

Q2 FY20 Connections Update

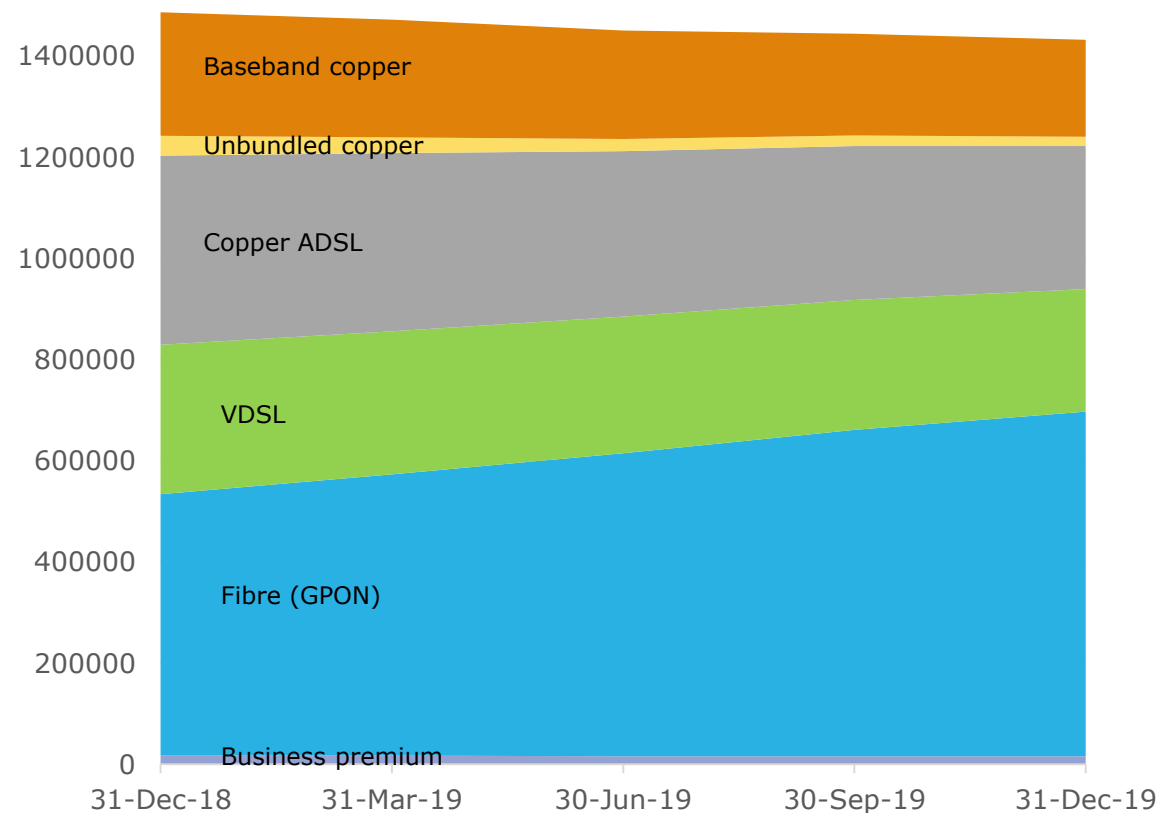
Q2 FY20 overview

Gigabit fibre demand surges as UFB1 rollout ends

- > **Total fixed line connections declined by 12k to 1,432,000** (Q1 FY20: -6k; Q2 FY19: -21k)
 - copper voice line reductions moderated in Q2 (Q2 -12k; Q1 -16k) while seasonal factors (e.g. holidays and student disconnections) meant reduced broadband growth in Chorus UFB areas
- > **Total broadband connections stable at 1,206,000** (Q1 FY20: +10k; Q2 FY19: -4k)
 - another strong quarter for fibre demand, with 36k connections added
 - 1Gbps connections now 13% of mass market fibre connections, at 87k connections (Q1: 69k)
 - UFB uptake rose from 55% to 56%, with the UFB1 rollout now complete and a further 52,000 customers able to connect to fibre across the UFB1 and 2 footprint
 - UFB2 uptake already at 34%
- > **Monthly average data usage for December grew to 293GB, up from 279GB in September**
 - copper broadband usage grew to 200GB vs 363GB for fibre users

Broadband connections steady at 1,206,000

| | 31 Dec 2018 | 31 March 2019 | 30 June 2019 | 30 Sept 2019 | 31 Dec 2019 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Unbundled copper (no broadband) | 39,000 | 31,000 | 24,000 | 21,000 | 18,000 |
| Baseband copper (no broadband) | 244,000 | 233,000 | 214,000 | 201,000 | 192,000 |
| Copper ADSL (includes naked) | 374,000 | 352,000 | 327,000 | 304,000 | 283,000 |
| VDSL (includes naked) | 295,000 | 283,000 | 270,000 | 257,000 | 242,000 |
| Fibre broadband (GPON) | 517,000 | 556,000 | 599,000 | 645,000 | 681,000 |
| Data services (copper) | 5,000 | 5,000 | 5,000 | 4,000 | 4,000 |
| Fibre premium (P2P) | 12,000 | 12,000 | 11,000 | 12,000 | 12,000 |
| Total connections | 1,486,000 | 1,472,000 | 1,450,000 | 1,444,000 | 1,432,000 |

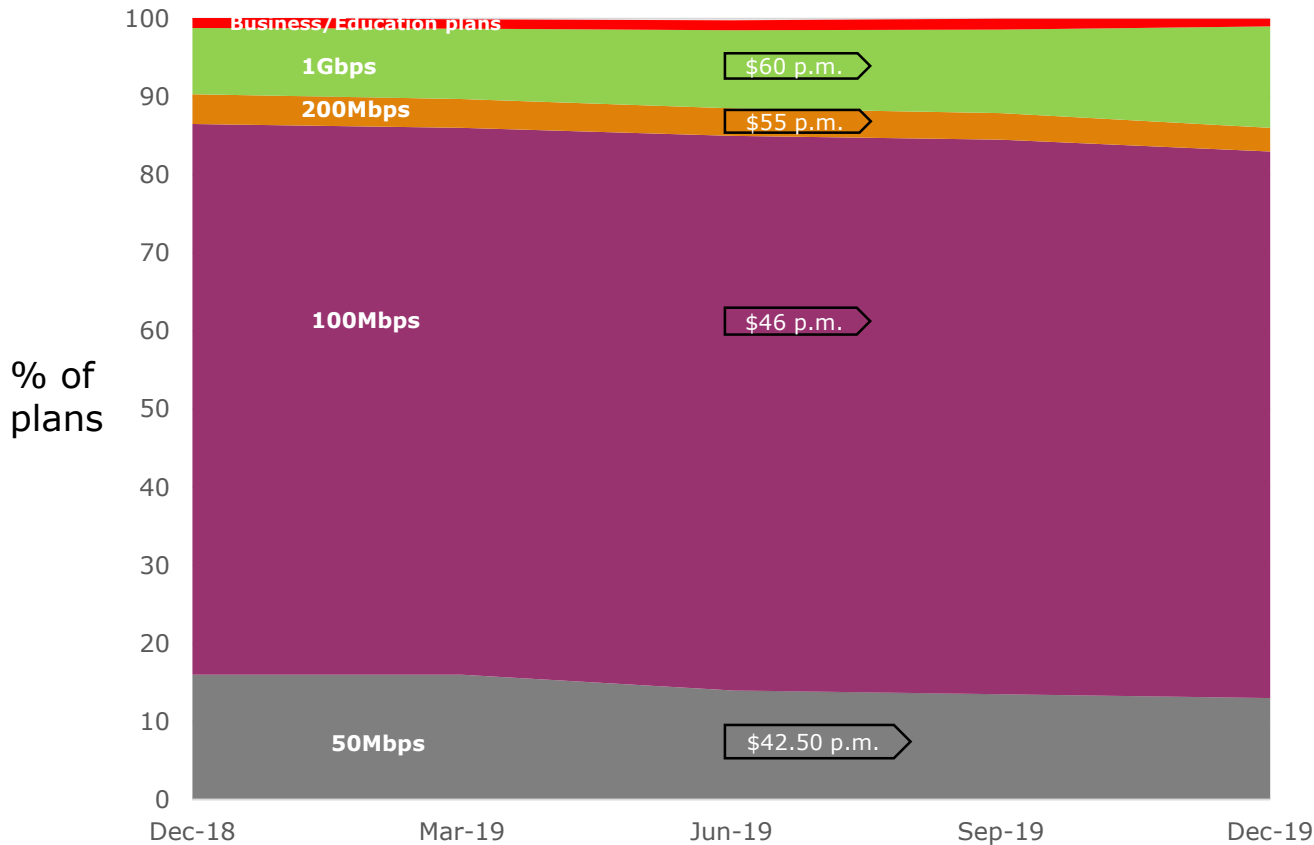


> **1,206,000 broadband connections comprises:**

- 681,000 fibre (GPON) connections
- 525,000 VDSL/ADSL (copper) connections

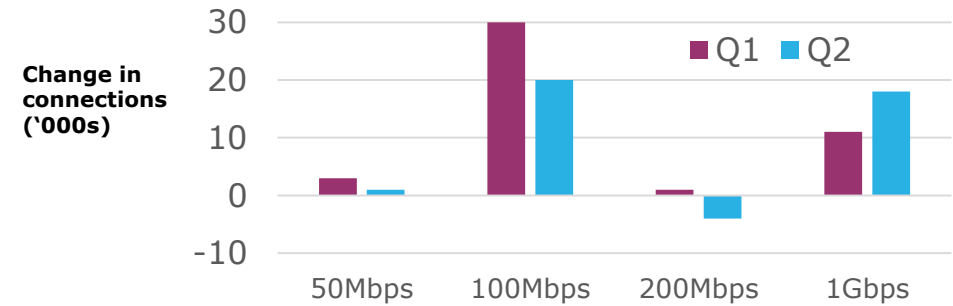
26% increase in Gigabit uptake

Total mass market fibre uptake by plan type



- > **36,000** mass market fibre connections added in Q2 (vs 46k in Q1 FY20)
 - strong second tier RSP promotions of 1Gbps services, together with RSP migration of 200Mbps customers, drove 1Gbps connections from 69k to 87k

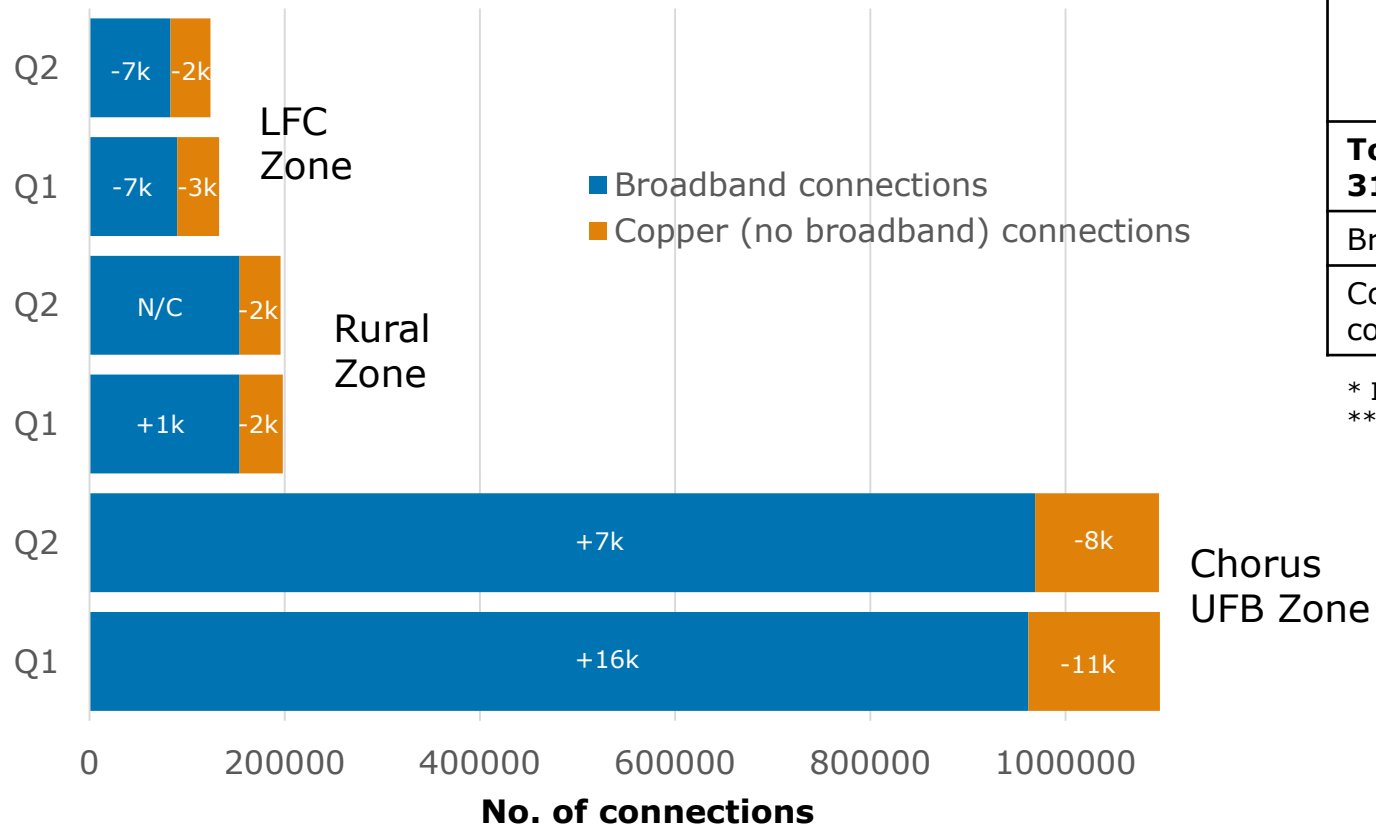
Fibre plan movement by quarter



- > Annual update to regulated copper pricing from mid December

| Regulated copper pricing | Line only (monthly) | With broadband (monthly) |
|--------------------------|---------------------|--------------------------|
| Prior pricing | \$31.19 | \$42.02 |
| From mid Dec 2019 | \$31.68 | \$42.35 |

Connection changes by Zone (indicative)



| | Chorus UFB zone* | Rural (non-UFB) zone | Local Fibre Company UFB zone |
|--------------------------------------|------------------|----------------------|------------------------------|
| Total connections at 31 Dec** | 1,096,000 | 196,000 | 124,000 |
| Broadband connections | 969,000 | 154,000 | 83,000 |
| Copper (no broadband) connections | 127,000 | 42,000 | 41,000 |

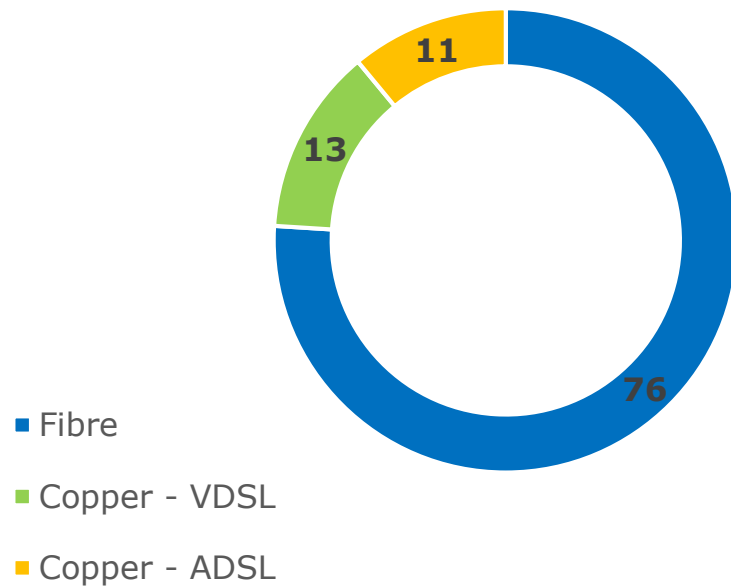
* Includes planned UFB1, 2 and 2+ coverage

**Excludes 16k fibre premium and data services (copper) connections

Broadband mix in Chorus planned UFB zone

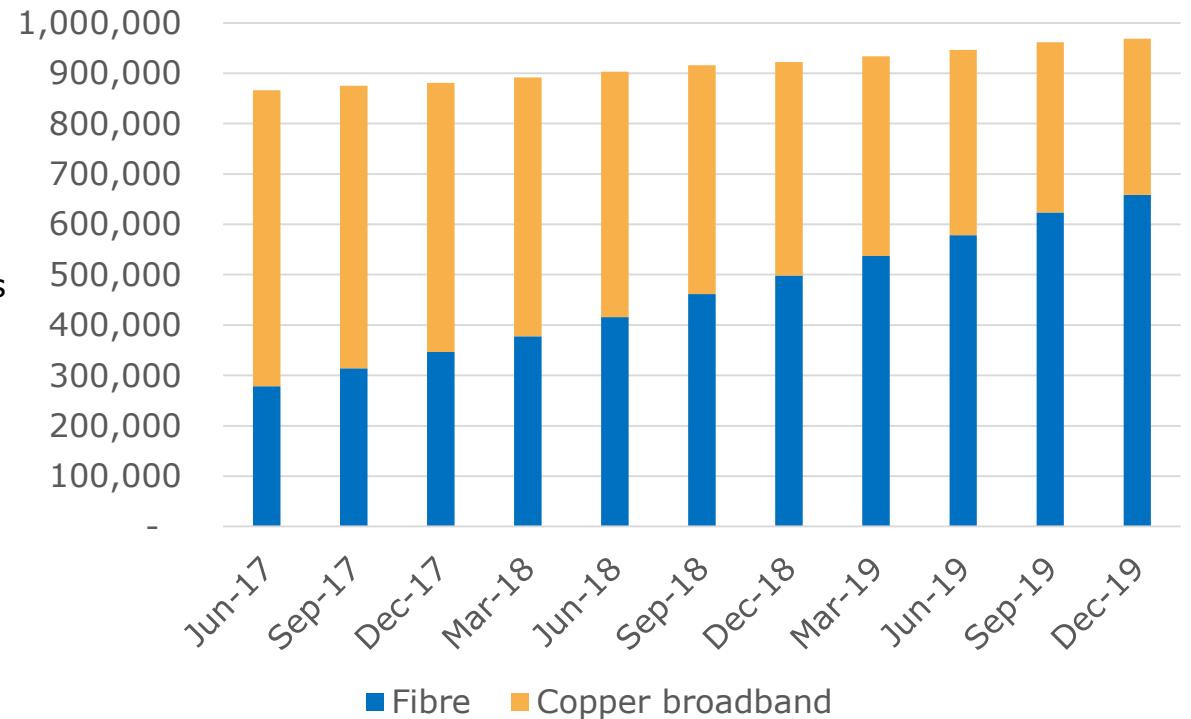
76% of Chorus broadband connections in Auckland on fibre

Auckland broadband connections by type (%)



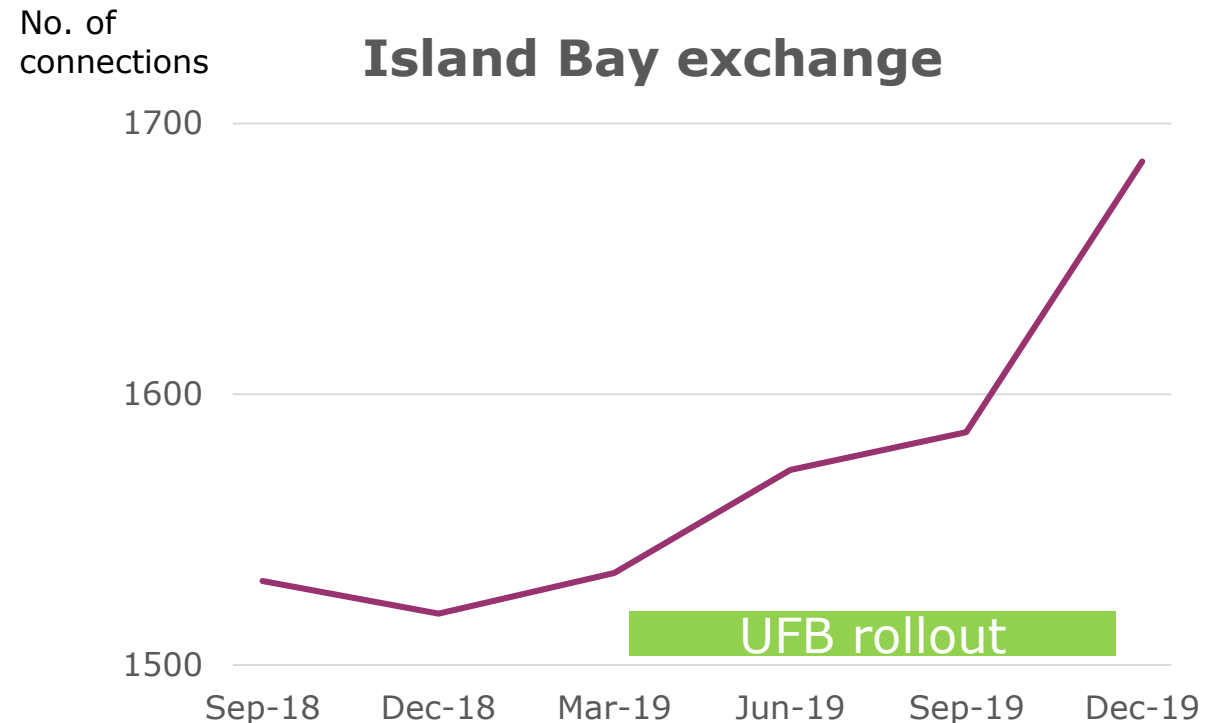
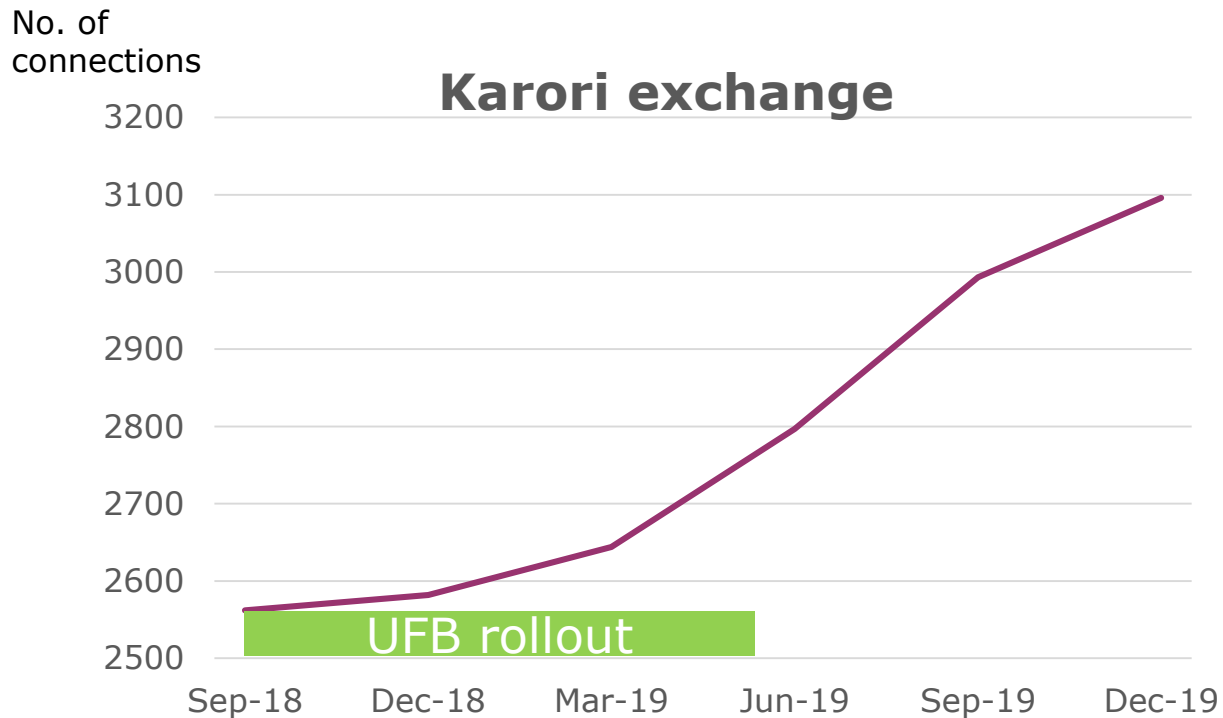
Fibre now 68% of Chorus broadband connections

Chorus UFB zone broadband mix



Fibre continues to grow Wellington connections

Return to connection growth in recently completed UFB areas



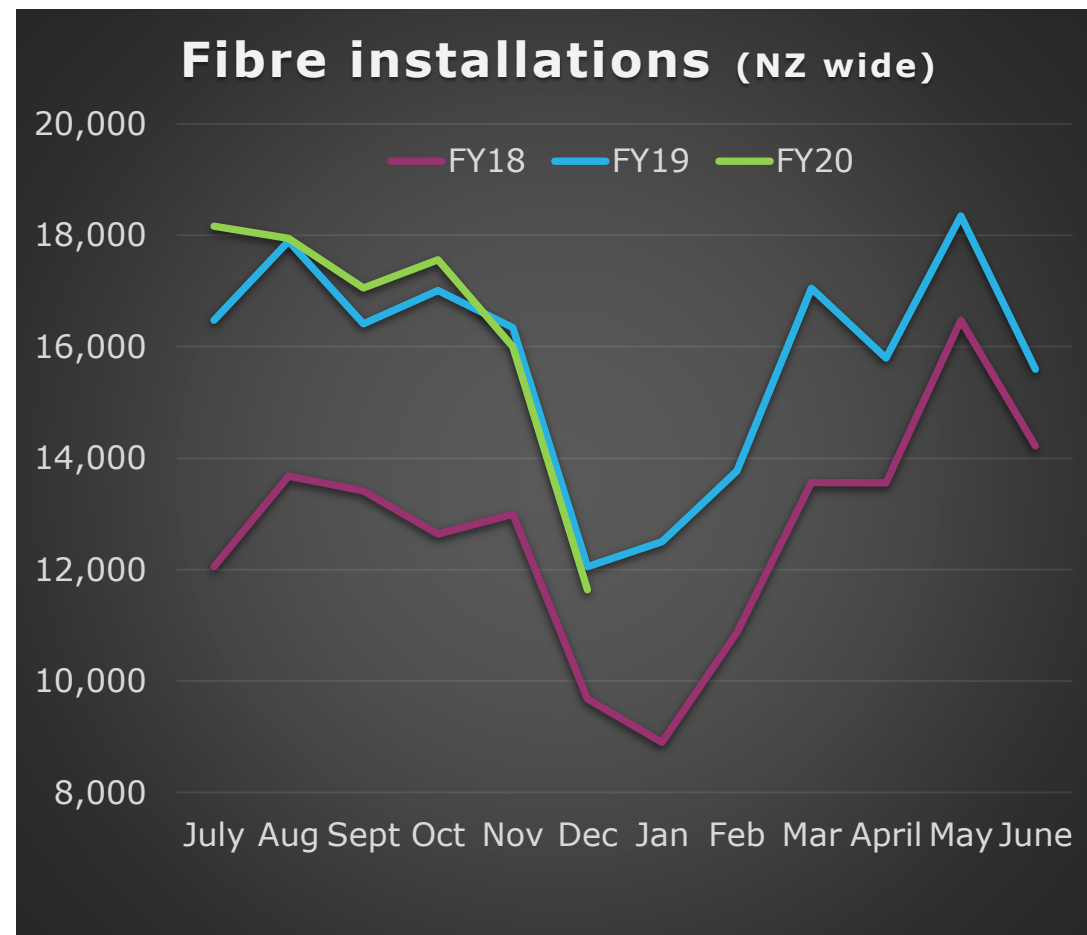
UFB1 rollout complete

> UFB uptake increased from 55% to 56% within completed footprint

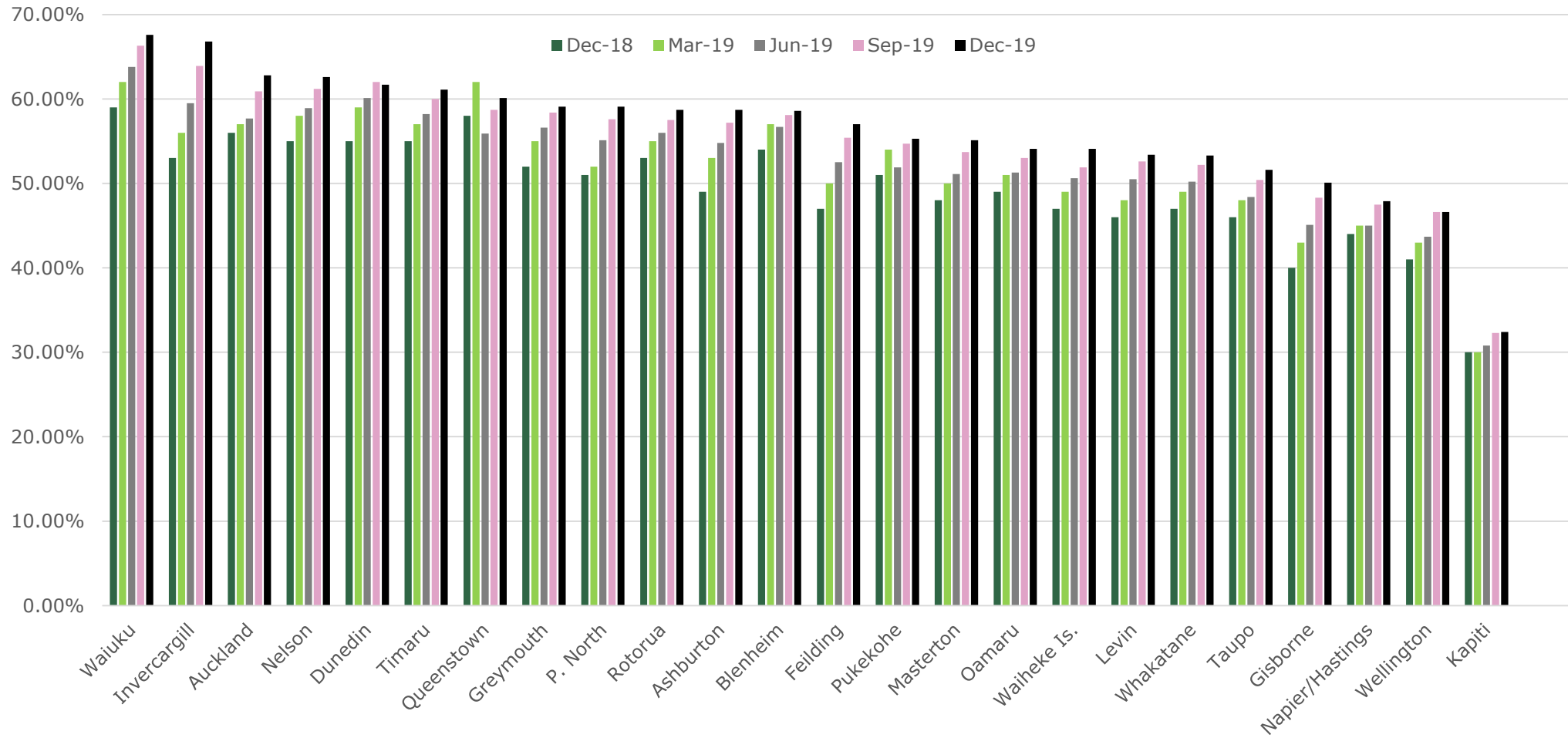
- **58%** uptake across UFB1 footprint
- uptake in UFB2 areas grew from 29% to **34%**
(note: uptake includes some UFB2 areas that have been partially built, but not yet submitted for Crown sign-off)
- **664,000** connections (Q1: 624,000) now within completed footprint, including business premium
- **1,185,000** customers able to connect (Q1: 1,133,000)
- **909,000** premises passed (Q1: 863,000) out of 1,054,000 target = UFB rollout 86% complete

> 45,000 fibre installations completed in Q2 (Q1: 53k)

- customer satisfaction consistent at **7.8**
- field crew levels stable at **~670**
- weighted average lead times increased from 6 to **7 days**
- work in progress reduced from 23k (Q1) to **20k**

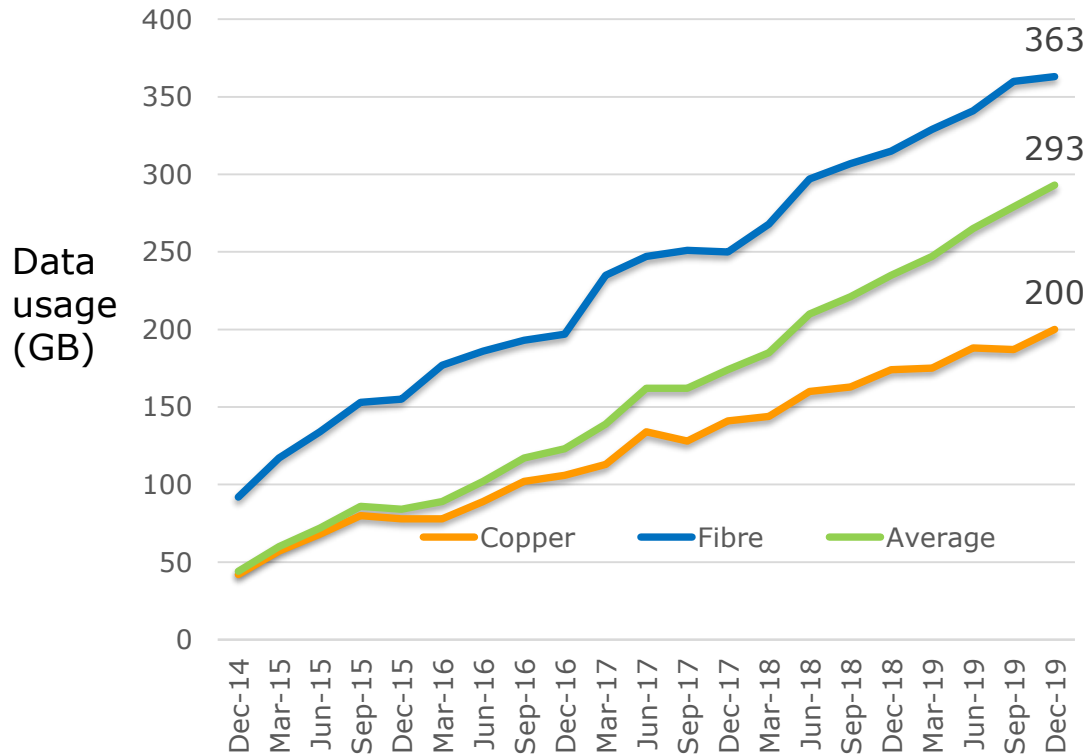


UFB1 uptake: 58%



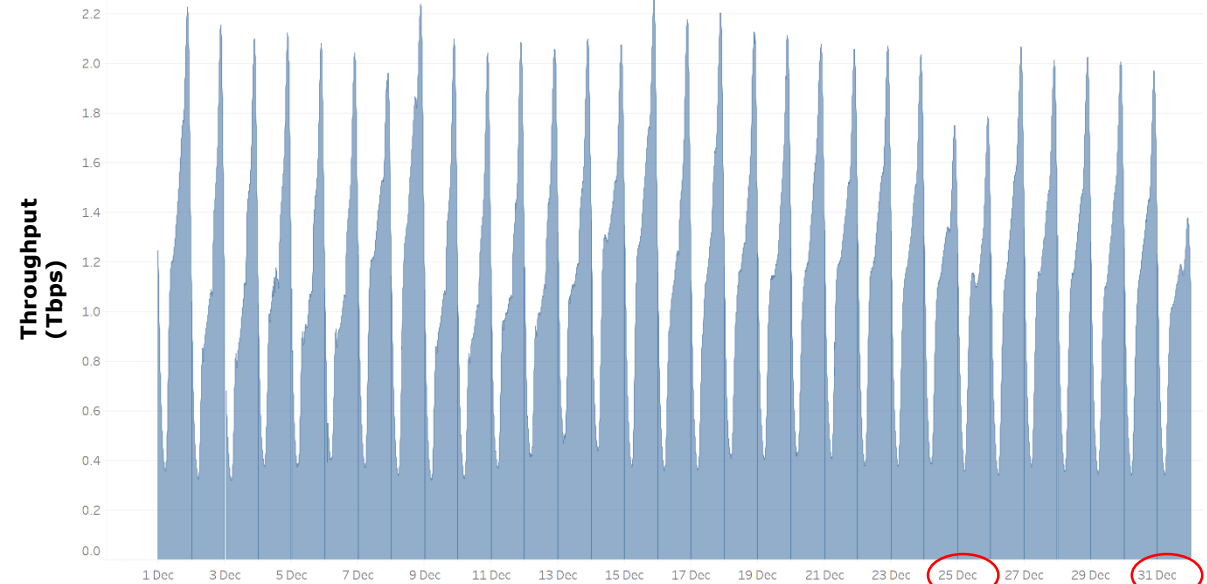
Monthly average data usage now 293GB

Monthly average data usage per connection on our network



- > Monthly average data usage per connection on our network grew to **293GB** in Q2, up from **279GB** (Sept)
 - **363GB** on fibre (Sept:360GB)
 - **200GB** on copper (Sept:187GB)

- > Data usage growth typically slows in Q2 due to Christmas holidays
 Peak time usage now typically more than 2Tbps: Christmas and New Year's Eve saw reduced data usage



Quality of fibre broadband highlighted in Commerce Commission reporting

Sam Knows testing showed:

- > Fibre consistently enables multiple streams of Ultra High Definition content while other technologies have variable performance - see Figure 11.
- > Fibre ensures low latency performance. Latency above 30ms can result in poor experience of applications such as gaming or video calls - see Figure 13.

Source: *Measuring Broadband New Zealand*, Spring Report, December 2019, Commerce Commission

Figure 11: Number of Concurrent Users per Connection who can stream UHD

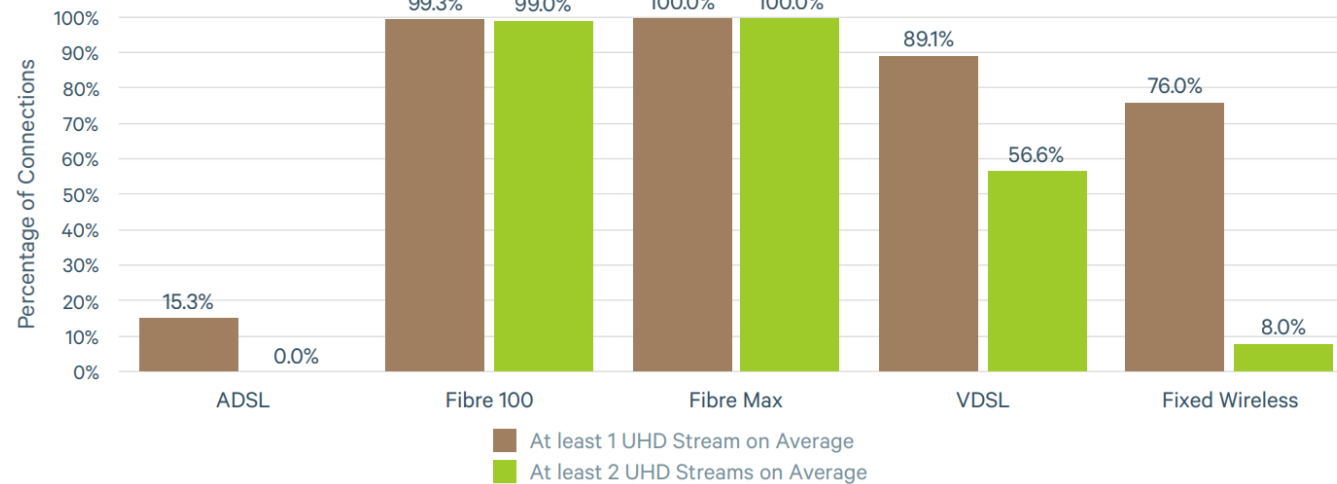


Figure 13: Distribution of Latency by Technology

