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Agenda

Kate McKenzie, CEO  > FY18 overview, connections and trends  4-5
  > Fibre rollout, uptake and data demand  6-9

Andrew Carroll, CFO  > Financial results  10-13
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  > Guidance: UFB, FY19 capex and EBITDA  18-21
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Kate McKenzie, CEO  > Shaping our future: FY20 objective and FY19 focus  24-34

Appendices
  ▪ A: Pro forma FY17 net earnings  36
  ▪ B: Connection and market trends  37-38
  ▪ C: Market structure  39
  ▪ D: UFB1 uptake by area  40
## FY18 results overview

<table>
<thead>
<tr>
<th>Fixed line connections</th>
<th>Broadband connections</th>
<th>EBITDA¹</th>
<th>Adjusted² EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18: 1,526,000</td>
<td>FY18: 1,187,000</td>
<td>FY18: $653m</td>
<td>FY18: $653m</td>
</tr>
<tr>
<td>FY17: 1,602,000</td>
<td>FY17: 1,186,000</td>
<td>FY17: $652m</td>
<td>FY17: $710m²</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fibre connections</th>
<th>Net profit after tax</th>
<th>Dividend</th>
<th>Employee engagement score</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18: 445,000</td>
<td>FY18: $85m</td>
<td>FY18: 22cps</td>
<td>FY18: 57%</td>
</tr>
<tr>
<td>FY17: 305,000</td>
<td>FY17: $113m</td>
<td>FY17: 21cps</td>
<td>FY17: 81%</td>
</tr>
</tbody>
</table>

¹ Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure. We monitor this as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.

² Adjusted to reflect the effect the NZ IFRS accounting standards adopted in FY18 would have had if they had applied in FY17.
FY18 connections overview

Broadband demand grew strongly, slowing overall line loss from FY17 levels

- broadband growth in Chorus UFB zone largely offset loss to alternative networks in rural and LFC zones
- voice only disconnections driving most of decline (includes UCLL migration to fibre in our UFB zone)
- 64% of broadband connections on fibre or VDSL; fibre connections now exceed ADSL

<table>
<thead>
<tr>
<th>INDICATIVE CONNECTIONS BY ZONE</th>
<th>Chorus UFB zone*</th>
<th>Rural (non-UFB) zone</th>
<th>Local Fibre Company UFB zone</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL CONNECTIONS</td>
<td>1,123,000</td>
<td>194,000</td>
<td>191,000</td>
<td>1,508,000**</td>
</tr>
<tr>
<td>Copper connections: no broadband</td>
<td>206,000</td>
<td>51,000</td>
<td>64,000</td>
<td>321,000</td>
</tr>
<tr>
<td>Broadband: copper + fibre</td>
<td>917,000</td>
<td>143,000</td>
<td>127,000</td>
<td>1,187,000</td>
</tr>
</tbody>
</table>

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

See Appendix B for FY18 connection movements by category
Fibre rollout: 66% complete

- 45% UFB uptake at 30 June (FY17: 35%)
  - 415,000 connections
  - 932,000 customers able to connect
  - 700,000 premises passed (15k greenfields, 6k UFB2)

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

*Includes estimated 43k greenfields premises for UFB1
Surging fibre demand

20% lift in fibre installations YOY

- **185** installation crews added
- Work in progress stable at ~**30k**
- Disappointing lift in customer satisfaction to **7.5**
- Achieving “fibre in a day” for **25%** of regular installations
- **12k** managed migration installations
Fibre uptake and usage

- 30,000 connections now on gigabit plans
- 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 **155GB** (FY17)

- **297GB** on fibre (FY17: 222GB)
- **160GB** on copper (FY17:134GB)
Streaming and gaming driving data growth

**Fortnite effect:** record peak traffic 1,792 Gbps on 12 July 2018

June 2018 average peak throughput

June 2017 average peak throughput

Note: data represents average of traffic across all days in June, excluding corporate traffic.
Financial performance

Andrew Carroll, Chief Financial Officer
### Income statement

<table>
<thead>
<tr>
<th></th>
<th>FY18 $m</th>
<th>FY17 (adjusted) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>990</td>
<td>1,048</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(337)</td>
<td>(338)</td>
</tr>
<tr>
<td><strong>Earnings before interest, tax, depreciation and amortisation (EBITDA)</strong></td>
<td>653</td>
<td>710</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(387)</td>
<td>(379)</td>
</tr>
<tr>
<td>Earnings before interest and income tax</td>
<td>266</td>
<td>331</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>(144)</td>
<td>(147)</td>
</tr>
<tr>
<td>Net earnings before income tax</td>
<td>122</td>
<td>184</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(37)</td>
<td>(39)</td>
</tr>
<tr>
<td><strong>Net earnings for the year</strong></td>
<td>85</td>
<td>145</td>
</tr>
</tbody>
</table>

- FY17 adjusted to show the illustrative impact if NZ IFRS 9, 15 and 16 had applied
## Revenue

<table>
<thead>
<tr>
<th>Service</th>
<th>FY18 $m</th>
<th>FY17 (adjusted) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fibre broadband (GPON)</td>
<td>198</td>
<td>123</td>
</tr>
<tr>
<td>Fibre premium (P2P)</td>
<td>78</td>
<td>79</td>
</tr>
<tr>
<td>Copper based voice</td>
<td>133</td>
<td>163</td>
</tr>
<tr>
<td>Copper based broadband</td>
<td>421</td>
<td>501</td>
</tr>
<tr>
<td>Data services copper</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td>Field Services</td>
<td>70</td>
<td>84</td>
</tr>
<tr>
<td>Value added network services</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>990</strong></td>
<td><strong>1,048</strong></td>
</tr>
</tbody>
</table>

- FY17 adjusted to show the illustrative impact if NZ IFRS 15 and 16 had applied
  - Revenue growing as fibre uptake increases
  - Movement from legacy services to lower price UFB services
  - Copper revenues declining as customers migrate to Chorus fibre or competing fibre/wireless networks
  - Decline in copper installation, subdivision and 3rd party maintenance revenues
### Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY18 $m</th>
<th>FY17 (adjusted) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>73</td>
<td>69</td>
</tr>
<tr>
<td>Provisioning</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Network maintenance</td>
<td>87</td>
<td>87</td>
</tr>
<tr>
<td>Other network costs</td>
<td>34</td>
<td>27</td>
</tr>
<tr>
<td>IT</td>
<td>54</td>
<td>55</td>
</tr>
<tr>
<td>Rents, rates and property maintenance</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>Regulatory levies</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Electricity</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Consultants</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>23</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>337</strong></td>
<td><strong>338</strong></td>
</tr>
</tbody>
</table>

- FY17 adjusted to show the illustrative impact if NZ IFRS 15 and 16 had applied
  - > 12% reduction in staff from Aug 2017 peak but most impact in capex. Labour includes $5m of one-off costs
  - > Provisioning reflects a smaller scope of activity and cessation of FY17 install support costs
  - > Proactive maintenance and weather events offset volume reduction and changed copper/fibre mix
  - > Increases in network costs reflects increased focus on proactive maintenance and cost of maintaining network spares

- Reduced following FY17 strategic review
- Other costs declined with initiatives around travel and other corporate expenses
Understanding network maintenance

Fibre uptake initially reduces variable copper costs only

- Rural areas are disproportionately more expensive to maintain than urban areas
- Copper costs don’t reduce in proportion to the number of connections – there is a significant fixed element
- Fibre share of maintenance will grow, but at a lesser rate than copper because variable fault rate is lower on fibre (although costlier to fix)
- In the long run, we think there is around an annual $10m saving from full copper to fibre migration in Chorus UFB areas

<table>
<thead>
<tr>
<th>Copper maintenance: urban (indicative)</th>
<th>Exchange + feeder cable</th>
<th>Cabinet to street boundary</th>
<th>In boundary (excludes home wiring)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>30%</td>
<td>70%</td>
<td>0%</td>
</tr>
<tr>
<td>Variable</td>
<td>20%</td>
<td>40%</td>
<td>40%</td>
</tr>
</tbody>
</table>
Capex: Fibre

Total capex of $810m vs FY18 guidance of $780-$820m

<table>
<thead>
<tr>
<th>Fibre capex</th>
<th>FY18 $m</th>
<th>FY17 (adjusted) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UFB communal</td>
<td>231</td>
<td>183</td>
</tr>
<tr>
<td>Fibre connections &amp; layer 2</td>
<td>294</td>
<td>258</td>
</tr>
<tr>
<td>Fibre products &amp; systems</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Other fibre connections &amp; growth</td>
<td>65</td>
<td>45</td>
</tr>
<tr>
<td>Customer retention costs</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>620</strong></td>
<td><strong>507</strong></td>
</tr>
</tbody>
</table>

- Increase reflects $60m UFB2 rollout; $77m work in progress (FY17: $41m)
- 156,000 installations vs 129,000 in FY18
- Growth in greenfields and backhaul (UFB2) spend, pole replacement
- Reflects a full year of retention activity

- **Cost per UFB1 premises passed (CPPP):** ~$1,568 vs $1,500 - $1,600 guidance (FY17:$1,651)
- Crown funding now claimed for ~15k greenfields premises (10k in FY18) representing capex to date of ~$17m recognised in prior years ‘Other fibre connections & growth’
Capex: Fibre connections & layer 2

Connections capex of **$294m** vs FY18 guidance of **$260-$290m**

- **Cost per UFB1 premises connected (CPPC): $1,037*** vs **$1,050 - $1,200** guidance (FY17: **$1,122**)  
  
  * excludes layer 2 and includes standard installations, some non-standard single dwellings and service desk costs

- strong uplift in fibre demand year on year with more installations and backbone completed than forecast

- increased layer 2 spend for UFB2/2+ rollout and bandwidth demand

<table>
<thead>
<tr>
<th>Fibre connections &amp; layer 2 capex</th>
<th>FY18 spend</th>
<th>FY17 spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layer 2 (long run programme average of $100 per connection)</td>
<td><strong>$32m</strong></td>
<td><strong>$20m</strong></td>
</tr>
</tbody>
</table>
| Premium business fibre connections | **$11m**: 1,400 connections  
  (FY18 estimate: 2,500) | **$19m**: 2,000 connections |
| Single dwelling units and apartments connections | **$163m**: 156,000 connections  
  (FY18 estimate: 152,000) | **$144m**: 129,000 connections |
| Backbone build: multi-dwelling units and rights of way | **$88m**: 13,100 completed  
  (FY18 estimate: 12,000) | **$75m**: 11,300 completed |
| **TOTAL SPEND** | **$294m** | **$258m** |

Note: we estimate ~50-55% of MDUs and RoWs requiring backbone build have been completed
## Capex: Copper and Common

<table>
<thead>
<tr>
<th>Copper capex</th>
<th>FY18 $m</th>
<th>FY17 (adjusted) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network sustain</td>
<td>45</td>
<td>29</td>
</tr>
<tr>
<td>Copper connections</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Copper layer 2</td>
<td>34</td>
<td>44</td>
</tr>
<tr>
<td>Product</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Customer retention costs</td>
<td>47</td>
<td>46</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>132</strong></td>
<td><strong>125</strong></td>
</tr>
</tbody>
</table>

- **network sustain** reflects investment in poles, proactive maintenance and roadworks projects
- **copper layer 2** included ~$20m VDSL vectoring rollout completed in FY18
- **customer retention costs** capitalised as per NZ IFRS 15

<table>
<thead>
<tr>
<th>Common capex</th>
<th>FY18 $m</th>
<th>FY17 (adjusted) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information technology</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Building &amp; engineering services</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>58</strong></td>
<td><strong>57</strong></td>
</tr>
</tbody>
</table>

- continued to invest in own IT platforms/technology and upgrading exchanges for power/regulatory requirements

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*27 August 2018*
**UFB rollout – programme guidance recap**

**FY19 is peak communal build year**

- ~120,000 brownfields premises across UFB1 and UFB2
- expect to claim another ~18k UFB1 greenfields premises already passed in prior years

<table>
<thead>
<tr>
<th>Programme guidance</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>UFB1 communal</td>
<td>$1.75 - $1.8 billion  Tracking towards the top end of guidance and excludes growth (e.g. additional splitter investment)</td>
</tr>
<tr>
<td>UFB1 cost to connect (CPPC)</td>
<td>$1,050 - $1,250  For a standard residential connection, including layer 2 and service desk costs, and in 2011 dollars. Tracking towards the top half of the range.</td>
</tr>
<tr>
<td>UFB2* communal</td>
<td>$505 - $565 million  Combined guidance range for UFB2 and 2+</td>
</tr>
<tr>
<td>UFB2* cost to connect</td>
<td>$1,650 - $1,850  In 2017 dollars and including layer 2, backbone costs for MDUs and rights of way with 10 or fewer premises and service desk costs</td>
</tr>
</tbody>
</table>

* combined UFB2 and 2+ rollout plans
FY19 gross capex guidance

>$820m - $860m gross capex reflects:

- **Fibre $660m-$690m**
  - $280-310m fibre connections & layer 2
  - $90-110m spend forecast for UFB2/2+ communal
  - continued greenfields and transport (UFB2) spend
  - ~$10m pole programme continues
  - customer retention mix weighted more to fibre

- **Copper $90m-$110m**
  - vectoring rollout complete
  - ~$10m pole programme continues

- **Common: $55m-$70m**
  - includes potential innovation spend
FY19 EBITDA guidance

$625m to $645m EBITDA reflects:

- expectations of market growth in broadband, plus continued slowing in overall line loss

- Incremental spend (above FY18 levels) of $10 - $15 million on innovation activity, regulatory processes, branding and other transformation-related one-off costs. Excluding this, we expect total costs to be broadly consistent with FY18.
# FY19 guidance summary

<table>
<thead>
<tr>
<th></th>
<th>FY19 guidance</th>
<th>FY18 result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UFB1 Cost Per Premises Passed (CPPP)</strong></td>
<td>$1,500 - $1,600</td>
<td>$1,568</td>
</tr>
<tr>
<td><strong>UFB2/2+ communal capex</strong></td>
<td>$90m - $110m (based on estimated starting premises of 45,000 to 55,000 and premises handed over of 25,000 to 35,000)</td>
<td>$61m</td>
</tr>
<tr>
<td><strong>UFB1 Cost Per Premises Connected (CPPC)</strong></td>
<td>$1,000 - $1,150 (excluding layer 2 and including standard installations and some non-standard single dwellings and service desk costs)</td>
<td>$1,037</td>
</tr>
<tr>
<td><strong>Fibre connections &amp; layer 2 capex</strong></td>
<td>$280 – $310m (based on mass market 155,000 – 175,000 fibre connections, and 14,000 backbone builds and including service desk costs)</td>
<td>$294m</td>
</tr>
<tr>
<td><strong>FY19 Gross capex</strong></td>
<td>$820 – $860m</td>
<td>$810m</td>
</tr>
<tr>
<td><strong>FY19 EBITDA</strong></td>
<td>$625 – 645m</td>
<td>$653m</td>
</tr>
</tbody>
</table>
Capital management & FY19 dividend

FY18 final dividend of 13 cps, fully imputed

- supplementary dividend of 2.2 cps payable to non-resident shareholders
- record date: 25 September 2018
- payment date: 9 October 2018
- Dividend Reinvestment Plan applies with 3% discount to prevailing market price; open to New Zealand and Australian resident shareholders

> The Chorus Board considers that a ‘BBB’ credit rating or equivalent credit rating is appropriate for a company such as Chorus. It intends to maintain capital management and financial policies consistent with these credit ratings.

> During the UFB build programme to 2020, the Board expects to be able to provide shareholders with modest dividend growth from a base of 20cps per annum, subject to no material adverse changes in circumstances or outlook.

> FY19 dividend guidance of 23 cps, subject to no material adverse changes in circumstances or outlook.
## Debt

<table>
<thead>
<tr>
<th>Debit Description</th>
<th>As at 30 June 2018 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>1,922</td>
</tr>
<tr>
<td>+ PV of CFH debt securities (senior)</td>
<td>129</td>
</tr>
<tr>
<td>+ Net leases payable</td>
<td>238</td>
</tr>
<tr>
<td>Sub total</td>
<td>2,289</td>
</tr>
<tr>
<td>- Cash</td>
<td>(50)</td>
</tr>
<tr>
<td><strong>Total net debt</strong></td>
<td><strong>2,239</strong></td>
</tr>
</tbody>
</table>

- Financial covenants require senior debt ratio to be no greater than **4.75 times**

> At 30 June, debt of $1,922m comprised:
- Long term bank facilities $290m undrawn; $60m drawn
- NZ bond $400m
- Euro Medium Term Notes $1,462m (NZ$ equivalent at hedged rates)

### Term debt profile

![Term debt profile chart](chart)

- CFH debt securities available
- Face value of CFH debt securities issued
- EUR EMTN
- NZ Bond
- GBP EMTN
Shaping our future

Kate McKenzie, Chief Executive Officer
WE'RE FOCUSED ON

CUSTOMER
Transform customer experience

DIGITAL
Nothing happens if it’s not digital

PEOPLE
We’re committed to enabling our people

OPTIMISATION
We improve by getting better at what we do

INNOVATION
New revenue opportunities

WE'RE GOING TO

KEEP NEW ZEALAND NEW

WE'LL GET THERE BY
Creating an environment for our customers and our people that optimises today’s business and allows us to innovate for growth

BECAUSE WE WANT TO
MAKE NEW ZEALAND BETTER
Our objective is to...

Return to modest EBITDA growth in FY20*

*subject to no material changes in expected regulatory environment or competitive outlook
Innovation focus

Pipeline of opportunities identified

- infrastructure re-use trialled for IoT delivery and moving to commercialisation

- school trials proving wi-fi potential to bridge digital divide

- **network edge computing**: clear global trend favouring exchange co-location; Wellington and Christchurch sites under development for Q3 FY19

- **4K TV** trial: clear medium term potential for broadcasting role; pathway to other opportunities as streaming accelerates data demands
Live sports to drive streaming uptake

62% of NZers watching SVOD, vs 12% in 2014

Source: NZ On Air, Weekly reach of media - % of all NZers
Growing our broadband base

Strong premises growth
- government forecasts suggest 39% growth in consents
- we’ve redesigned processes for property developers
- ~3,000 premises pre-connected with fibre in FY18

Competitive network effects ebbing
- LFC UFB1 rollouts complete
- wireless customers returning as fibre rollout expands, data demands grow
- Wellington rollout entering significant off-net HFC suburbs
- leveraging our vectoring VDSL rollout in LFC and rural areas
Connecting fibre faster

Targeting up to 50% “fibre in a day” by Xmas

- systems pre-identification of ‘simple’ connections to remove customer scoping visit
- installation only visit will improve customer experience
- need to work in concert with retailers to reduce reschedules

Migration campaigns ongoing

- trials to support fibre in a day and future copper migration
Reschedules drive significant industry activity

"I need to reschedule my install date"

1. RSP requests date change via B2B
2. Provisioning manually updates order
3. Dispatch manually transfers updated info into their system
4. Dispatch amends tech work list based on updated order
5. Confirmation of date change sent to RSP

Manuel processing of basic scenarios in Chorus & Service Companies
This takes time and could lead to wasted truck rolls and customer frustration

Provisioning
Dispatch

Service Company WMS
Old, legacy systems
Fibre order mgmt. (COM)
B2B
RSP

27 August 2018
FY18 FULL YEAR RESULT
Automating open access information flows

API channel established: 6 APIs launched

Improve your customer's broadband experience with our APIs

START EXPLORING
Planning for copper to fibre migration

- average UFB uptake of 45% understates actual penetration given ongoing network expansion and off-net connections

- fibre penetration is >70% across 1,000 nodes when exclude off-net connections

- draft legislation contemplates copper withdrawal in areas where fibre is available

- withdrawal code to be developed in consultation with industry and Commission
Shaping our future

For 2020 and beyond

- utility style framework expected soon
- copper>fibre migration
- refining our product portfolio
- review of service company model
- evolving company culture
- the rise of wholesale only networks
Appendices
Appendix A: Pro forma FY17 net earnings

For information purposes only. This appendix provides an approximate translation of FY17 to show the illustrative impact if NZ IFRS 9, 15 and 16 had applied in FY17.

<table>
<thead>
<tr>
<th>Income statement</th>
<th>FY17 results $m</th>
<th>NZ IFRS impact $m</th>
<th>FY17 (adjusted) $m</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>1,040</td>
<td>8</td>
<td>1,048</td>
<td>Broadband modem upgrade costs incurred in FY17, in FY18 these are now capitalised and amortised in accordance with NZ IFRS 15</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(388)</td>
<td>50</td>
<td>(338)</td>
<td>$42m costs incurred in acquiring and retaining customers (provisioning $32m, Labour $5m and IT $5m). These costs are now capitalised and amortised in accordance with NZ IFRS 15 and disclosed as separate items in fibre and copper capex. $8m rent and rates are now recognised as a right of use asset with the value capitalised and depreciated over the life of the lease.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>652</td>
<td>58</td>
<td>710</td>
<td>Increase in depreciation and amortisation in line with NZIFRS 15 and 16.</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(339)</td>
<td>(40)</td>
<td>(379)</td>
<td>NZ IFRS 9 and 16 impact to account for change in accounting treatment for ineffectiveness and capitalisation of leases.</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>(154)</td>
<td>7</td>
<td>(147)</td>
<td>NZ IFRS 9 and 16 impact to account for change in accounting treatment for ineffectiveness and capitalisation of leases.</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(46)</td>
<td>7</td>
<td>(39)</td>
<td>Net tax impacts associated with NZ IFRS changes.</td>
</tr>
<tr>
<td>Net earnings for the year</td>
<td>113</td>
<td>32</td>
<td>145</td>
<td></td>
</tr>
</tbody>
</table>
# Appendix B: Connection and market trends

## FY18 FULL YEAR RESULT

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

### Graph:

- **Data services (copper)**
- **Fibre broadband (GPON)**
- **VDSL**
- **Copper ADSL**
- **Unbundled copper (no broadband)**
- **Baseband copper (no broadband)**
## Appendix C: Market structure

Rationalisation, new entrants and new business models are disrupting the NZ market.

### International media providers:

<table>
<thead>
<tr>
<th></th>
<th>BBC iPlayer</th>
<th>Apple TV</th>
<th>Google Play</th>
<th>Netflix</th>
<th>YouTube</th>
<th>Hulu</th>
<th>Amazon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Media: (Broadcast)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Media: (On Demand)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Service Providers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Local Media:

- **Vodafone TV**
- **Lightbox**

### Retail Service Providers:

- **Vodafone**
- **Spark**
- **2degrees**
- **Vocus**
- **Trustpower**
- **Others:** e.g. Mercury, Contact Energy, MyRepublic, Stuff Fibre, NOW

### Fixed Line Access Networks:

- **HFC cable in Wellington + Christchurch (40k customers)**
- **Chorus**
  - Nationwide network access
  - Wholesale to ~100 retail service providers
  - Fibre to pass ~1.36m homes and businesses
- **Local Fibre Companies:.Enable – Ultrafast Fibre – Northpower**
  - Fibre to pass ~430k homes and businesses

### Where fibre is available:

- Copper network to be deregulated and Telecommunications Service Obligation (TSO) removed
- Chorus can withdraw copper service, subject to minimum consumer protection requirements

### Where fibre is not available:

- Copper remains regulated and TSO applies
- Copper pricing capped at 2019 levels with CPI adjustments
- Commission required to review pricing framework no later than 2025

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Note: Fibre to the premises will cover ~87% of NZ population by the end of 2023

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Fibre – proposed utility framework

- Regulated asset base (RAB) with revenue cap to be set by Commerce Commission within two years
- Two anchor products (voice only + entry level broadband – 100/20Mbps fibre) at 2019 prices + CPI and a price cap for direct fibre access
- Three years after the new regime commences, the Commission can review the revenue cap model, as well as the anchor products, subject to specified conditions and statutory criteria

Copper – proposed legacy framework

- Copper network to be deregulated and Telecommunications Service Obligation (TSO) removed
- Chorus can withdraw copper service, subject to minimum consumer protection requirements
- Copper remains regulated and TSO applies
- Copper pricing capped at 2019 levels with CPI adjustments
- Commission required to review pricing framework no later than 2025
Appendix D: UFB1 uptake by area

Note: % uptake can reduce in areas as the fibre rollout passes more addresses in a period.