

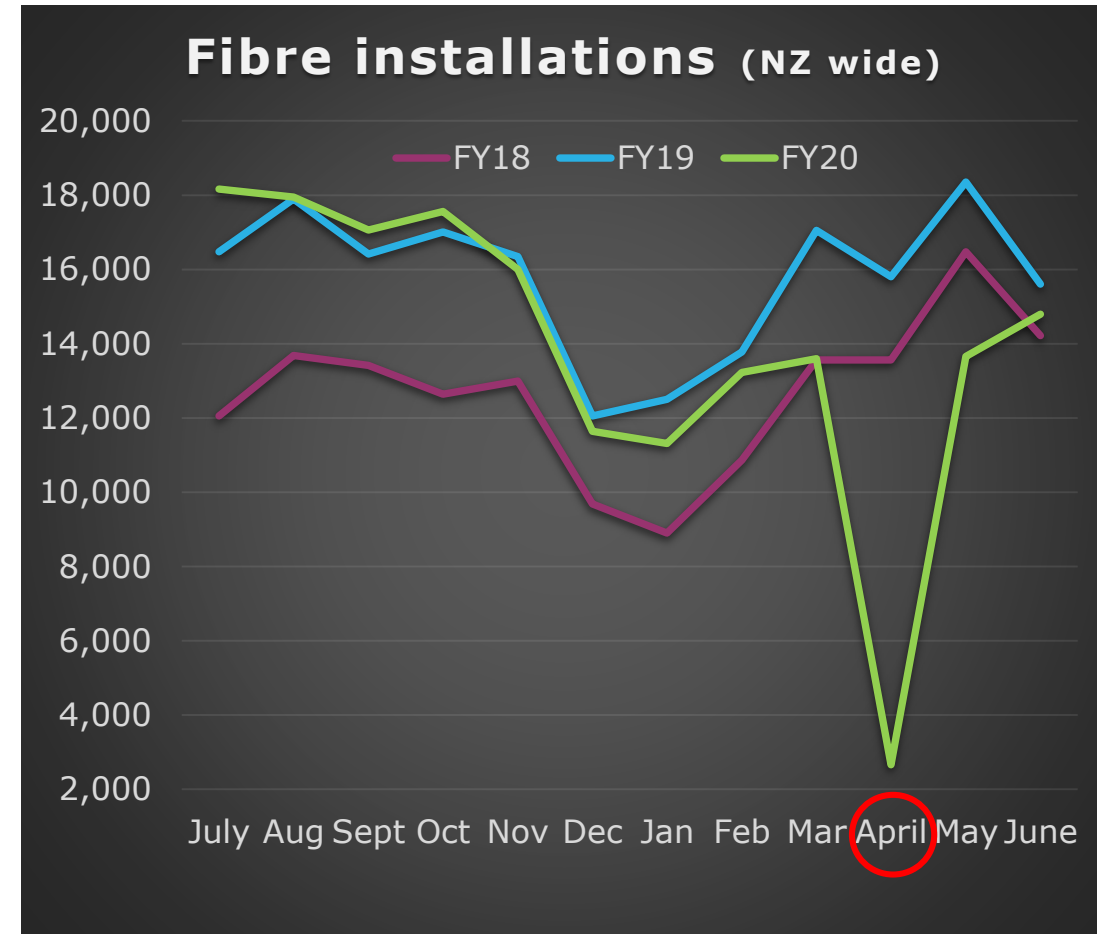
Q4 FY20 Connections Update

Q4 FY20 overview

COVID-19 constrains Q4 fibre growth

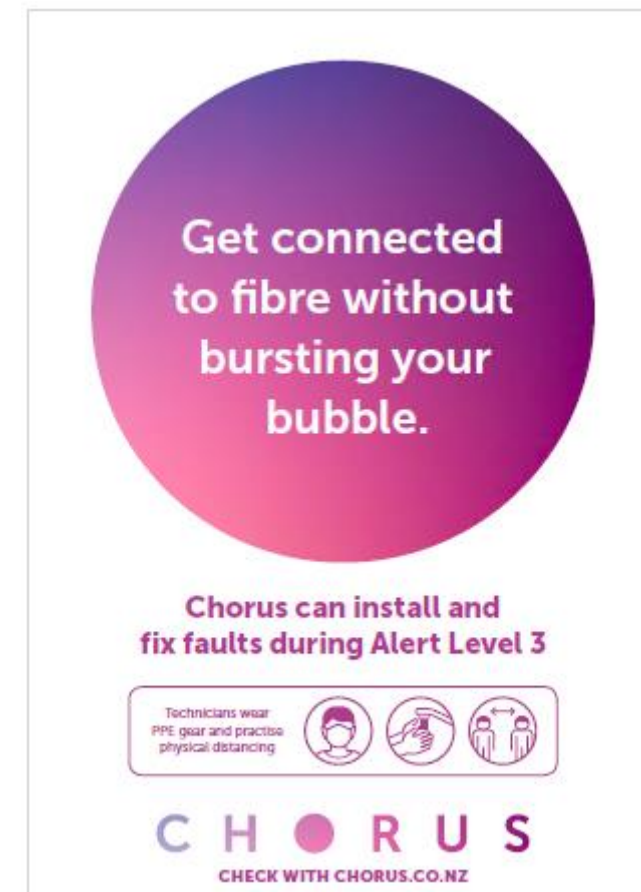
- > **Lockdown period had a significant impact on Q4 fibre activity and uptake**
 - restrictions on non-essential activity reduced fibre installations by ~15k and halted UFB2 rollout
 - reduced fibre installations and constraints on door to door marketing saw Q4 fibre connection growth drop to 27k from 32k in Q3
 - Chorus provided \$5 million financial support to service companies to assist with reduced field force workflow/revenue and help retain workforce for rapid resumption of work in Alert Level 3
- > **Total fixed line connections declined by 4k to 1,415,000*** (Q3 FY20: -13k)
- > **Broadband connections returned to Q2 level of 1,206,000*, with 4k growth** (Q3 FY20:-4k)

*totals exclude 10,000 free broadband connections provided to student households



Our response to COVID-19

- > We've implemented a broad range of initiatives to support community and industry including:
 - providing 10,000 broadband connections, free-of-charge for six months, to families without broadband as part of government initiatives for online schooling
 - enabling temporary disconnections by removing disconnection and reconnection fees for businesses
 - making a \$2 million relief fund available to retailers for debt incurred from consumers and small businesses unable to pay their connection bills during the lockdown period
 - introducing price reductions on our 1Gbps and small business plans from 1 July
 - delaying our annual CPI increase until 1 October and limiting increases to selected fibre plans, despite increases to our service company and other costs
 - continuing to invest in broadband capacity as network demands change post-lockdown
- > It remains to be seen what impact wider COVID-19 economic effects will have on connections in the coming months



UFB uptake reaches 60%

> UFB uptake increased from 58% to 60% within completed footprint in Q4

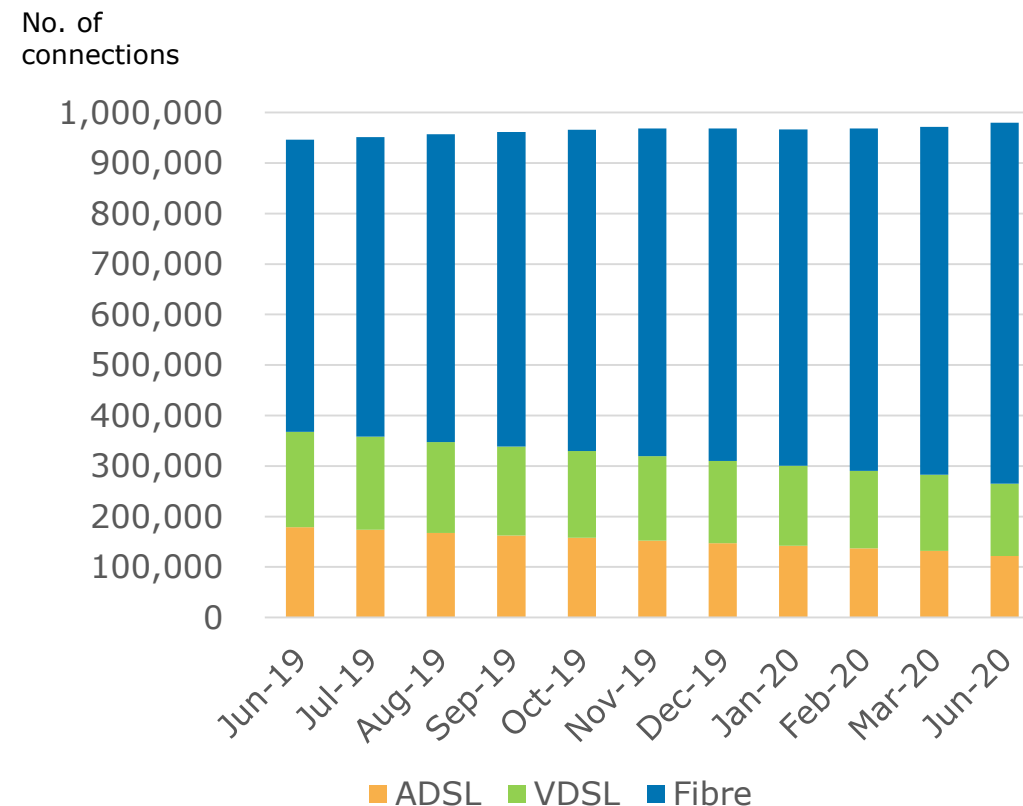
- uptake in UFB1 areas grew from 60% to **63%**
- uptake in UFB2 areas grew from 35% to **37%**
- (note: uptake includes some UFB2 areas that have been partially built, but not yet submitted for Crown sign-off)
- **725,000** connections (Q3: 695,000) now within completed footprint, including business premium connections
- **1,209,000** customers able to connect (Q3: 1,198,000)
- **931,000** premises passed* (Q3: 920,000) out of 1,054,000 target = UFB rollout 88% complete

> 31,000 fibre installations completed in Q4 (Q3: 38k)

- customer satisfaction increased from 7.9 to **8.1**

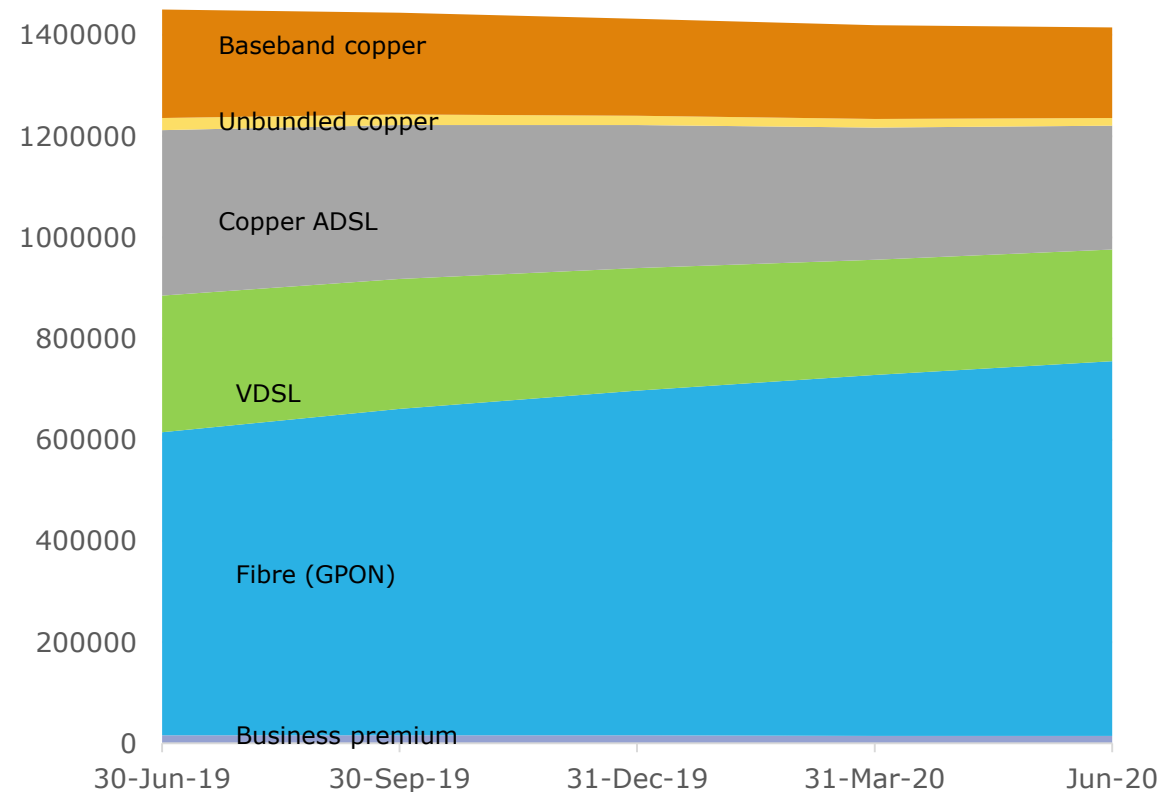
*under the UFB contract, a multi-dwelling unit or single office block is one premises

Fibre now 73% of Chorus broadband connections in planned UFB zone



Fibre now makes up 53% of Chorus connections

	30 June 2019	30 Sept 2019	31 Dec 2019	31 March 2019	30 June 2020
Unbundled copper (no broadband)	24,000	21,000	18,000	17,000	15,000
Baseband copper (no broadband)	214,000	201,000	192,000	185,000	179,000
Copper ADSL (includes naked)	327,000	304,000	283,000	261,000	245,000
VDSL (includes naked)	270,000	257,000	242,000	228,000	221,000
Fibre broadband (GPON)	599,000	645,000	681,000	713,000	740,000
Data services (copper)	5,000	4,000	4,000	4,000	4,000
Fibre premium (P2P)	11,000	12,000	12,000	11,000	11,000
Total connections	1,450,000	1,444,000	1,432,000	1,419,000	1,415,000



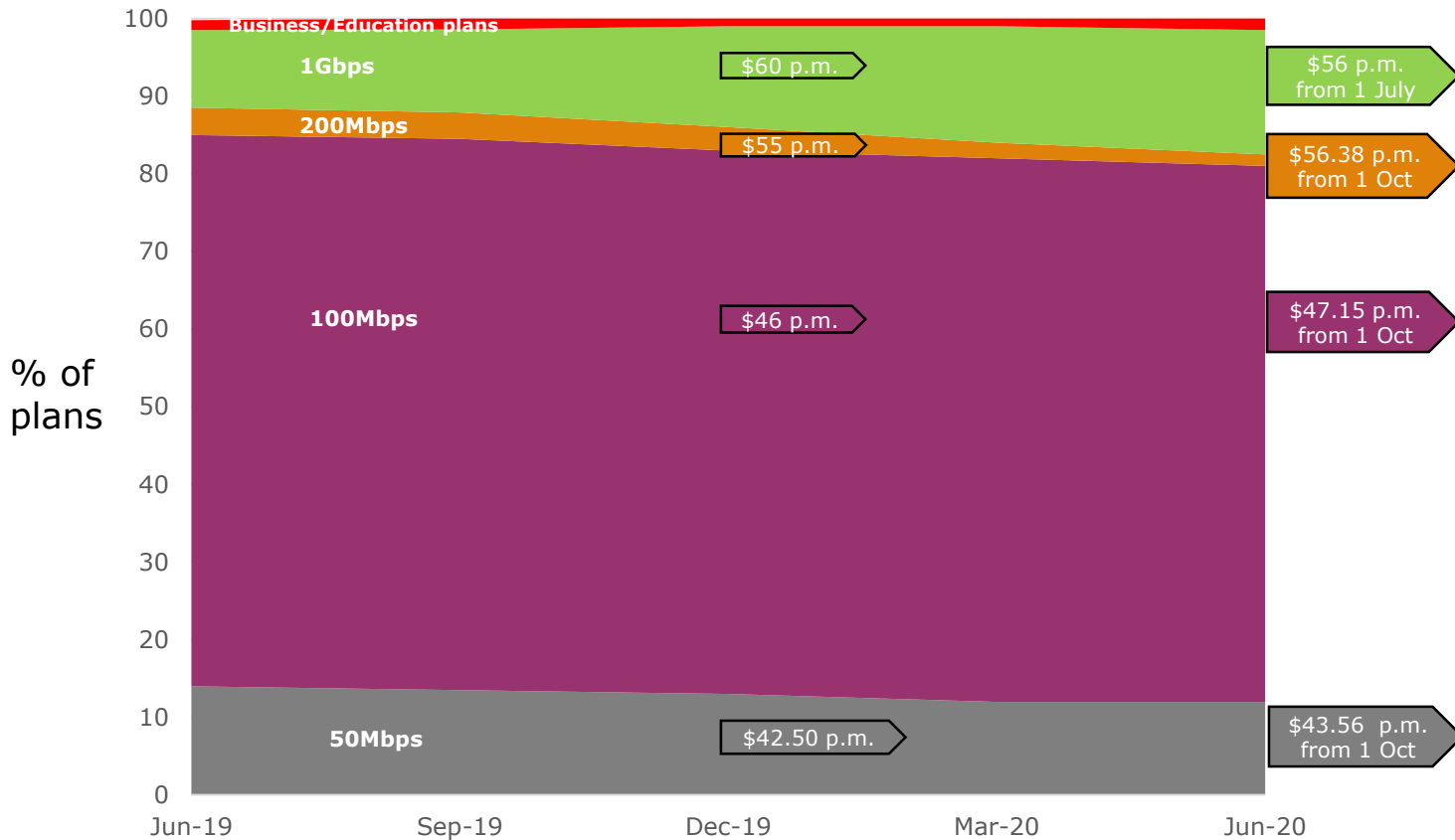
> **1,206,000 broadband connections comprises:**

- 740,000 fibre (GPON) connections
- 466,000 VDSL/ADSL (copper) connections

Note: Free education connections are excluded from this data

1Gbps plans grow to 115k

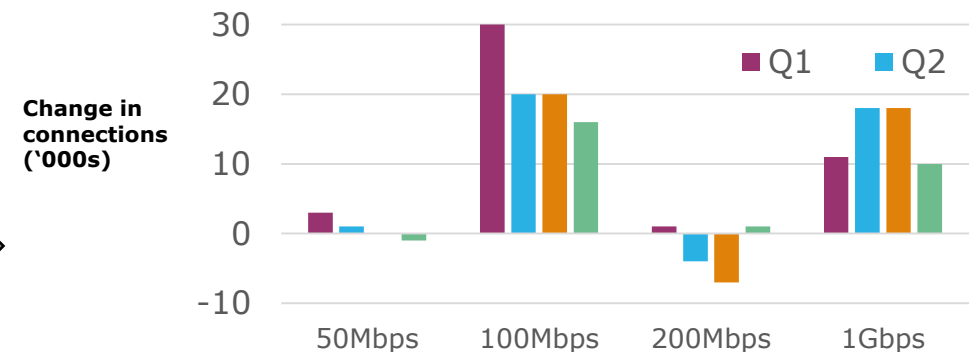
Total mass market fibre uptake by plan type



27,000 mass market fibre connections added

- 1Gbps connections grew from 105k to 115k and now represent 16% of mass market fibre
- about 20% of orders are for 1Gbps
- 100Mbps plans reduced to 69% share of connections
- small business plans grew to 3k; 100Mbps business plan reduced from \$55 to \$52 from 1 July

Fibre plan movement by quarter



Connection changes by Zone (indicative)

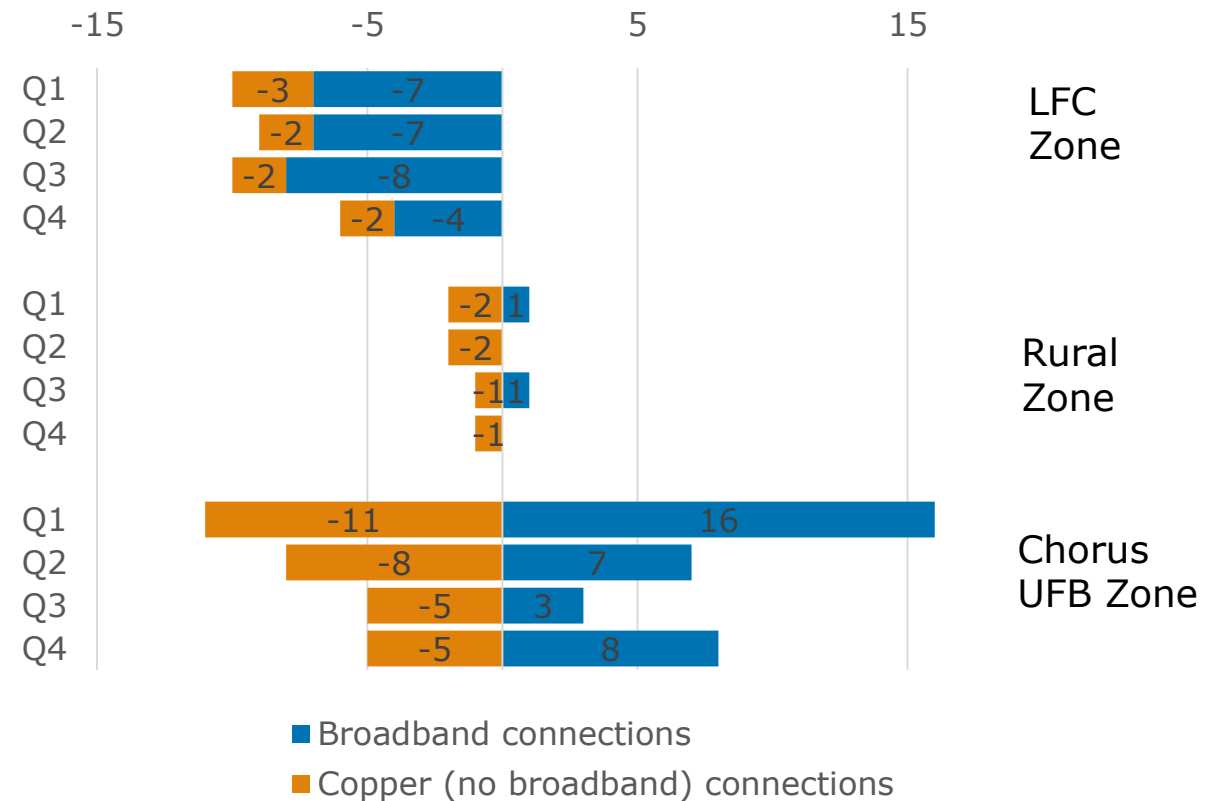
- > **Chorus UFB zone:** 8k broadband growth despite lower fibre installation volumes due to COVID-19 limitations on non-essential work
- > **LFC zone:** slowdown in broadband disconnects through lockdown period
- > **Rural:** VDSL and fibre connections continued to grow, offsetting ADSL reductions. Fibre connections now 20k

	Chorus UFB zone*	Rural (non-UFB) zone	Local Fibre Company UFB zone
Total connections at 30 June**	1,097,000	195,000	108,000
Broadband connections	980,000	155,000	71,000
Copper (no broadband) connections	117,000	40,000	37,000

* Includes planned UFB1, 2 and 2+ coverage

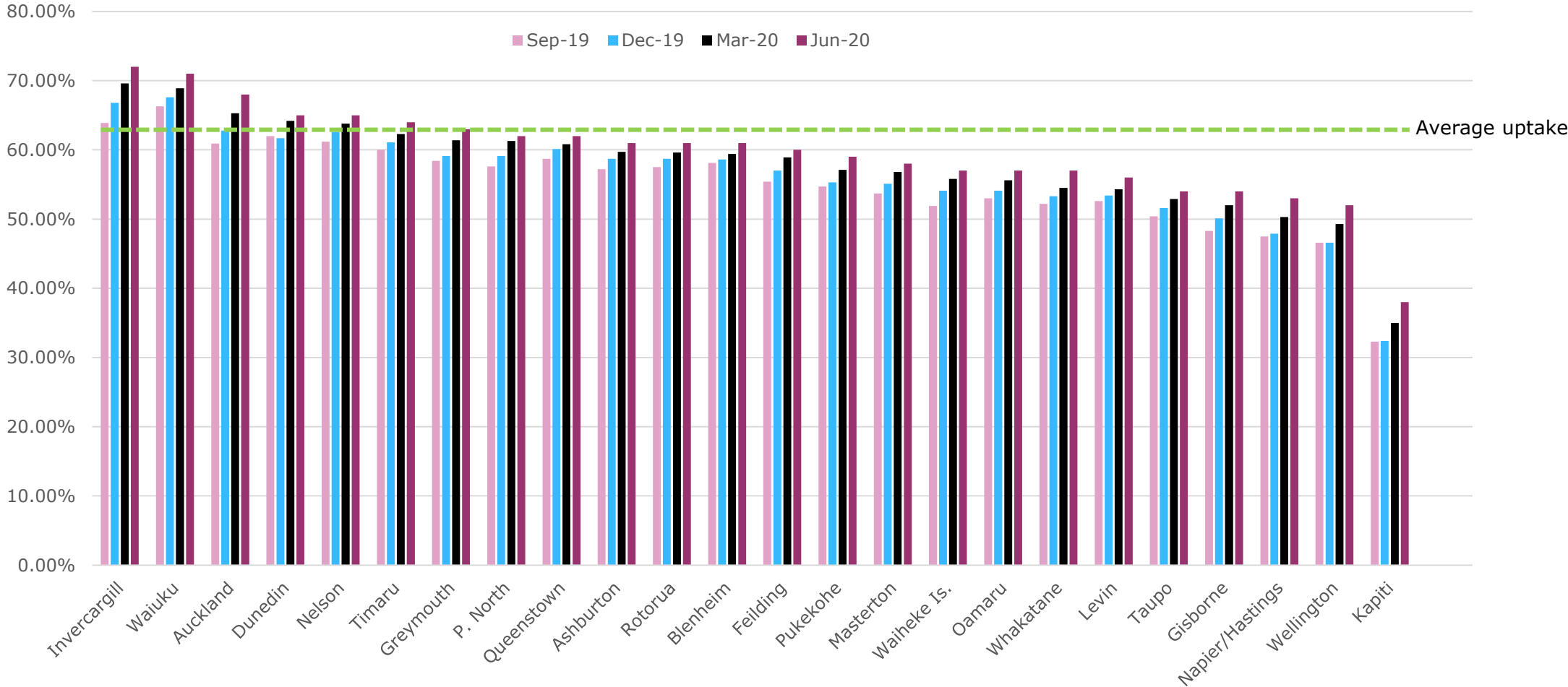
**Excludes 15k fibre premium and data services (copper) connections

Change in connections ('000s) by zone**



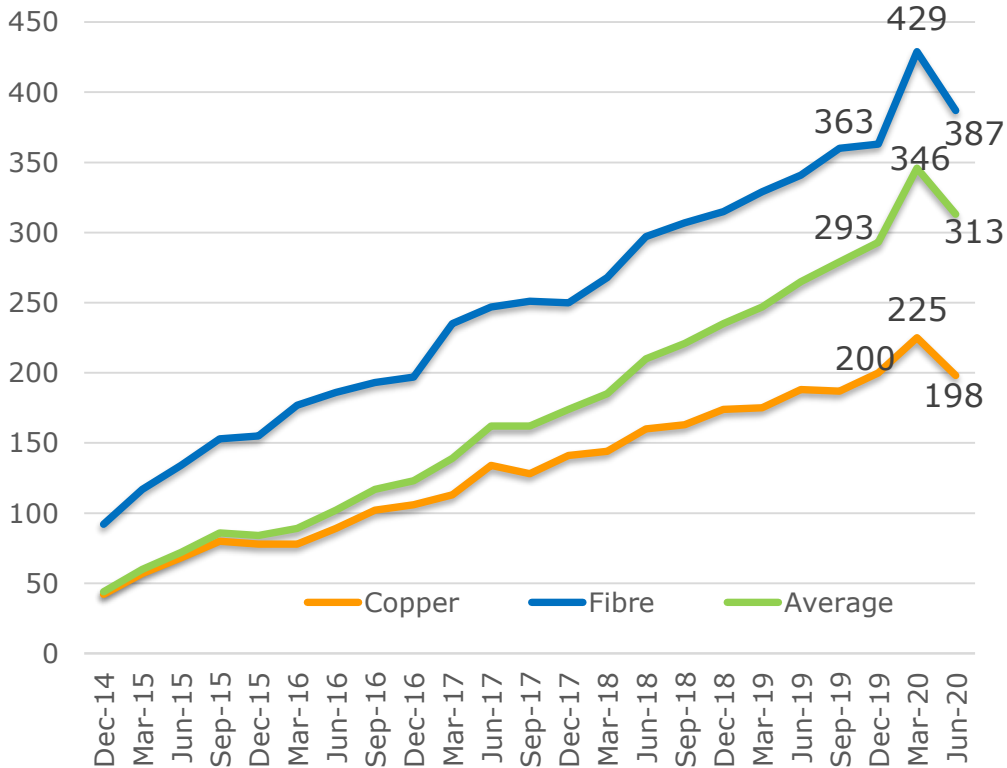
UFB1 uptake: 63%

% uptake relative to capable addresses



Data usage returns to pre-lockdown growth path

Monthly average data usage per connection on our network



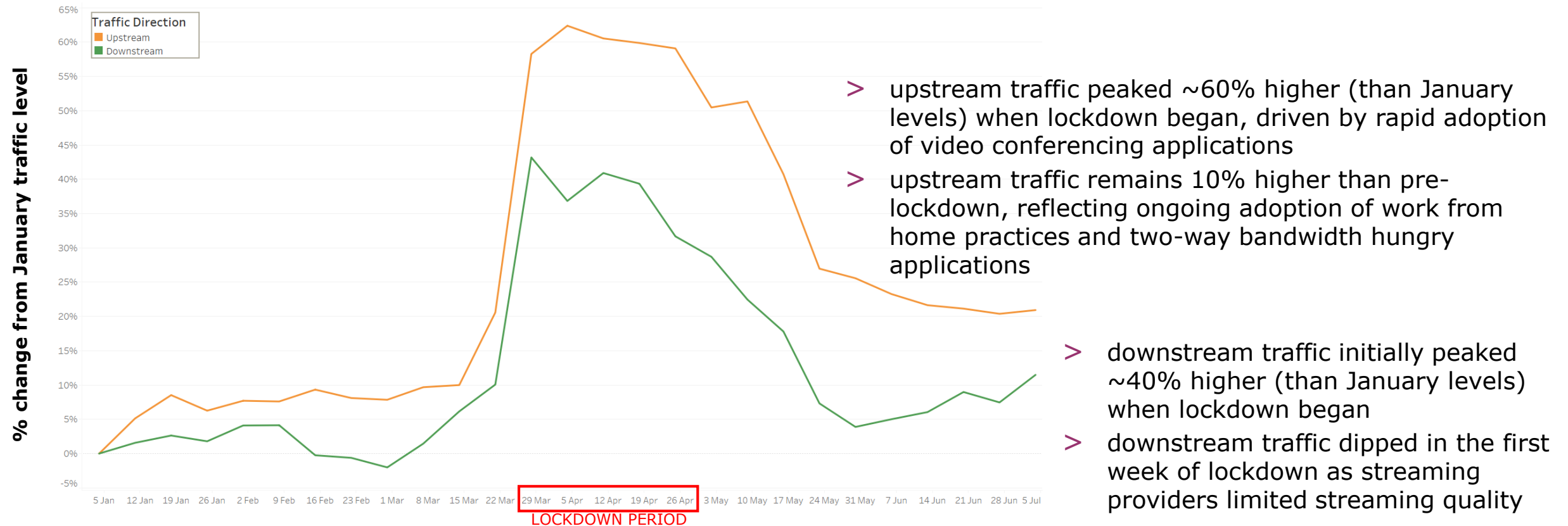
- > monthly average data usage per connection on our network reduced to **313GB** in June, down from **346GB** (March)
 - **387GB** on fibre (March:429GB)
 - **198GB** on copper (March:225GB)

- > Q4 data usage was artificially lower (~10%) because international streaming providers have constrained their bandwidth delivery in response to COVID-19 effects on some telco networks

- > April data usage (not shown on chart) was significantly higher because it reflected the effect of Alert Level 4 lockdown
 - average: 406GB
 - fibre: 495GB
 - copper: 273GB

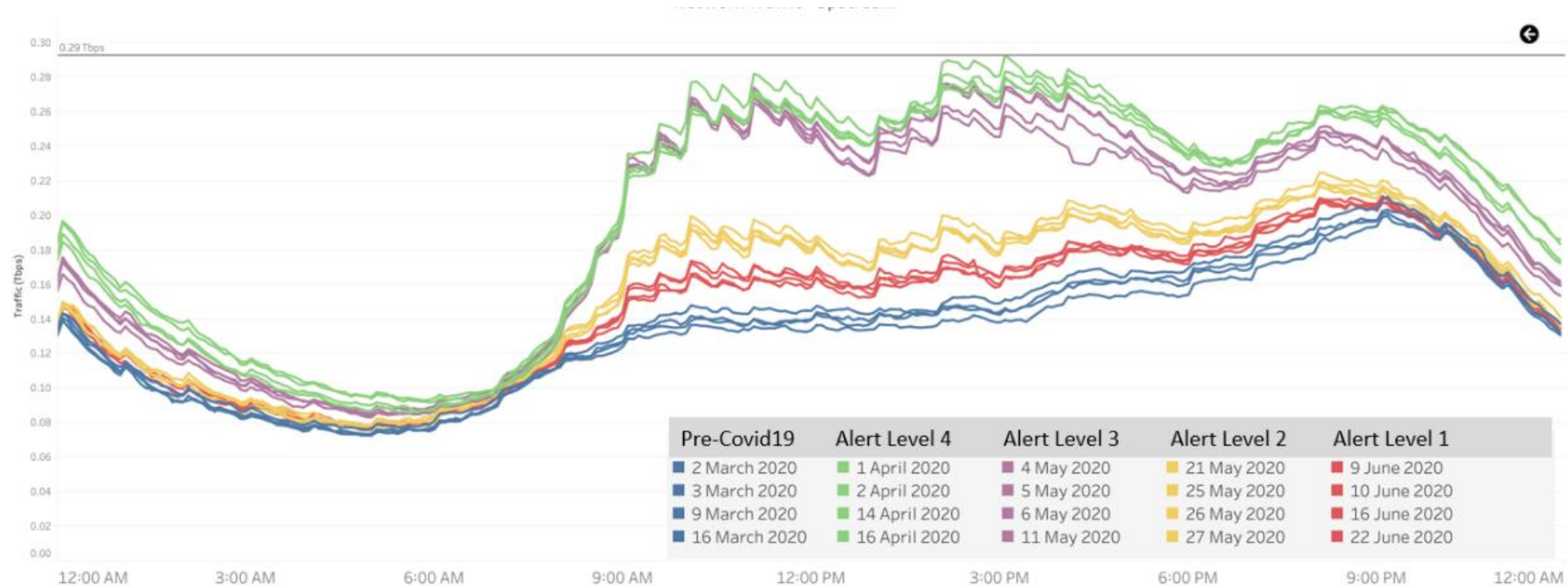
Video meetings drive 'new normal' of higher upstream traffic

Upstream traffic remains 10% higher than pre-lockdown levels



Video meetings create Godzilla effect

Upstream traffic spikes half hourly, consistent with meeting start times



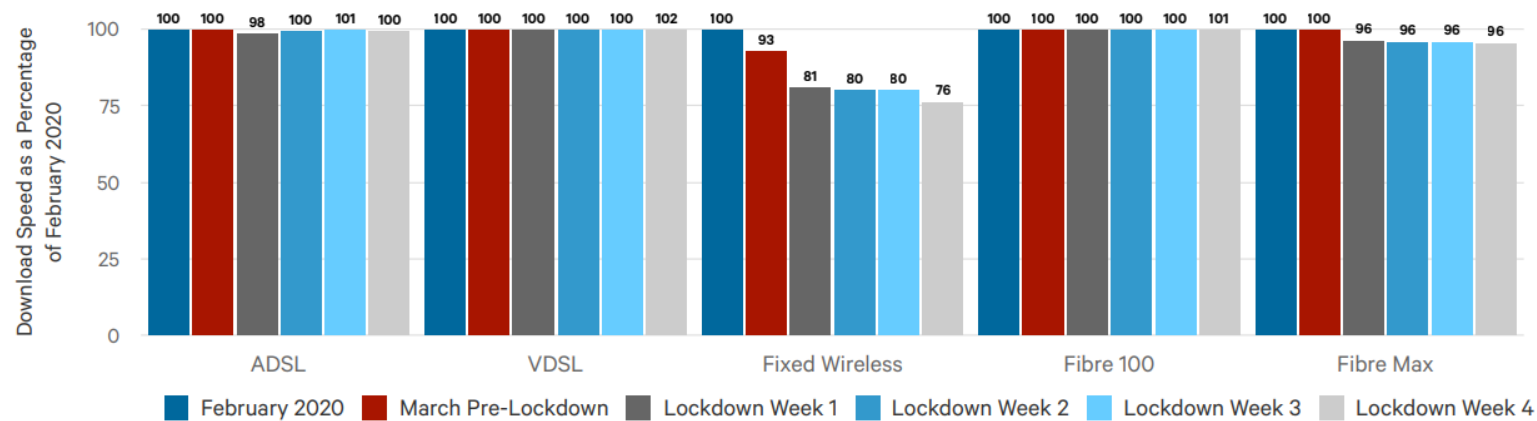
Commerce Commission report notes strong fixed line performance

> The *Measuring Broadband New Zealand* report for May 2020 noted:

- on average, fixed line broadband(ADSL/VDSL/fibre) connections experienced no significant drops in download speed during the first week of lockdown.
- average download speeds for fixed wireless plans decreased by around 25%.
- 90% of latency tests performed through fibre connections were below 20ms. By comparison, 96% of Fixed Wireless latency tests were above 30ms.

www.measuringbroadbandnewzealand.com/

Figure 1: Download Speed by Plan since February 2020, Indexed to February 2020



Source: *Measuring Broadband New Zealand*, Autumn Report, May 2020

Figure 7: Download Speeds - Peak vs. 24/7

