeframes with our RSPs 70% of the time. But in June of 2018 of this year we had improved significantly to 90%. Today's result shows 91% for the month of July.

Now despite the considerable work on optimising HFC we've demonstrated stable performance against our long-term goals on the build side. We've said that our progress this year is not where we forecast in the 2018 corporate plan. But we've made very tough and conscious decisions to prioritise customer experience. Short-term changes and rollout and activations resulting from HFC will be quickly recovered. Our focus remains on delivering the network to all Australians by 2020 and we are on track for that goal.

At the start of FY18 we passed the halfway build milestone. By the end of FY18, more than 70% of the country was ready for service. Today we have 75% of construction finished and 99% of the country is in design, construction or already complete.

All of our key technologies in the multi technology mix have now been launched. This financial year we introduced FTTC to the footprint. We've started with a limited release of premises on launch and now we have more than 70,000 that are ready to connect. I'd remind you that we are one of the first network operators in the world deploying FTTC at this level of scale and we're being especially prudent in our delivery.

NBN has reached momentum and scale when it comes to our build and our activations. We've seen peak levels of construction and activation during the previous financial year and we are well positioned for FY19 to be another significant 12 months of operation.

We're always keeping a close eye on international developments to ensure we get the best out of our technologies. Last week we enabled DOCSIS 3.1 after many months of preparation. This effectively doubles the downstream capacity on the HFC network. This will help us better ensure there is sufficient capacity available to meet demand especially at peak times. It will also give us a more stable and resilient HFC network.

Now we have been asked by some commentators about why we have not launched those ultrafast speeds immediately on DOCSIS 3.1 and the reason is simple. The NBN Company is a wholesale operator and we want to offer products that our retailers will sell to the end users. And although ultrafast speeds would be great to have on offer, we simply do not see the demand for these services to justify the resources required to make them commercially available at least right now.

Now to illustrate that latent demand, to date end user premises on a gigabit per second speed gear make up just 150 premises out of the over four million that are currently using the network. We have instead decided to funnel our resources towards our key priorities of completing the rollout of the network and of our continued efforts to improve customer experience.

We're also extending this approach to the FTTC network. Now I'm delighted to say that we are close to ending the testing phase and will shortly install our first G.fast enabled DPU on this FTTC network. We will be one of the first operators in the world to take this step on FTTC. What we are doing here is preloading the NBN network to be able to meet the bandwidth demands of the future G.fast technology. It will enable gigabit per second speeds over corporate lines with the vast majority of the 1.5 million premises on the FTTC network to be G.fast enabled by the year 2020.

Now however, as with DOCSIS 3.1 we will not be offering those ultrafast speeds on the FTTC network just yet. As I said the consumer demand just simply is not there at this point in time. But on HFC and FTTC we will have the ability to make those speeds available in the future when the demand does come.

Now again, this is about resource allocation and demand. Over the next 12 months we will be tackling some of the most complex and hardest areas to connect that we have ever faced. We believe that delivering a fast broadband service to everyone sooner is a more pressing need for the nation than delivering an ultrafast broadband service to just a few.

So in summary, this has been an important 12 months for NBN. This year we almost doubled revenue to \$1.98 billion and increased ARPU to 44. We made solid progress on construction and activation with 75% of the construction complete today and we've made significant improvements in customer experience.

None of what the Company has achieved during FY18 could be done without the incredible team of employees and partners that we have at NBN. We now have more than 6,800 employees working directly for us and more than 24,000 out in the field. And I'm pleased that we've continued to improve employee engagement. This year our engagement score was up four percentage points to 74. With that we continue to strengthen our position in the top quartile of employers across Australia and New Zealand.

So looking ahead, the new financial year will be another step towards achieving the Company's 2020 goals. Improving customer experience and satisfaction remain an important priority and the Company will continue to report monthly on its progress on a number of metrics. This remains at the heart of management's decision making and we will continue to work with the industry closely. It will also be another significant year for construction and activation as we move closer to 2020 completion. There will be challenges as always but we have an excellent team in place to deliver.

I'd like to thank you now and I'll open up for questions and I'll turn this over first to the operator.

Operator: Thank you. If you wish to ask a question on the telephone, please press 0 followed by 1 on your telephone keypad and wait for your name to be announced. Again that is 01. We will now pause a moment to assemble a queue.

Your first question comes from the line of Petroc Wilton from Communications Day. Your line is now open, please go ahead.

Petroc Wilton: Hi guys. Congratulations on the results. Nice step up in revenues.

Bill, I guess this will be your last full year results briefing. What would you say is the biggest challenge facing your successor when he or she is announced.

Bill Morrow: Yes, this is my last full year presentation of the results. I'm honoured to present such fabulous results that again our hardworking employees have delivered.

As far as the challenges with NBN whether it was back for me four years ago or for the new CEO going forward, it's going to remain keeping focused on what the purpose and the mission of NBN is. And that is to change the digital face of this country and to be able to put it into a leading position where people have access to education in a different form than they had before, removing the difference of somebody that lives in the city centre versus somebody out in the remote part of the land.

It's about making sure that we have a healthcare system that delivers the technology to enable our lives to be better than they were before. It's about making sure that we have the entrepreneurial opportunities for people whether they live in the remote areas or in the city centres. And of course, it's about keeping people connected.

And the challenge to stay focused on that very issue while we deal with day to day complexities is going to be here for some time at NBN. But I have no doubt that whoever the Board selects for this role will be able to overcome that challenge and deliver on that purpose.

Petroc Wilton: Are you confident there won't be any surprises [inaudible] successor along the lines of the HFC issue [inaudible]?

Bill Morrow: You know you can never predict Petroc the exact details of the future. Now we live in a very complex world. This is a complex network build and I'd never say that there won't be surprises because there almost always will. It's more how resilient the team is. How agile it is to be able to overcome and deal with those challenges as they emerge. I believe the team is quite capable. The company has a very strong leadership team at the executive committee level, very talented employees, great partners across the land.

And again anything that does come up that's unexpected I have no doubt that we'll be able to overcome that and again deliver on that promise.

Petroc Wilton: Thank you so much.

Operator: Your next question comes from the line of Corrine Reichert from ZDNet. Your line is now open. Please go ahead.

Corrine Reichert: Hi Bill. Can you give us any update on how NBN 5G trials with Ericsson in Melbourne went and will NBN be taking part in the 5G spectrum auction in November?

Bill Morrow: Yeah Corrine, thanks for your question. I think it's important that all operators look at testing new technology such as 5G in their own network, in their own laboratory environment. Compatibility issues with the existing equipment that is there could be slightly different than the others. And as I say that, however, you've got to remember that the technology to which we buy, the technology that we use with Ericsson is no different than that technology to which Ericsson deployed in other countries around the world with Telstra or Vodafone locally here, so you wouldn't be surprised to hear that the results are any different than what we've seen in the past.

5G, I think has a lot of efficiency improvements in the spectrum that came out in the testing. That efficiency in spectrum could be either translated in to a higher speeds available for end users or in more

flexibility out to a larger number of devices that could be supported within that particular cell or tower. That's what we're seeing and again it confirms I think the other reports that we have written.

And with regard to the question on the 5G spectrum I'm disappointed to say that that decision is already been taken by the ACCC that we will not be participating in the upcoming auction, and we will manage accordingly. That is a right that they take. We understand and respect that and we'll look to evolve our network in other ways.

Corrine Reichert: Thank you.

Operator: Once again if you wish to ask a question please press zero one on your telephone keypad. Your next question comes from the line of Carrington Clarke from ABC. Your line is now open. Please go ahead.

Carrington Clarke: Bill, thanks for that. There has been some criticism of the revenue targets. You've exceeded by \$100 million, but that's despite missing your activation target by around 400,000 premises and only going ARPU up a \$1 per user. Were the revenue targets just too easy to bait?

Bill Morrow: The short answer is no that they weren't set to easy. But I found this commentary taken place in the news quite interesting because it really is simple mathematics that are involved here. Let me just give a very simple example if you intended to add 12 customers over a year's time and one customer per month is what you added to the network that customer that you add in January is going to give you 12 months of revenue or the one that you add in December is going to give you one month of revenue.

So, when you look at any kind of customer misses in the December month, the total impact on revenue is going to be far less than what you'd see is customers miss that come on earlier in the year. Now if you coupled the fact that when we made the decision to pause HFC, that saw the result in fewer number of customers that came on to the network that was totally in the second half of the financial year, and in fact probably closer to the fourth quarter of the year.

Now you add to that that as Stephen reported we had higher ARPUs. We saw earlier take up in some cases than what we are expected. As you very well know I mean every business plan, every budget that's put together has fungible items to where some things exceed plan and some things come under plan, and it's the totality that you look at. So this revenue issue is simply a matter of having a full year's revenue for some customers and a partial year for the ones that we had expected to come on.

So you won't see the difference in the numbers that we reported for last year. As you look forward, obviously, those missing customers that we had anticipated will have an impact on the next year revenue targets, but that companies are quite clever at being able to make up for it. If we can't push in other areas maybe there's more upside and that you're going to have to wait for and see in the corporate plan update that will occur at the end of the month.

Carrington Clarke: Bill, just a follow-up on that, so were you forecasting that there would be no ARPU growth in full year 2018 then?

Bill Morrow: We saw a slight uptick in terms of the ARPU we are quite pleased with. You saw earlier take-up and again those customers that we forecasted in the first half that carry a far more revenue base for the full financial year were not impacted by the HFC side of it. So again, simple math on how you would derive whether or not your revenue targets are going to be hit or miss.

Carrington Clarke: But your original forecast was that there would be no ARPU growth in 2018, is that why you were able to exceed the revenue targets?

Bill Morrow: Again, all I'm telling you is that we saw an ARPU lift that helped offset some of the end of the year customer differences.

Operator: Your next comes from the line of Jennifer Duke from Fairfax Media. Your line is now open. Please go ahead.

Jennifer Duke: Hi Bill. I was just wondering if you had any update on what your plans are going to be post-NBN?

Bill Morrow: Hi Jennifer, thanks for taking an interest in my career. But the answer is as right now I'm still focused on NBN. Our results here today setting up for the full financial year going forward so there is really no comment to be made about my next step, but thanks for your interest.

Jennifer Duke: Thanks.

Operator: There are no further questions from the phone. We will now be taking questions from the webcast. Over to you sir.

Bill Morrow: All right so the first question on the webcast comes from Michael Sainsbury from Crikey. Telstra CEO Andy Penn repeated his view that the NBN has structural problems that we are forcing pricing to unsustainable levels. Do you agree and if so what has been done about this?

I know of no structural problems that he would be referring to or what the question is referring to. I think the reality is as we have said many times, many blogs that we've written about NBN is forcing a massive churn event across the nation where virtually every customer has the right to choose a different carrier. And this does have an impact on Telstra as people go forward in a land grab fashion to get as much market share as they can.

When you have that land grab fashion taken place, it typically drives a higher level of price competition. That price competition while you're after market share reduces the price time and time again. So, I believe and trust that Telstra has a challenge of actually keeping their ARPU levels up, their price levels up, when they see their competitors that are constantly knocking the price down. So that's the only structural issue that I could see that could be referred to in your question.

So the next question is from Paul Smith from AFR. NBN has previously stated a targeted ARPU of \$52, an increase to \$44 seems a long way below that, is \$52 still required and if so how do you see NBN getting there? I'll ask our CFO Stephen Rue to answer that.

Stephen Rue: Well we've always said that ARPU would grow for a series of reasons as people move up speed to. People consume more data as we grow business revenue. In terms of the actual target, we will be talking about that when we release our corporate plan in a couple of weeks. So if you hold that question for a couple of weeks we'll address it then.

Bill Morrow: Again, the next question equally from Paul Smith from AFR. Mitch Fifield has put a statement out this morning saying that the higher prices for fixed wireless in comparison to fixed line won't happen. Can you clarify what has changed between the hearing last night and this morning or were Stephen's comments last night incorrect?

Thanks for your question, Paul. I think this is really important to understand that when we put out a consultation paper it's just that. It's seeking consultation. It's not a decision. It's not a foregone conclusion of what it is that we're going to do. So let me explain what we're attempting to work with industry on fixed wireless in terms of getting the pricing model right. So, what Mr. Rue referred to last night in his opening statement was about a product that we think we need to take the fixed wireless technologies to that's comparable or similar to what we see everywhere else around the world on fixed wireless.

What we see here in Australia in terms of the way the mobile carriers are offering data plans and that is what we're calling a max plan. And a max plan is basically you get the maximum speed that tower or that cell can support. If that's 50 or a 100 or 200 megabits per second you'll benefit from that and will offer a minimum that will be sure that if everybody's is using that cell at the same time we'll offer some minimum guarantees that will have imposed penalties on them if we can't deliver that.

That will be targeted at a \$45 price point. And it will be a one product that suits all. We have talked to the RSPs verbally about this. We believe that they like that concept and that's why that went into the more official consultation paper, which is been issued this morning to the RSPs. Now as we think about that product, this Max product, we know if that we get the proper response back from the RSPs, if we decide therefore to go forward with it, it's going to take us eight or nine months to implement the IT systems to put that in place.

The RSPs have to develop and implement IT systems to make that adjustment themselves. So we're looking at nine months before we can bring that to market. Now we have a problem that is for the RSPs today in a fixed line technologies that they need to migrate this promotional product that we had over to those bundled products, and they are committed to do so. Some are ahead of others as they migrate over. But one of the challenges that the RSPs have is they have to set up different CVCs that can support the bundle that's associated with those prices.

Now their CVCs have a mix of fixed wireless technologies and fixed technologies coming into them. And what they're requesting is that why don't we have one bundled product for both of those technology groups so they can just convert an existing CVC and make that transition from the promotion to the bundle faster. We are sympathetic with that and we try to develop the solutions then while nine months away if we decide to go forward with the Max pricing product we need to think of how we can move people immediately to the bundles.

And what Mr. Rue was referring to last night and talking about is that it's alright we're going to take the current 240,000 customers that we have on the fixed wireless base today and offer a bundled package that will be at \$45. So whether you're on the \$50 or \$25, as an example, we'll only charge the RSP that \$45 that is including the bundle and therefore they can make that overall transition with their fixed line customers as well.

Now we at the time said okay well what do you think about not using that to promote in this interim period the higher speed products because this is a scarce resource and has some limitations. And therefore, we would have the prices for those that need it at the \$65 level rather than this grandfathered approach of everybody that's there at \$45. And again this was meant for nothing more than a consultation to say how do you feel about that.

Now I'll tell you right now Paul that looking at the reaction behind this knowing that it wasn't that pivotal. Again it's a consultation of asking the question. I'll just take it off the table right now. So we won't do that for the interim product. We'll work with the RSPs on consultation for other means to work through this interim to where we can get to that Max product and still allow those RSPs to convert those CVCs on the fixed line technology.

So consider the \$65 price for new 50 meg customers on fixed wireless off the table. Again, it's a consultation it's not a decision.

The next one is from Geoff Long from Comms Day. Active users on Sky Muster has below estimates in corporate plan. What do you plan to do to increase the take-up of NBN satellites?

The reality is I think we have about 90,000 customers on this base that's going to cover roughly 400,000 homes or does cover roughly 400,000 homes. Now many of these homes in these areas are

second, third, fourth homes. Many of them yet stranded by the weather conditions and only accessible for certain parts of the year and the fact is that only 90,000 have taken it up today. We're okay with that. This is not a problem.

There was a question that came through the Joint Standing Committee last night, you know as though there was a concern about the business model and as Mr. Rue responded this is not a problem for us and let me illustrate why. Every new customer that we put on to the satellite is actually economically negative. It cost us money to get a truck out there to put a dish on the rooftop and we don't get the return on that for considerable amount of time. In fact, I'll tell you satellite has no economic return. Those satellites are only geared to last up to 20 years and we'll not recover enough money to pay for those satellites we put up into the sky but this is the whole – the whole point behind NBN was to use the profit margins in the city centres with a high density, low cost to build to pay for the losses in the remote parts of the country. This is why Australia is different from any other country in the world, more advantage because we're using a commercial user paced model to close the gap and provide everybody with some level of high speed digital access.

So whether it's 90,000 or 150,000 the company will support it. But understand that it's economically better if fewer people take up those satellite services. But it's there and it's available should these people want it and that's really important. And I have no doubt just to close off on this Jeff that as technology continues to evolve and different applications come into the home, it may not be about you streaming or surfing the internet in the house. It may be about a home management system that you need, whether that's security related or managing appliances or doing something else for the home, that when you are not present in the house itself as we see more and more applications like that, I suspect we're going to see a higher take up rate for those people out there that take advantage of those satellite services.

All right, the next question is from Jackson from the ABC. Hello, thanks for your time all. You mentioned the fixed line congestion figures 0.036% down from 0.081% last year. What are the corresponding fixed wireless congestion figures?

Jackson so we have reported on this a couple of times and I believe that it's come through the senate hearings as well. We see when we look at the number of cells that we have within the fixed wireless area, there is about 0.25% of the total number of cells that are actually below the three megabit per second minimum standard. We've made a commitment and with the government's help mind you, because it does require more resources to lift that three megabit per second minimum at the six megabit per second minimum

Now it will take us some time to be able to make the necessary network changes to do the cell split and the lack of frequency by this recent ACCC ruling will cause us to spend more money and it will take a little bit more time to move those people up to the six megabit per second service. But with the government support, we're committed to do just that.

Now if you look at the percent of sales that are at six megabit per seconds or below, it's about 5.1% of the total number of sales. And that's again reducing almost by the month as the team continue to make progress at adding capacity into those individual areas.

All right, the next question equally on the webcast is from Paul Smith from the AFR again. Bill, is the lack of demand for faster speeds a result of pricing or do you believe that people don't want or need faster connections?

Again, I think really you should talk to the RSPs about the specifics that their customers want. I think really at this point if you're referring to the satellite service areas, it's just whether or not their home requirement needs are there. When we look and compare the prices now that at is highly competitive retail level around the nation and compare that to other countries, Australia is becoming one of the cheaper broadband high speed connections that are out there. You see a lot of price points that are

now even below \$30. You see the super high speeds. There is massive competition taking place between Vodafone, Telstra, TPG, Optus at that \$60 price point. I mean, you're getting into something that again many other countries can only wish that they would have that price point for.

So again, satellite I think is a different issue than the price points and again emphasised or at least reinforced by the prices that we see in that fixed line territories.

Ry Crozier from IT News. Can you provide some extra information on the additional revenue streams that led to the almost \$2 billion? This is a strong result given the lower activations than target. Does this bode well for future revenue prospects and what growth is expected in these new revenue streams? Mr. Rue, please?

Stephen Rue: Yeah, the vast majority of our revenues obviously comes from our normal connections and revenue from that. We do have other revenue streams. So largest of that is actually developers, where developers contribute to the cost of building out and the cost of connections and that is the biggest line item in there and we thought developer revenue very strongly, the development market is very strong. And as a result, our revenues grew there.

So yes, we're always looking for new revenue streams. We will continue to do that. I'd hope that that line will continue to grow significantly in future years.

Bill Morrow: Right, the next question is from Josh Taylor from Buzzfeed. NBN is charging \$20 more for new 5020 bundles on fixed wireless than on fibre etc. How is the \$20 price difference for fixed wireless not going against the entire premise of the NBN being a level playing field? Josh I'm not so sure if you heard that earlier answer to a question that was similar in nature on this. There is no \$65 charge for a fixed wireless 50 meg. That was a consultation issue. It's a minor point on there. It's easy to just wipe off. So there is no difference in that price point for fixed wireless compared to fixed line technologies.

All right, next question again from Carrington Clarke of ABC. Can you please clarify if you have forecasted ARPU growth for FY18? Mr. Rue.

Stephen Rue: Look, as Bill said earlier, the ARPU in place, they've been placed for the capacity growth. But really the revenue that we're talking about as Bill was saying earlier is the combination really of strong ARPUs but also the fact that the activations take up in the first half of the year was very strong and we're pleased with that. So that together with the developer fees that I was talking about earlier has largely written our revenue for this year.

Bill Morrow: All right, Sam from IT World. Do you ever regret taking on the job of NBN Chief Executive given the amount of criticism you have faced during your tenure? Sam, I appreciate the question and I believe what I said earlier. I took this job in NBN for no other reason that I believe then what it stood for. No other country my home country is United States. I lived in the UK. I lived in Belgium. And I worked in many different countries. And I can tell you that no one has the programme that Australia has put together with NBN to close the digital divide or least narrow it and offer a broadband service to everybody and not trying to make a big profit out of it to me is a social element that other countries should model and follow. That we're doing this in a way where each of us that subscribe to the service are paying for those roughly two million homes that was never have had a chance to have broadband into their house to be able to help offset some of the costs that those are less advantaged from an economic point of view so they can benefit from all those things that a good solid internet will bring.

Those are so important to what it is that we do socially. Again, I don't care who started the NBN. I thought it was great from the beginning and the fact that the current government came in and said let's make sure that user pays model stays whole lets give Australia what it needs in terms of a speed requirements based on the demand of applications, all of this makes sense and that's why I joined

NBN. I have not regretted one moment of it. You saw that alpha beta research that confirmed what we believed in one of the reasons why I came to NBN that people have access to education no matter where they live in this country in the same way that people that live in the city of Melbourne have. That they have access to healthcare technologies to live a healthier life to be able to respond better to symptoms that could have long-term consequences to us.

You saw where people are more socially connected in that research and equally as rewarding as you saw where females actually are more likely to have their own company and entrepreneurial spirit in the remote parts of the country because of NBN. That's why I joined, I don't have any regret. I don't care about the criticism as long as you see that kind of benefit coming through for the nation. It's just been a wonderful four years to be a part of that.

And with that question, we are going to wrap up on this. Again, we thank you for your time, your interest and we look forward to keeping you updated on NBN's progress.