Q4 FY18 Connections Update

13 July 2018

CHORUS

Q4 FY18 overview

Broadband demand grew strongly in Chorus UFB areas, with reductions in total fixed line connections consistent with Q3

> **Total fixed line connections declined by 17k to 1,526,000 in Q4** (Q3: -16k), with most of the reduction in other fibre company zones

- For **FY18**: total connections reduced by 76k (FY17: -125k)

> **Total broadband connections grew by 3k to 1,187,000 in Q4** (Q3: +3k)

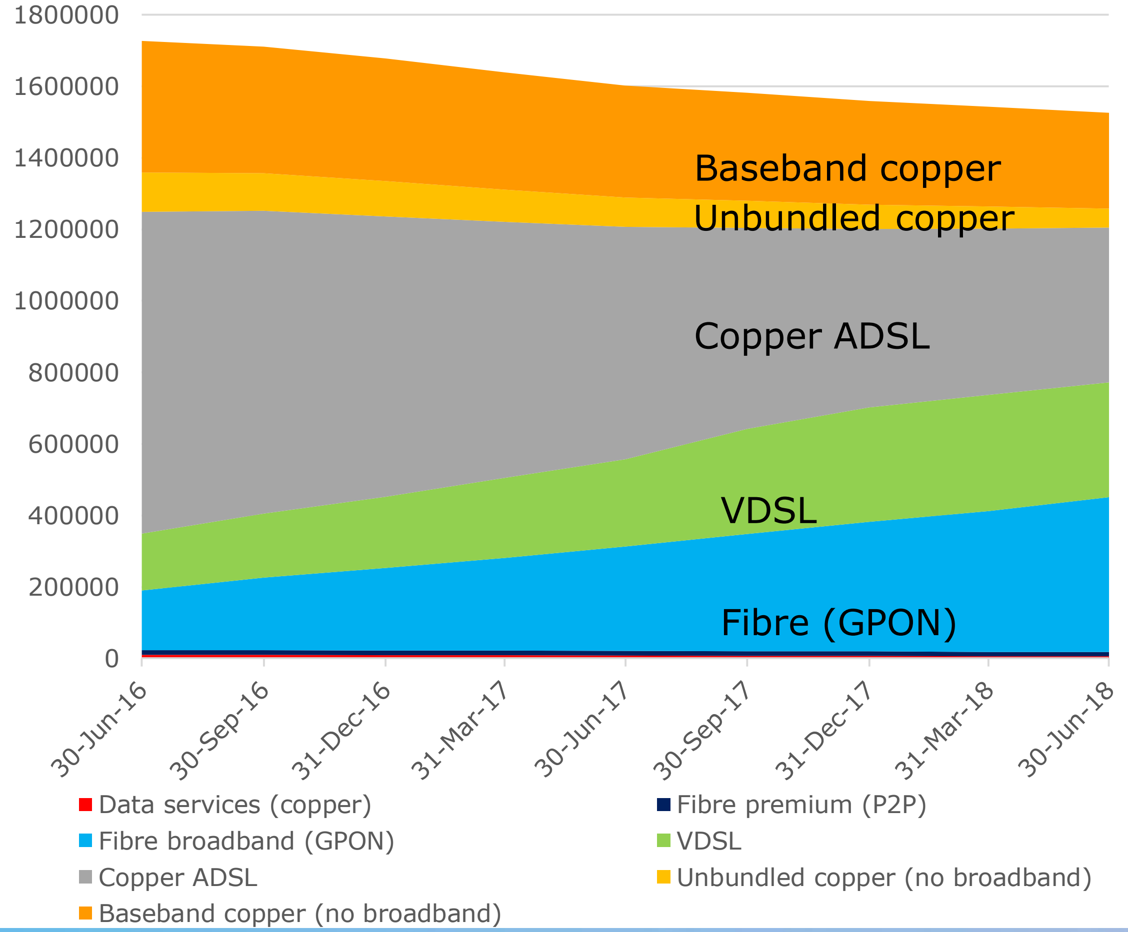
- For **FY18**, total broadband connections increased by 1k (FY17: -40k)
- UFB uptake grew to **45%**, with fibre connections now exceeding ADSL connections for the first time
- 69% of mass market fibre connections now on 100Mbps; 1Gbps connections grew strongly to 30,000

> **Peak time data demand continues to surge**

- **210GB** monthly average household data usage in June 2018, up from 185GB in March
- Fibre users average **297GB** monthly, up from 268GB in March

Q4 Connection Trends

	30 June 2017	30 Sept 2017	31 Dec 2017	31 March 2018	30 June 2018
Unbundled copper	82,000	76,000	68,000	62,000	53,000
Baseband copper (no broadband)	313,000	302,000	290,000	279,000	268,000
Fibre broadband (GPON)	292,000	328,000	362,000	394,000	433,000
VDSL (includes naked)	244,000	294,000	320,000	325,000	321,000
Copper ADSL (includes naked)	650,000	562,000	499,000	465,000	433,000
Data services (copper)	8,000	7,000	7,000	6,000	6,000
Fibre premium (P2P)	13,000	13,000	13,000	12,000	12,000
Total connections	1,602,000	1,582,000	1,559,000	1,543,000	1,526,000



Connections by Zone - indicative

- broadband connections increased within the Chorus UFB zone, largely offsetting voice/UCLL declines
- broadband demand remained stable in Rural (non-UFB) zone, voice connections continued to reduce
- slight increase in connection loss in the Local Fibre Company UFB zone at 13k vs 11k in Q3

Category	Chorus UFB zone*	Q4 change	Rural (non-UFB) zone	Q4 change	Local Fibre Company UFB zone	Q4 change	TOTAL
Copper connections: no broadband	206,000	-13k	51,000	-3k	64,000	-4k	**321,000**
Broadband: copper + fibre	917,000	+12k	143,000	N/C	127,000	-9k	**1,187,000**
TOTAL	**1,123,000**		**194,000**		**191,000**		**1,508,000****

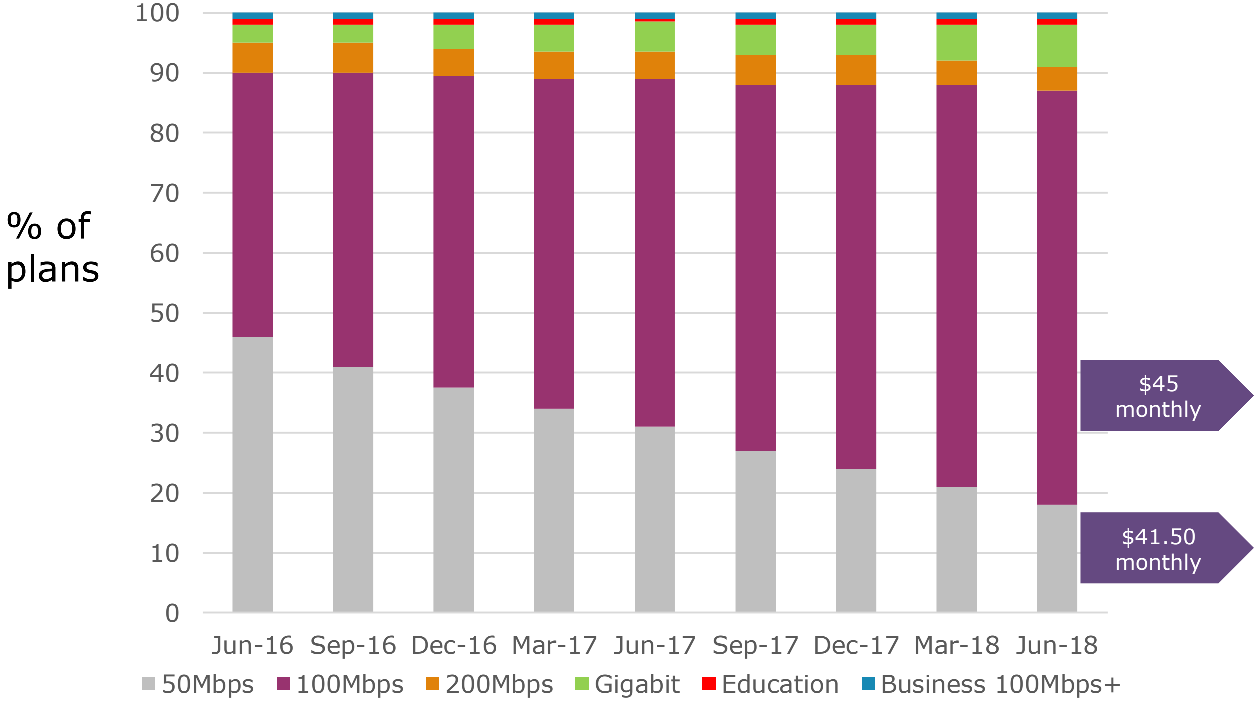
* Includes planned UFB1, 2 and 2+ coverage
**Excludes the 18k fibre premium and data services (copper) connections

Fibre uptake and usage

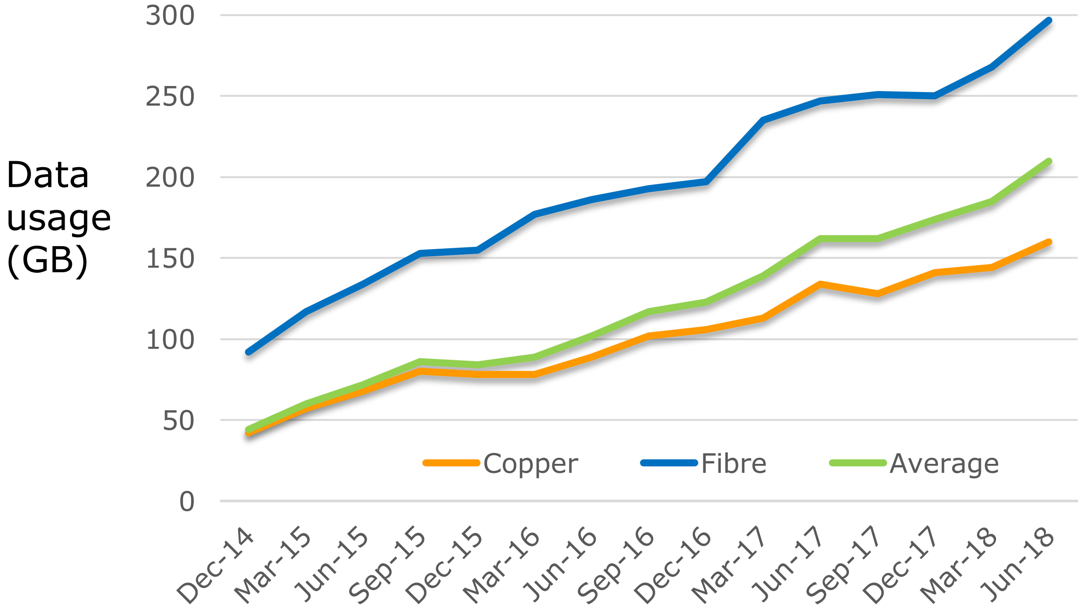
> **39,000** mass market fibre connections added in Q4
- 30,000 connections now on gigabit plans (Q3: 25,000)
- 69% of mass market fibre connections on 100Mbps
- 100/20Mbps pricing increased to $45 monthly from 1 July

> Monthly average data usage per connection on our network grew to **210GB** from **185GB** (March 2018)
- **297GB** on fibre (March: 268GB)
- **160GB** on copper (March:144GB)

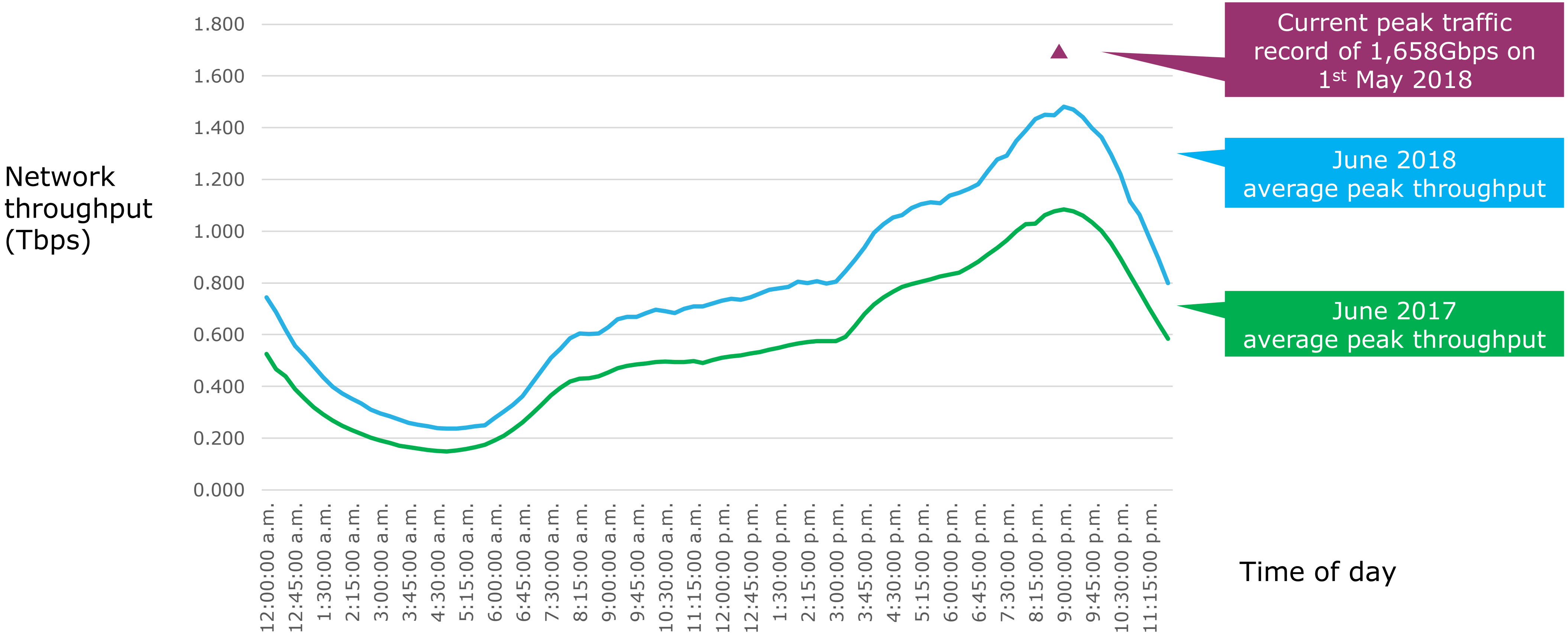
Total mass market fibre uptake by plan type



Monthly average data usage per connection on our network



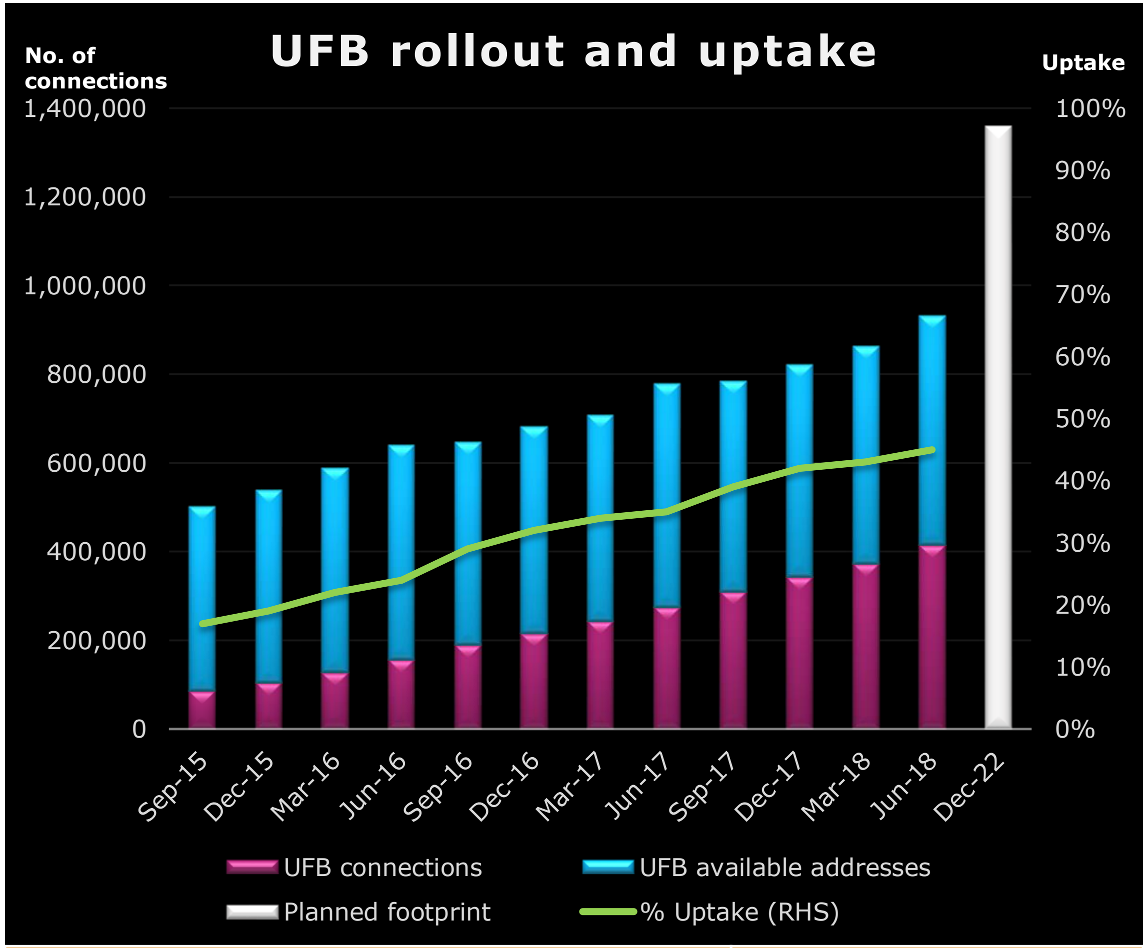
37% growth in June traffic peak year on year



Fibre demand steps up

> **Record quarter for fibre installations**
> - **47k** fibre installations completed
> - field crews increased from 720 to **800**
> - work in progress steady at 30k
> - weighted average lead times grew from 8 to 13 days as year-end release of new areas increased demand

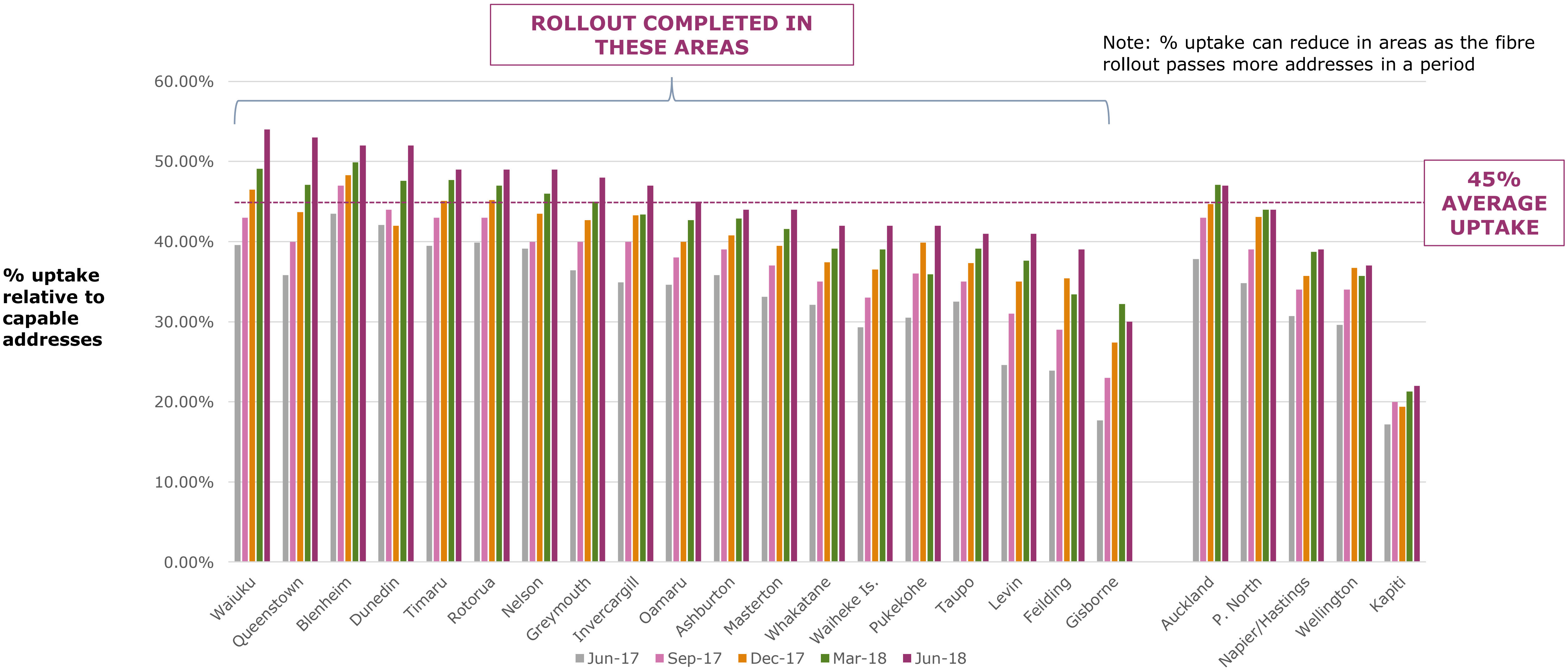
> **45% UFB uptake at 30 June (Q3: 43%)**
> - **415,000** connections (Q3: 373,000)
> - **932,000** customers able to connect (Q3: 863,000)
> - **700,000** premises passed (Q3: 643,000); includes 15,000 greenfields and 6,000 UFB2 premises



Premises to pass by Dec 2022	**~1,054,000***
Customers able to connect	**~1.36 million**

*Includes estimated 43k greenfields premises for UFB1

UPTAKE BY UFB1 AREA



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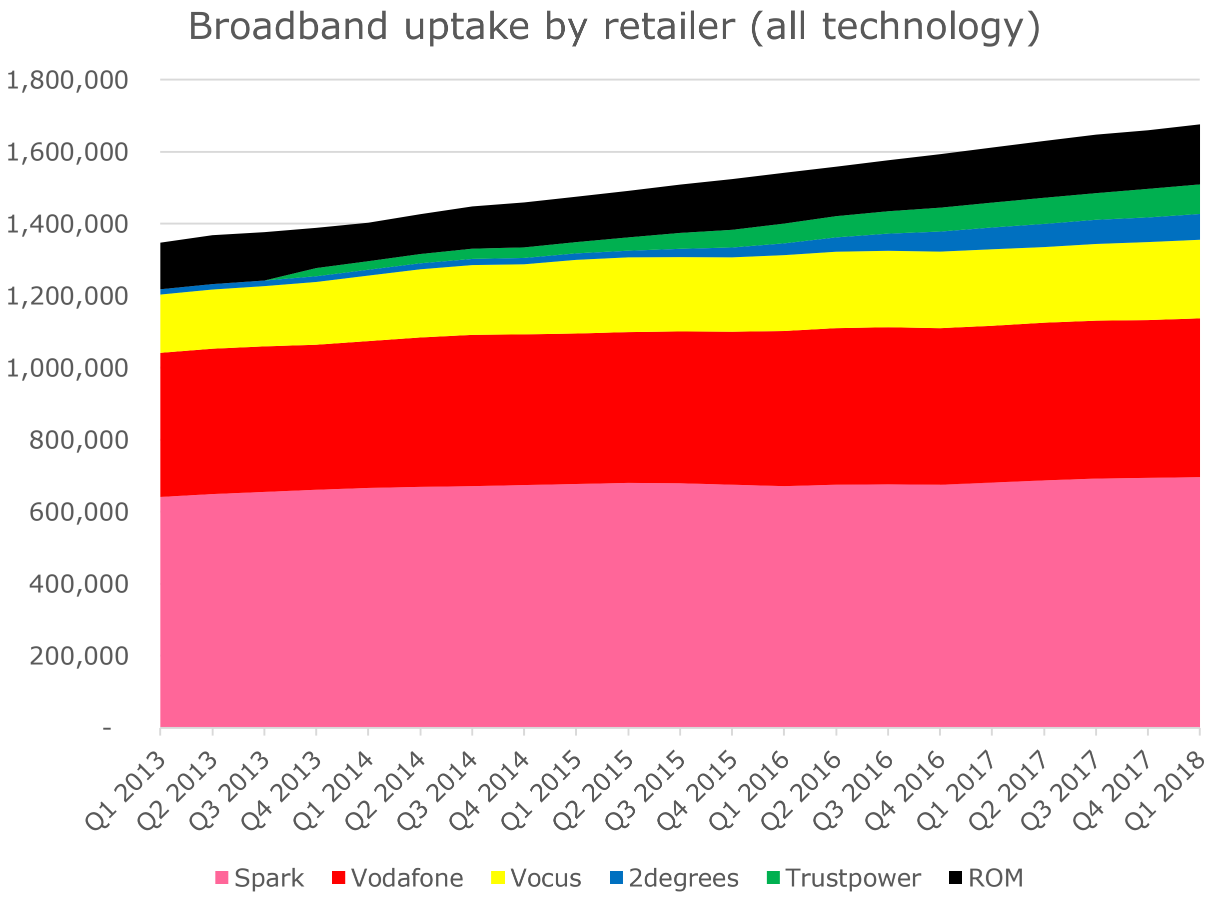
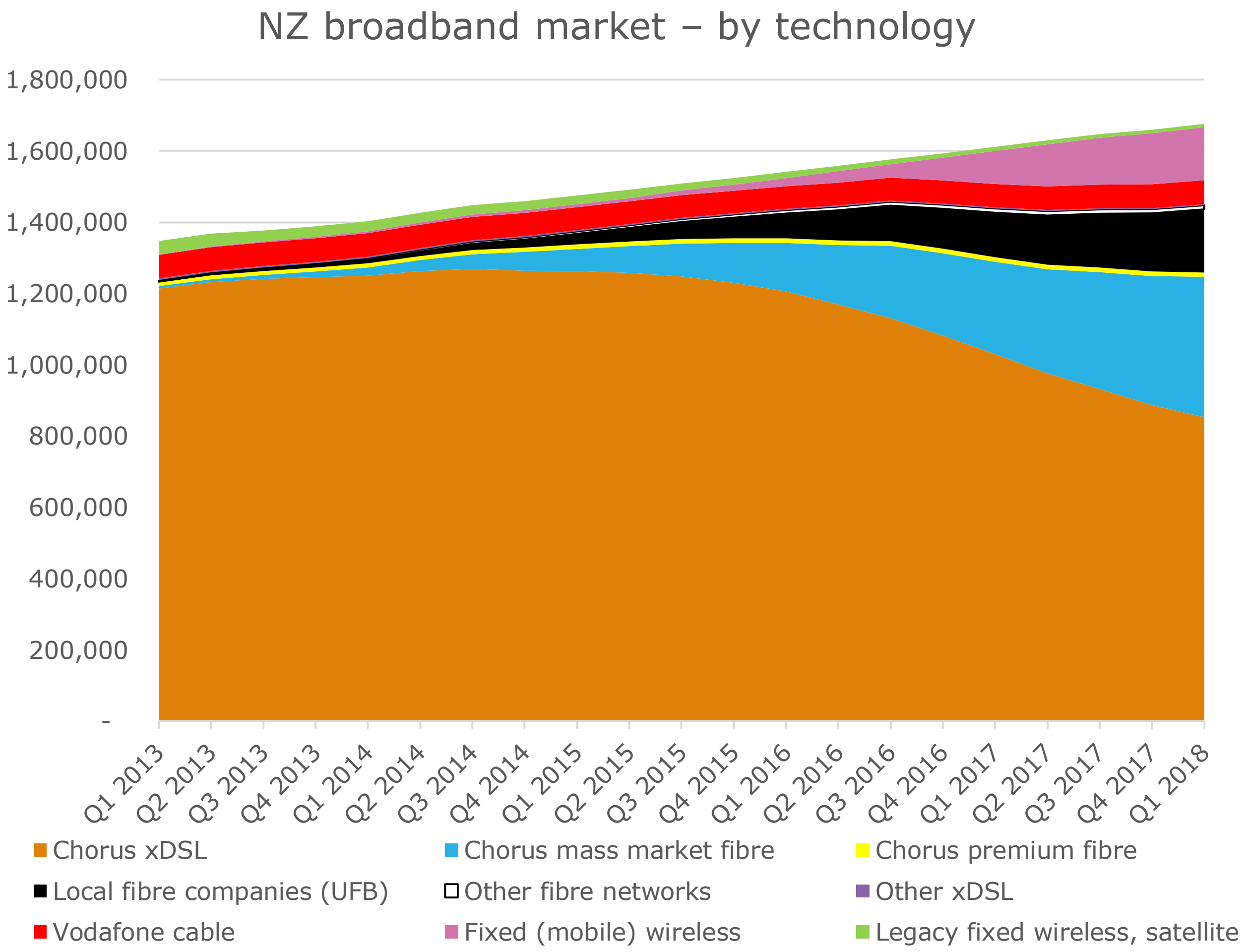
NZ broadband market trends - IDC (Q1 2018)



Source: IDC



Source: IDC

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