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STOCK EXCHANGE ANNOUNCEMENT

17 January 2020

Chorus Q2 FY20 Connections Update

The Q2 period saw the gigabit fibre uptake surge and the completion of the UFB1 rollout.

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

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Q2 FY20 Connections Update

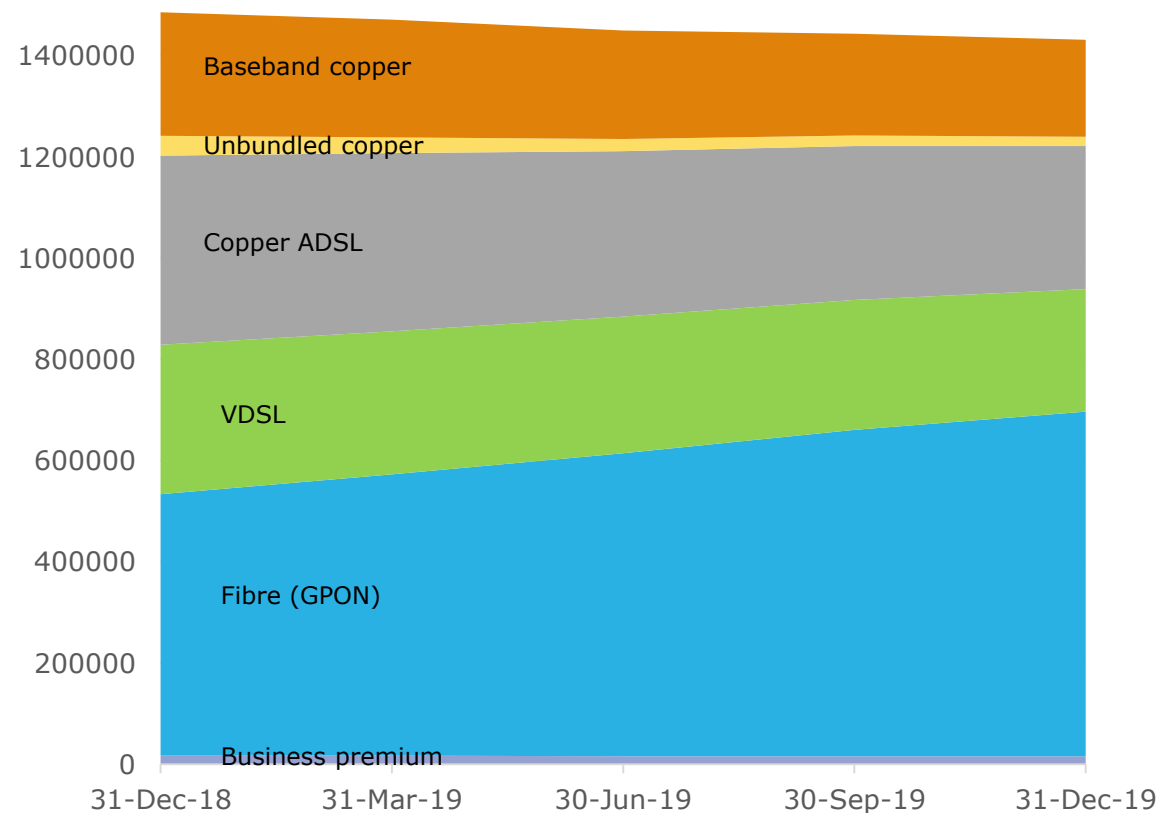
Q2 FY20 overview

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
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 - 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 |

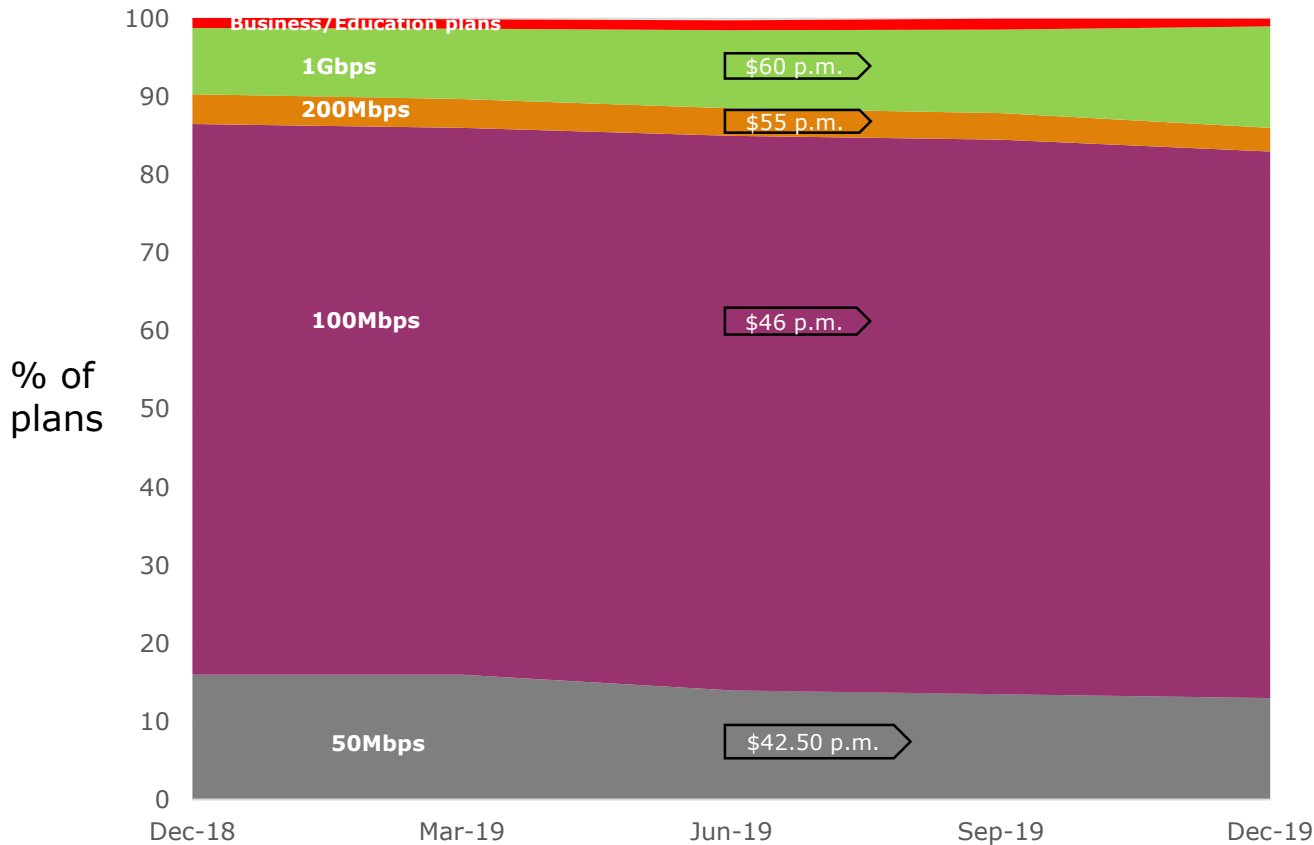


> **1,206,000 broadband connections comprises:**

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

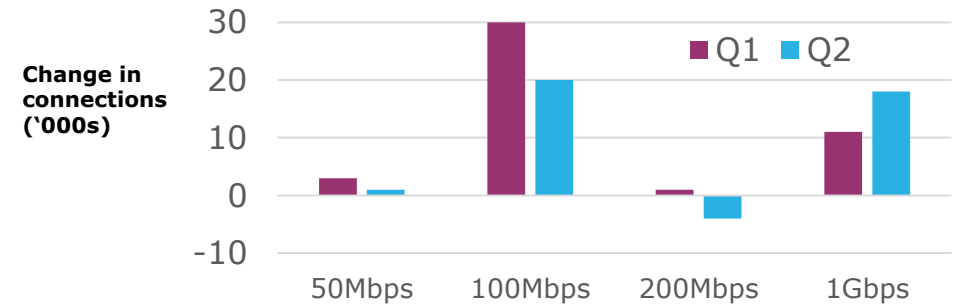
26% increase in Gigabit uptake

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

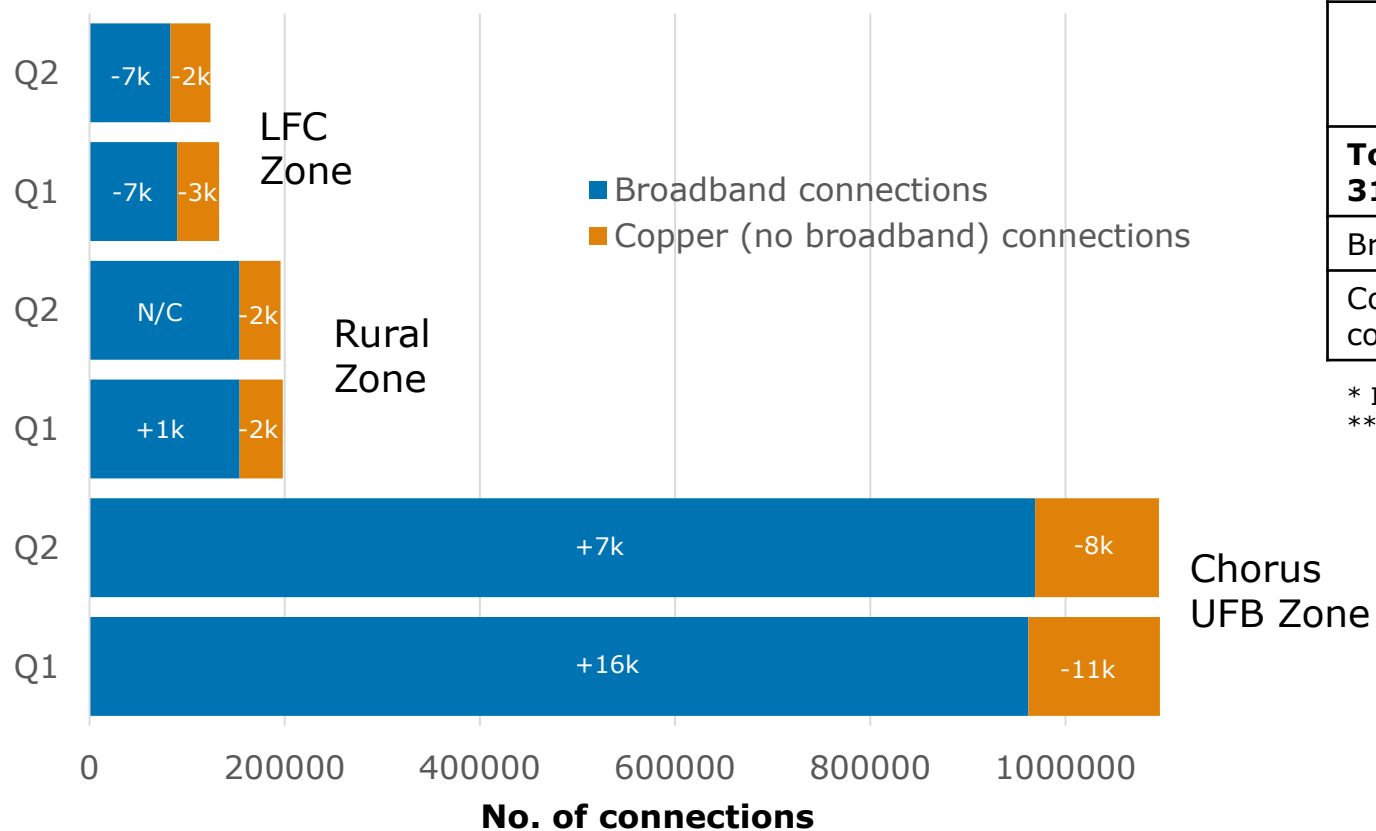
Fibre plan movement by quarter



- > 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 |

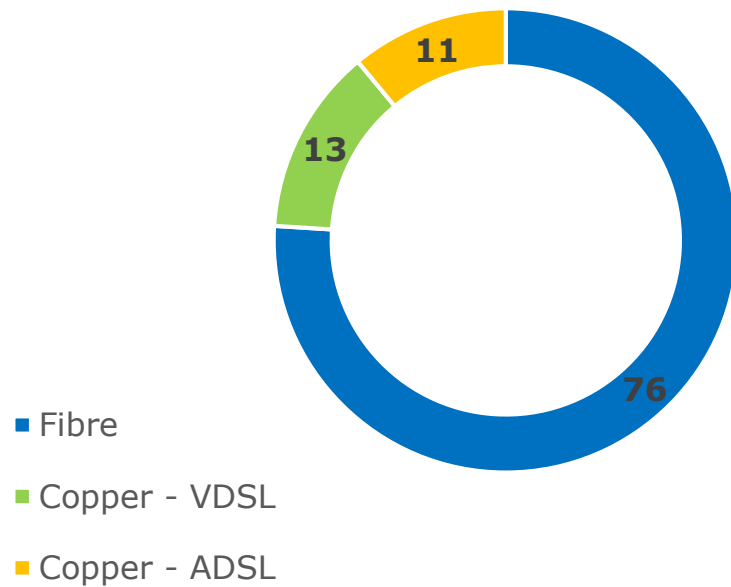
* Includes planned UFB1, 2 and 2+ coverage

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

Broadband mix in Chorus planned UFB zone

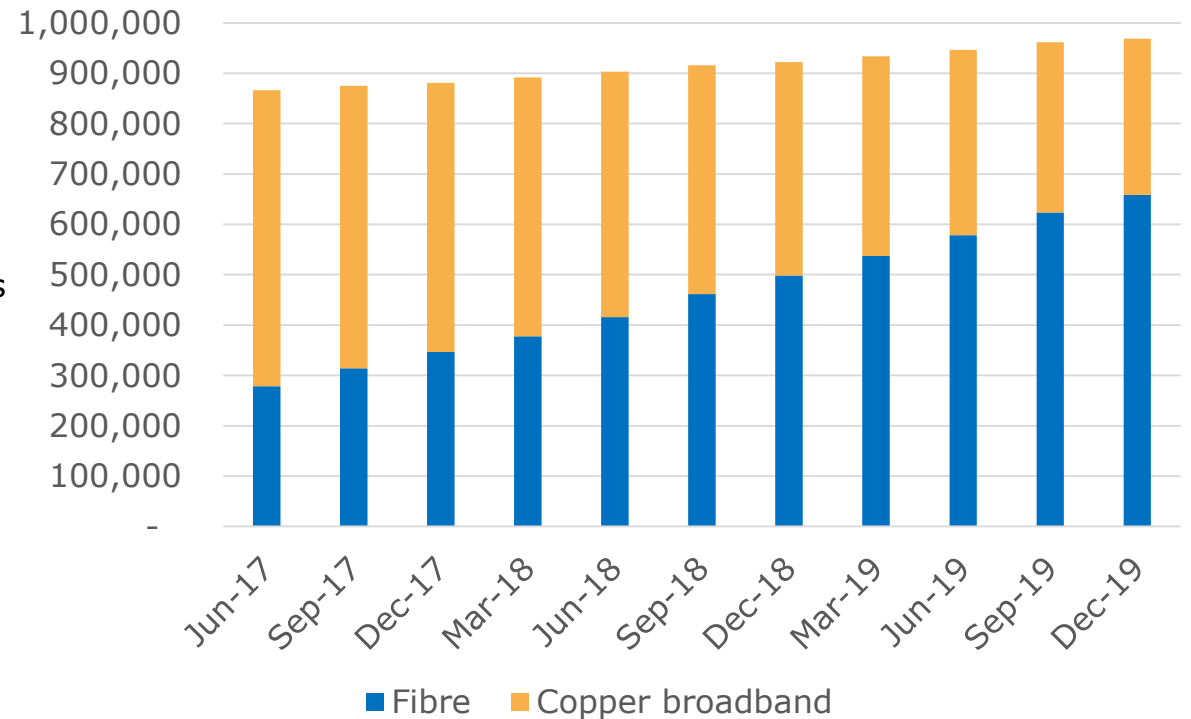
76% of Chorus broadband connections in Auckland on fibre

Auckland broadband connections by type (%)



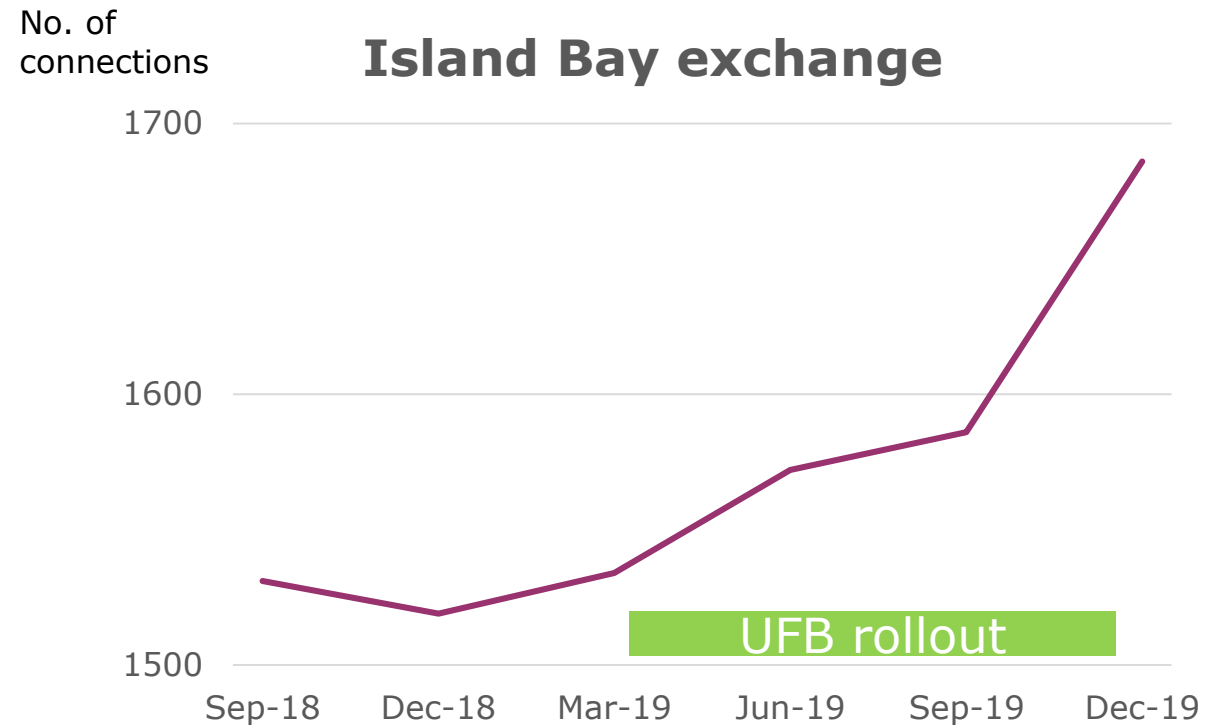
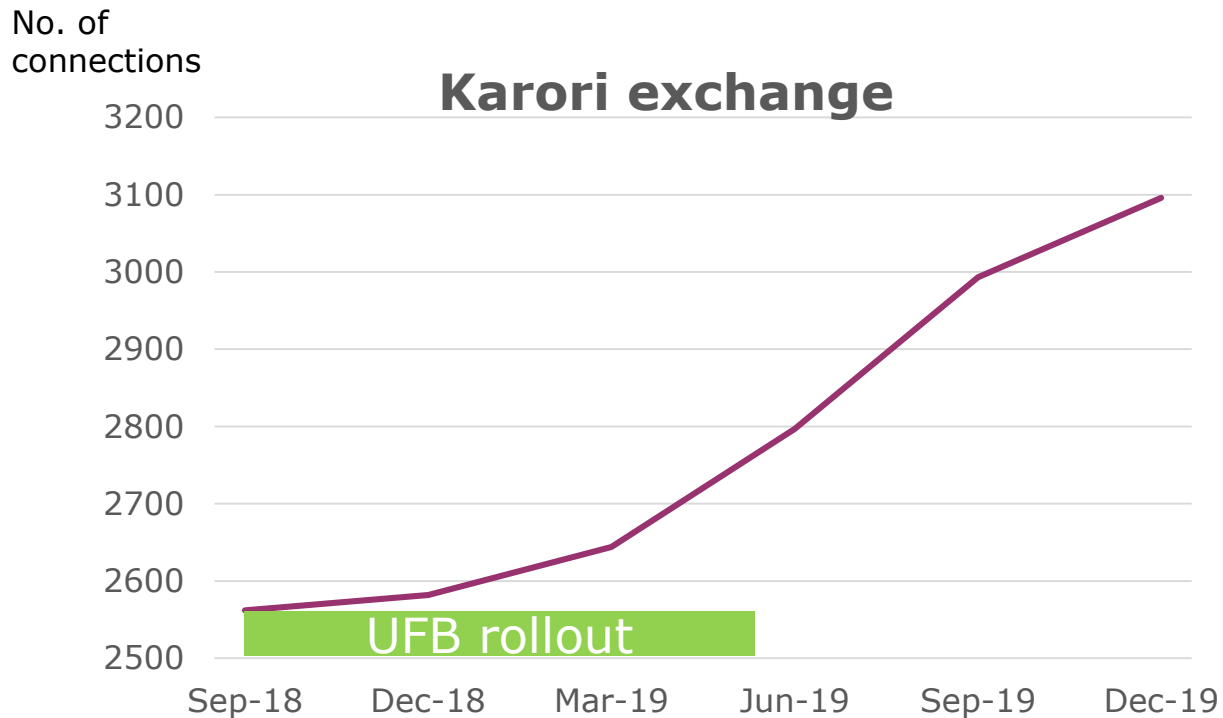
Fibre now 68% of Chorus broadband connections

Chorus UFB zone broadband mix



Fibre continues to grow Wellington connections

Return to connection growth in recently completed UFB areas



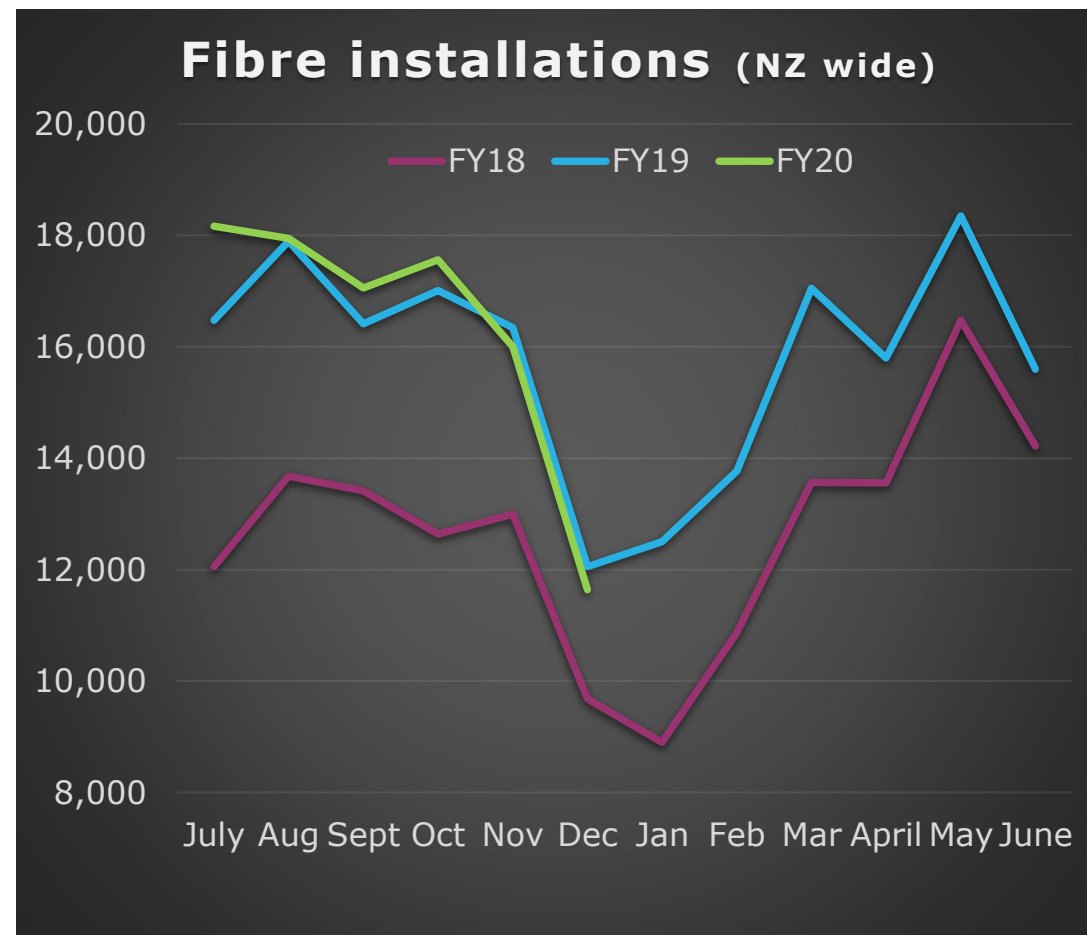
UFB1 rollout complete

> 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

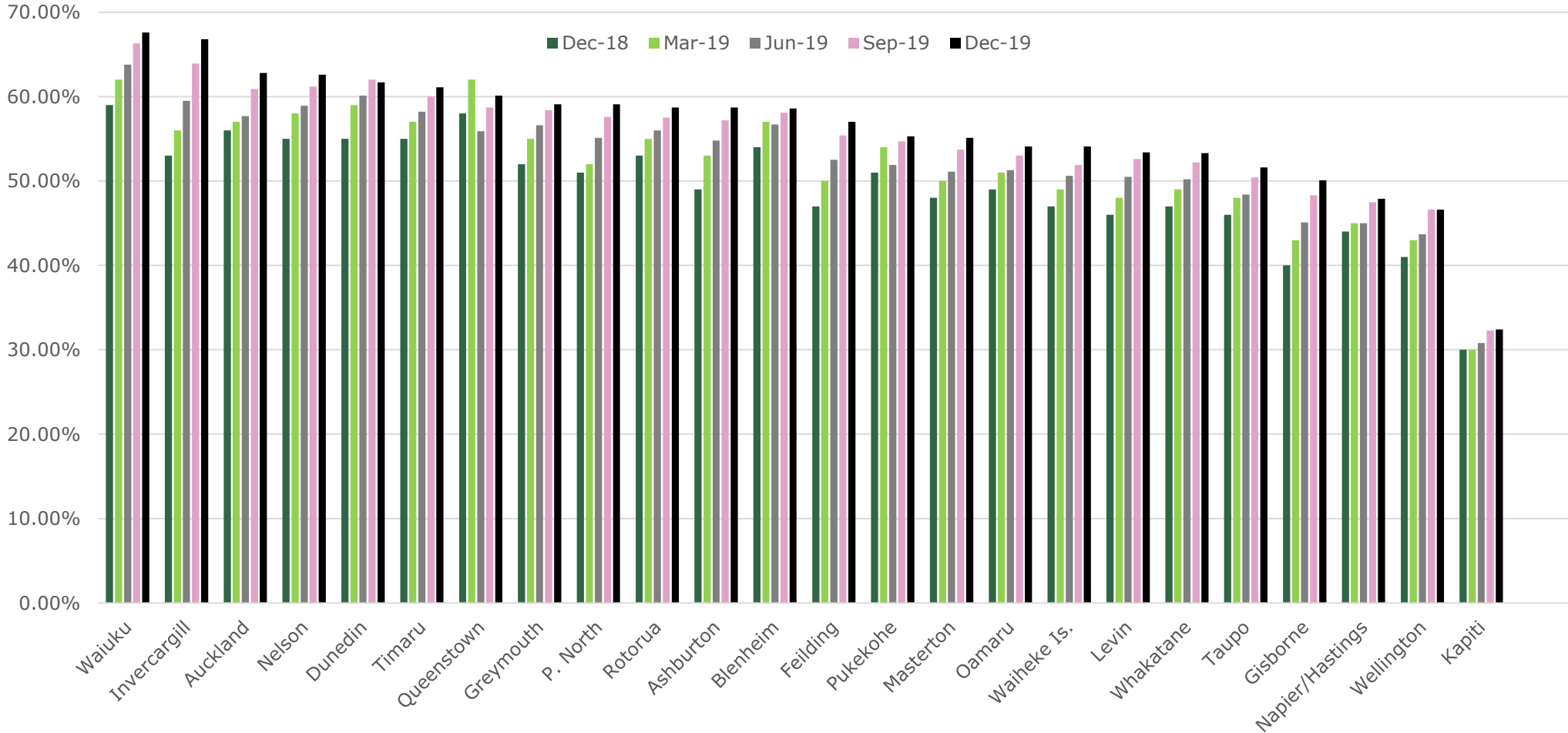
> 45,000 fibre installations completed in Q2 (Q1: 53k)

- 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**



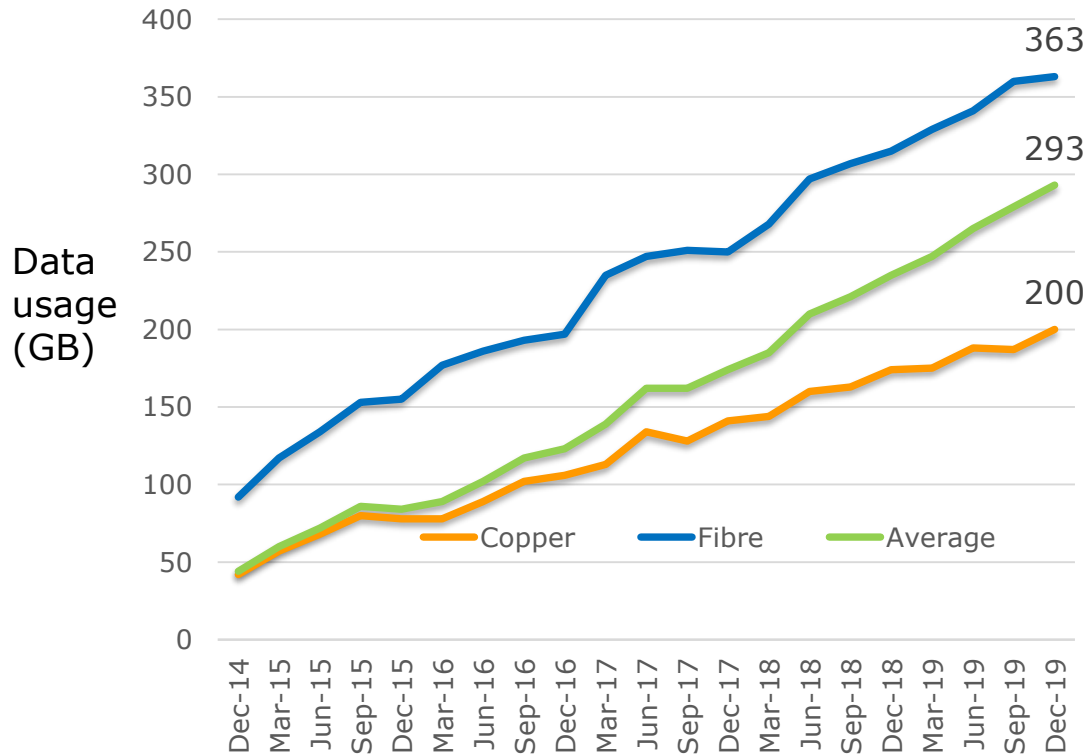
UFB1 uptake: 58%

% uptake relative to capable addresses

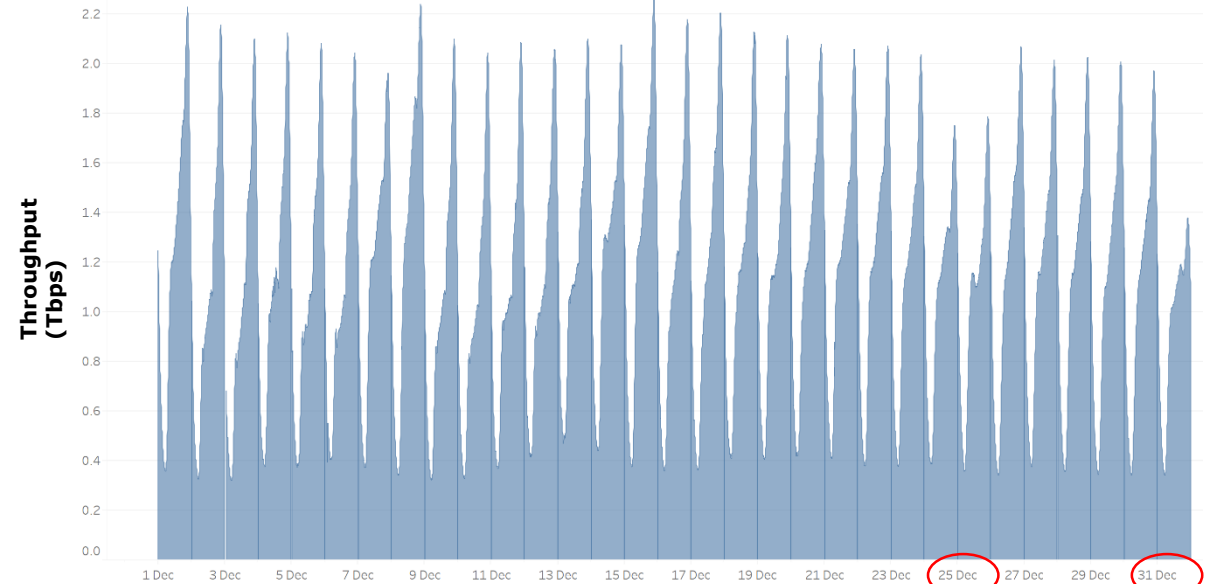


Monthly average data usage now 293GB

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

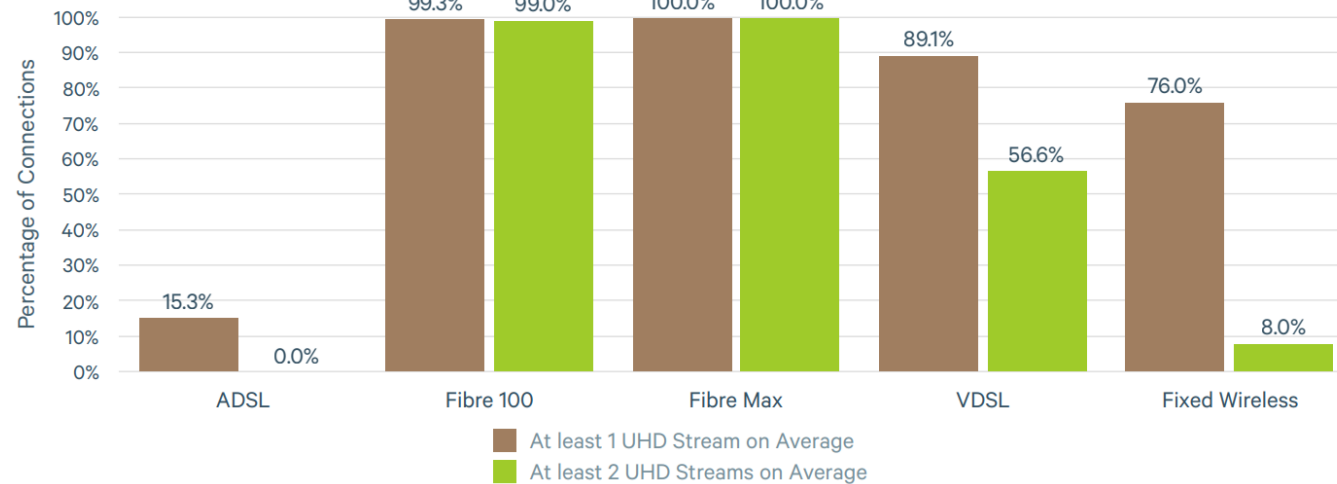


Figure 13: Distribution of Latency by Technology

