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15 April 2016

Chorus quarterly connections update

Attached is Chorus' quarterly connections update for the period ending 31 March 2016.

During the period fixed line connections decreased as expected, while broadband connections continued to increase.

Total fixed line connections decreased by 14,000 lines to 1,747,000 as fibre uptake continued to grow in non-Chorus UFB areas. Broadband connections increased by 5,000 lines to 1,228,000 reflecting broadband's growing utility status.

There are now 588,000 homes and businesses within reach of Chorus fibre. Fibre uptake increased from 19% to 22% across Chorus' UFB areas.

Chorus finished its rollout work in Waiuku, Queenstown and Rotorua ahead of schedule and these areas are now undergoing final testing by Crown Fibre Holdings.

About 46% of mass market fibre connections are now on plans of 100Mbps or better, up from 41% at 31 December. There are 4,000 1Gbps connections in Dunedin.

Very High Speed DSL (VDSL) broadband coverage is being increased by an estimated 175,000 premises across New Zealand following recent changes to transmission frequencies. This will extend VDSL coverage from 66% to about 80% of lines nationally.

ENDS

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Q3 FY16 – Connections update

15 April 2016

Q3 FY16 OVERVIEW

During the period from 1 January 2016 to 31 March 2016, fixed line connections decreased as expected, while broadband connections continued to increase

- total fixed line connections decreased by 14,000 lines to **1,747,000** as fibre uptake continued to grow in non-Chorus UFB areas
- broadband connections increased by 5,000 lines to **1,228,000** reflecting broadband's growing utility status

There are now **588,000** homes and businesses within reach of Chorus fibre

- fibre uptake increased from 19% to **22%** across Chorus' UFB areas
- Chorus finished its rollout work in **Waiuku, Queenstown** and **Rotorua** ahead of schedule and these areas are now undergoing final testing by Crown Fibre Holdings
- **46%** of mass market fibre connections are now on plans of 100Mbps or better, up from 41% at 31 December. There are 4,000 1Gbps connections in Dunedin

Very High Speed DSL (VDSL) broadband coverage is being increased by an estimated **175,000** premises across New Zealand following recent changes to transmission frequencies. This will extend VDSL coverage from 66% to about **80% of lines nationally**

CONNECTIONS

Fixed line connections 14,000

- consumers continue to shift to fibre and naked lines
- decrease in total connections in line with expectations as fibre uptake grows in non-Chorus UFB areas

Broadband connections 5,000

- demand for broadband continues to grow
- 23% of broadband connections now high-speed VDSL or fibre

Note: Q3 connection trends are influenced by return of tertiary students. Fibre orders reduced to 15,400 in March from peak of 16,300 in February.



Fixed line connections	31 March 2016	31 Dec 2015
Baseband copper	1,273,000	1,320,000
Baseband IP	10,000	6,000
UCLL	112,000	116,000
SLU/SLES	2,000	3,000
Naked UBA/VDSL	190,000	180,000
Data services over copper	11,000	11,000
Fibre	149,000	125,000
Total fixed line connections	1,747,000	1,761,000
Broadband connections	31 March 2016	31 Dec 2015
Basic UBA	51,000	74,000
Naked Basic UBA	7,000	7,000
Enhanced UBA	754,000	763,000
Naked Enhanced UBA	132,000	128,000
VDSL	96,000	94,000
Naked VDSL	52,000	45,000
Fibre (mass market)	136,000	112,000
Total broadband connections	1,228,000	1,223,000

CONNECTIONS TRENDS

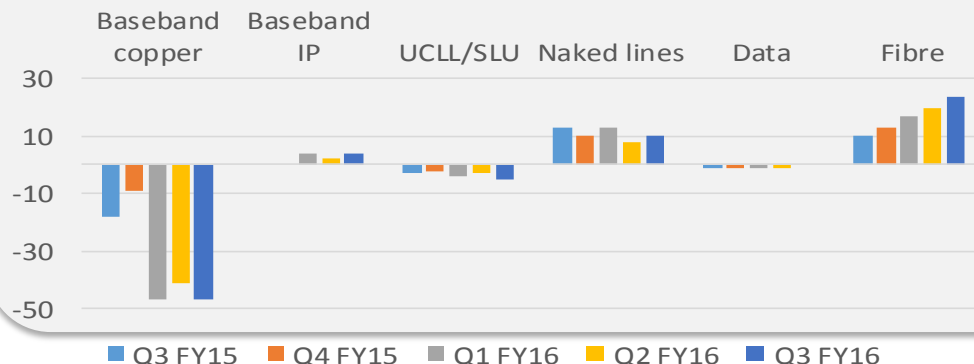
Fixed line trends

- increased fibre demand in Q3 with 19% increase in fibre lines
- UCLL/SLU declining with shift to fibre
- naked line uptake steady at 5% growth
- Baseband IP providing RSPs with alternative voice input

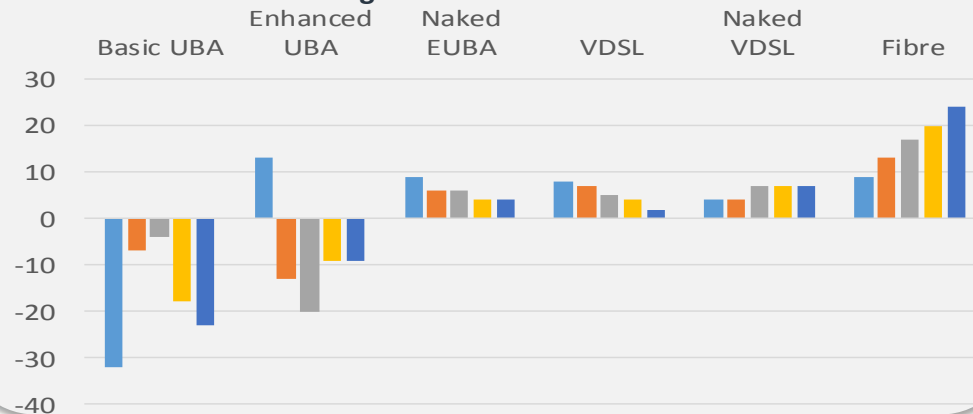
Broadband trends

- UBA copper broadband reducing as consumers migrate to VDSL and fibre
- VDSL uptake slowed in Q3 although demand for naked VDSL remained steady

Change in fixed line connections

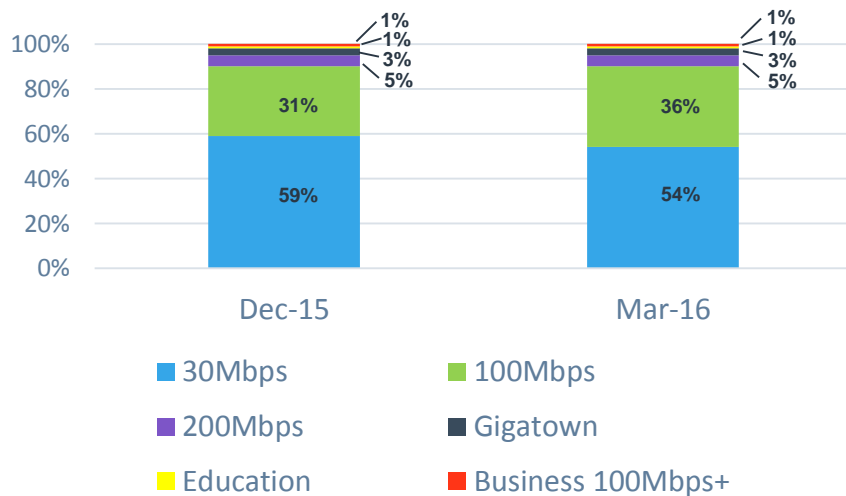


Change in broadband connections



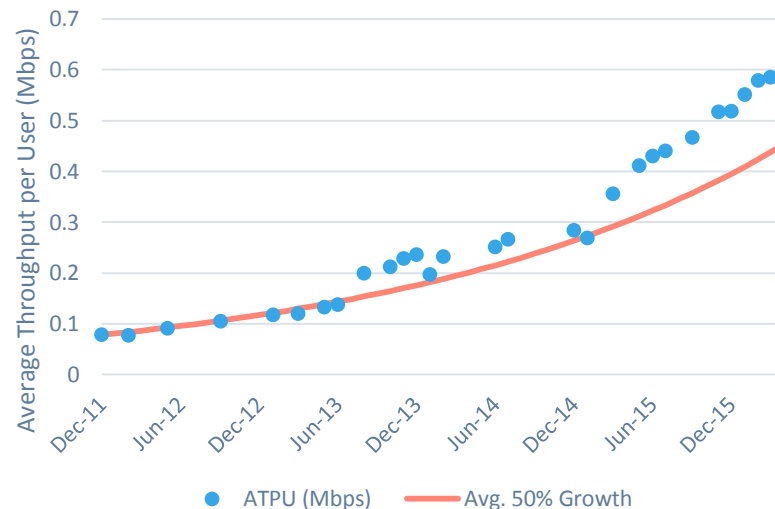
SHIFT TO HIGHER SPEEDS CONTINUES

Mass market fibre uptake by plan type



- 46% of mass market fibre connections are 100Mbps plans or better; up from 41% at 31 December
- 73% of mass market net adds in Q3 were for 100Mbps plans or better

Average Throughput per User



- Bandwidth demand continues to exceed forecasts with average throughput per user ~600kbps+ at end March, up from 500kbps at 31 December

FIBRE ROLLOUT: 52% COMPLETE

- UFB build complete for **435,000 premises** out of 830,900 target
- rollout in Waiuku, Rotorua and Queenstown finished in Q3, subject to CFH testing
- **588,000** homes and businesses within reach of Chorus UFB fibre
- **127,000** connections within UFB deployed footprint (105,000 at 31 Dec)
- **22% uptake** across UFB areas; Blenheim highest at 28%
- now completing average of ~480 fibre connections per weekday, up from 450 in mid-February

Chorus UFB uptake by candidate area – March 2016

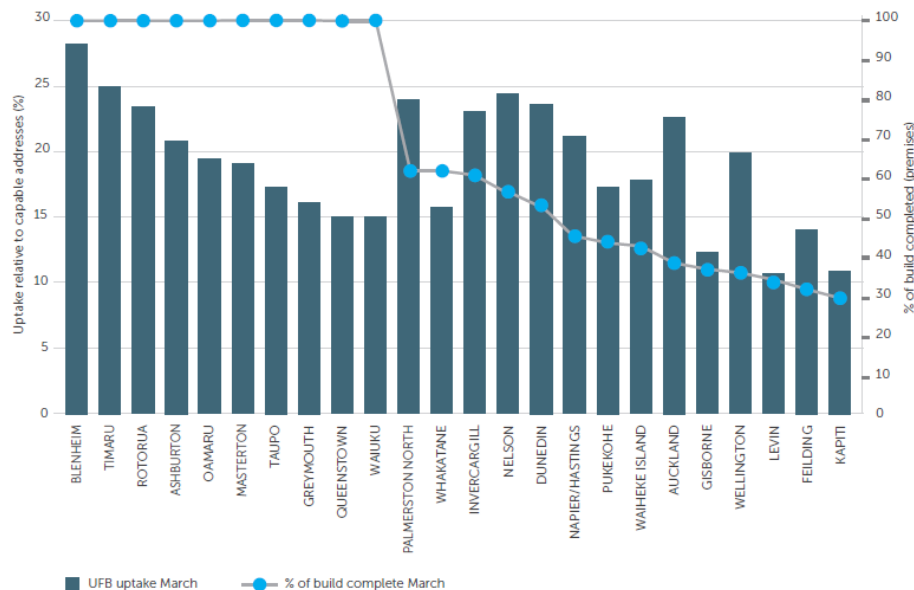
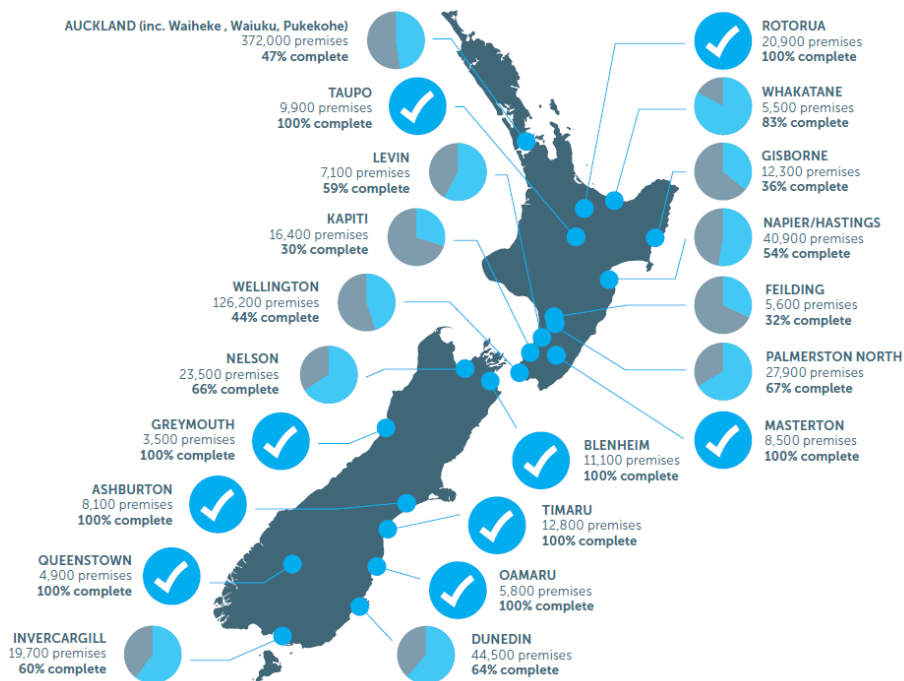


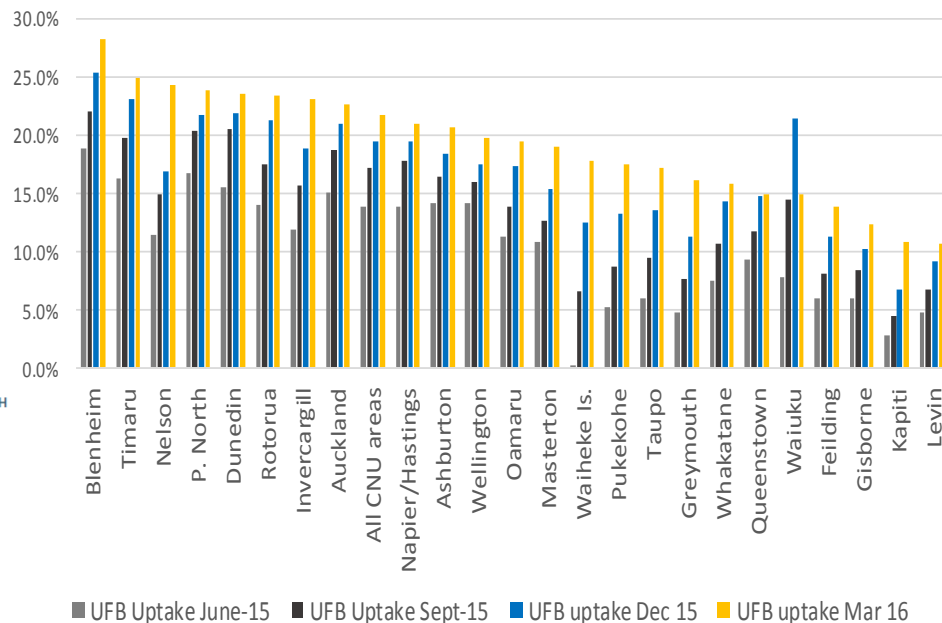
Chart shows consumer uptake as a proportion of UFB capable addresses (i.e. network is commissioned for service)

UFB BY REGION

UFB rollout progress by area at 31 March 2016



Regional fibre uptake relative to capable addresses – June 2015 to March 2016



CONNECTION SPEED ACROSS THE CHORUS NETWORK

- average connection speed across all connections is 26Mbps, up from 23Mbps at 31 December as consumers move to fibre and benefit from improved VDSL capability
- average VDSL connection speed is 50Mbps, up from 35Mbps, following transmission changes. VDSL availability will also increase from 66% to 80% of lines
- connection speeds are subject to factors such as consumer service choice, modem type and home wiring

Connection Speed Distribution - 1 April 2016

