FY20 FULL YEAR RESULT

24 August 2020

CHORUS

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Agenda

Appendices

FY20 overview

Fixed line connections[1]

FY20	FY19
1,415,000	1,450,000

Broadband connections[1]

FY20	FY19
1,206,000	1,196,000

EBITDA[2]

FY20	FY19
$648m	$636m

Customer satisfaction

FY20	FY19
8.1 out of 10 (target 7.9)	7.7

Fibre connections[1]

FY20	FY19
751,000	610,000

Net profit after tax

FY20	FY19
$52m	$53m

Dividend

FY20	FY19
24cps	23cps

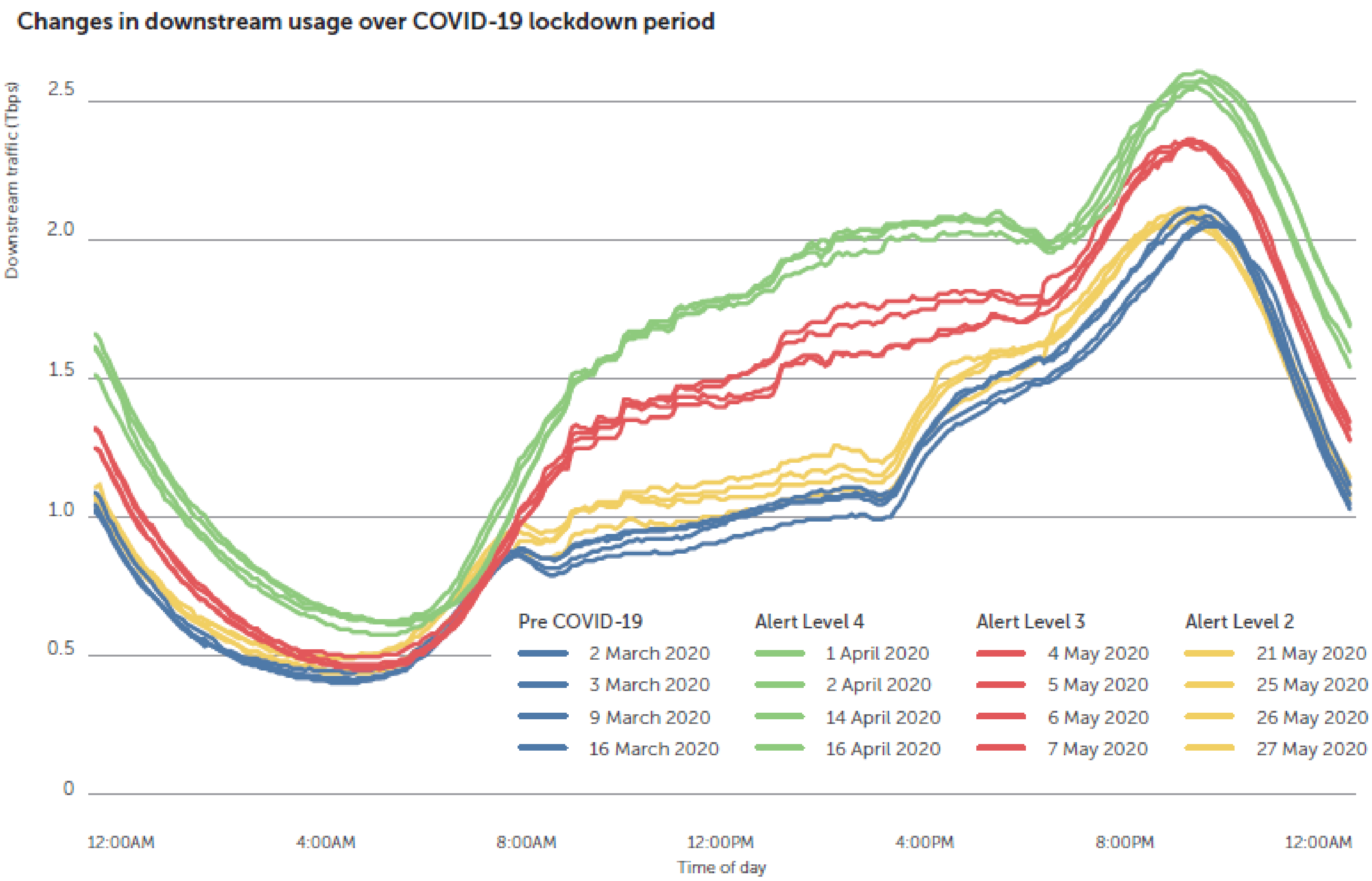
Employee engagement score[3]

FY20	FY19
8.5 out of 10[3]	7.6

1. Excludes free education connections provided as part of Chorus' COVID-19 response.
2. 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.
3. Based on the mean response to "How likely are you to recommend your company as a place to work?"

Our network passed its biggest test in FY20

COVID-19 proved the value of fixed line network capacity



Our response to COVID-19

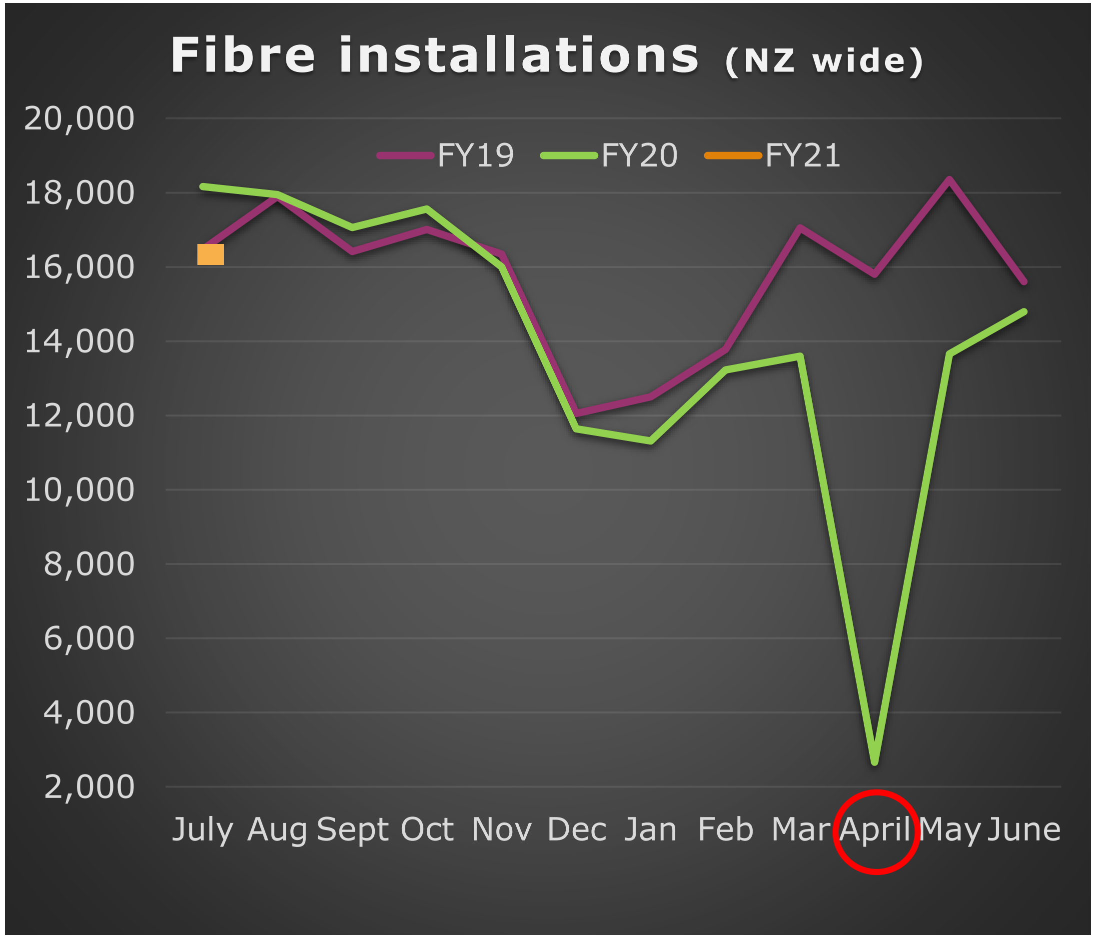
We implemented a range of initiatives to support community, industry and our people

- 10,000 free education connections
- $2 million relief fund for retailer bad debt
- Price reductions on 1Gbps and small business plans
- Fees removed to enable temporary business disconnections
- Ongoing investment in network capacity
- CPI increase delayed by 3 months
- Staff wellbeing initiatives e.g. *Mentemia* app
- $5 million support to service companies and subcontractors
- Focus on field force worker welfare

COVID-19 had substantial impact on field activity

> **Lockdown constrained fibre rollout and uptake**
- UFB2 rollout halted
- restrictions on non-essential activity reduced fibre installations by ~15k
- reduced installations and managed migration activity saw Q4 fibre connection growth drop to 27k (Q3: 32k)

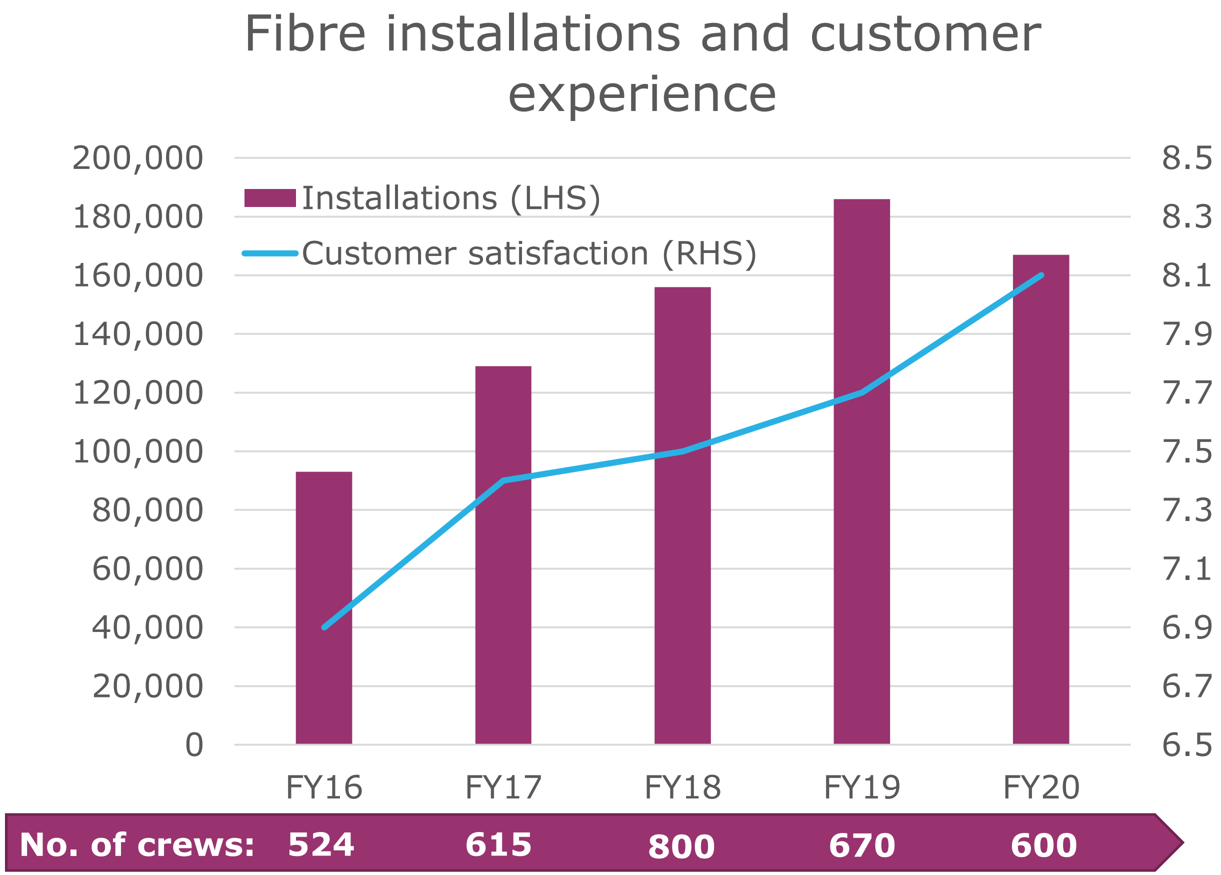
> **Rollout and connection activity rebounded faster than initially expected**
- July installations back at 16k
- UFB2 rollout almost back to pre-COVID schedule



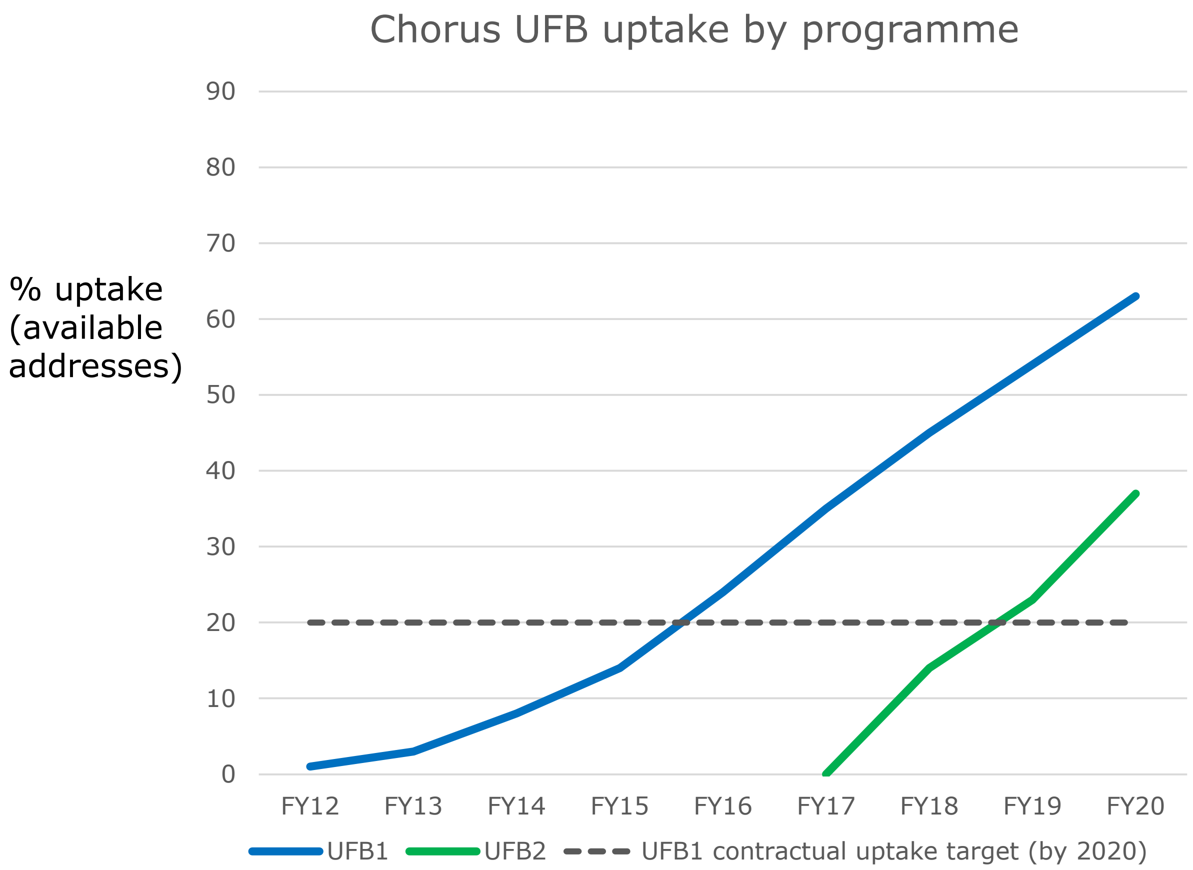
Significant lift in customer experience in FY20

167k fibre installations (FY19:186k)

- lifted customer satisfaction with installation from 7.7 to **8.1** exceeding target of 7.9
- customer satisfaction with technicians lifted from 8.5 to **8.7**
- installation crews reduced from 670 to **~600**
- lead times flat at **8 days**
- work in progress reduced from 23k to **16k**
- managed migration installations increased from 23k to **32k**, activation rate ~50% within 6 months and ~60% within 12 months



UFB uptake reaches 60%; rollout 88% complete



> **UFB uptake increased from 53% to 60% within completed footprint**
- uptake in UFB1 areas grew from 54% to **63%**
- uptake in UFB2 areas grew from 23% to **37%**

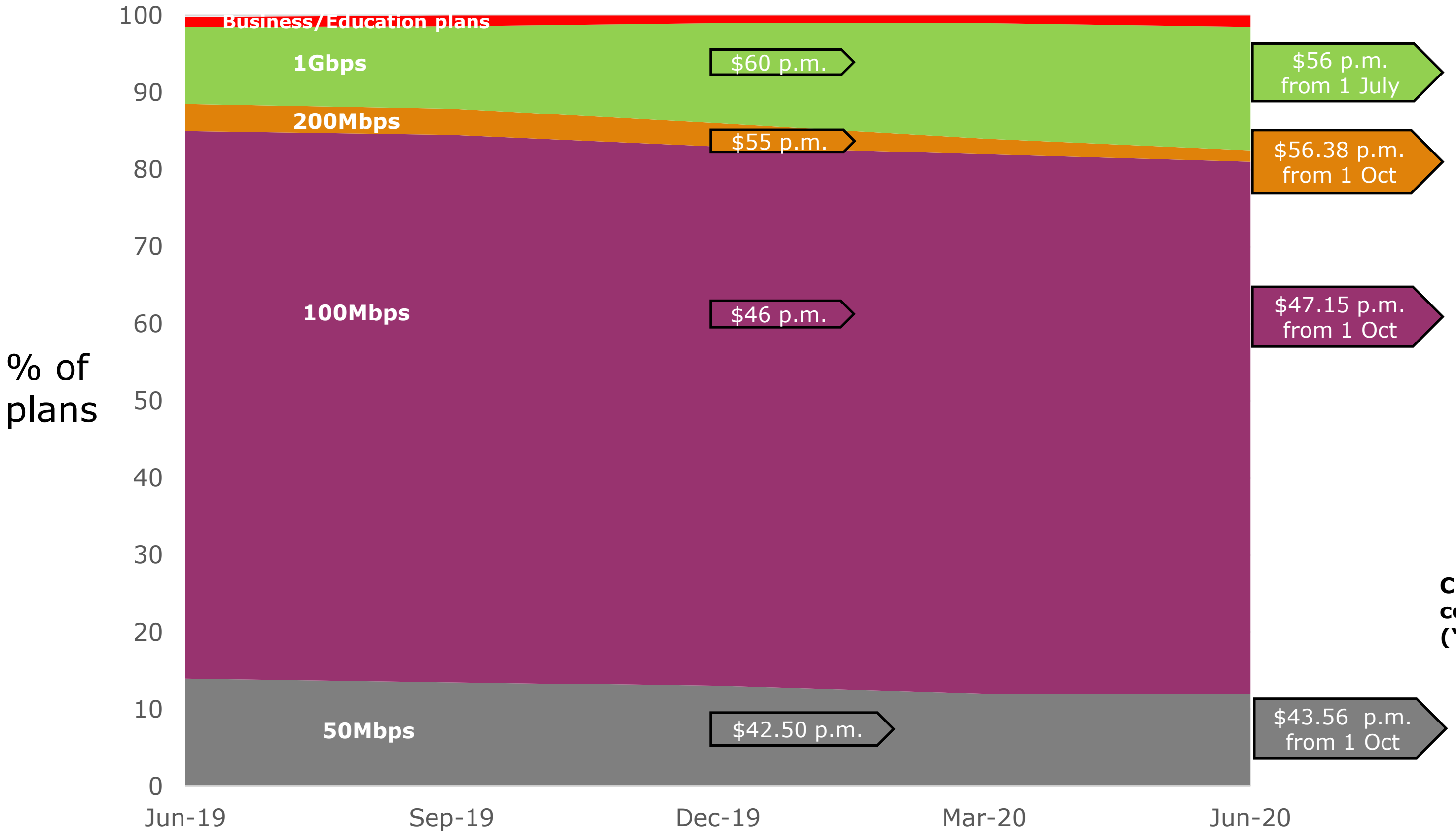
(note: uptake includes some UFB2 areas that have been partially built, but not yet submitted for Crown sign-off)

> **1,209,000** customers able to connect (FY19: 1,108,000)
- **725,000** connections (FY19: 584,000) now within completed footprint, including business premium connections
- **931,000** premises passed* (FY19: 842,000) out of 1,054,000 target = UFB rollout 88% complete

*under the UFB contract, a multi-dwelling unit or single office block is one premises

1Gbps plans grew 98% to 115k

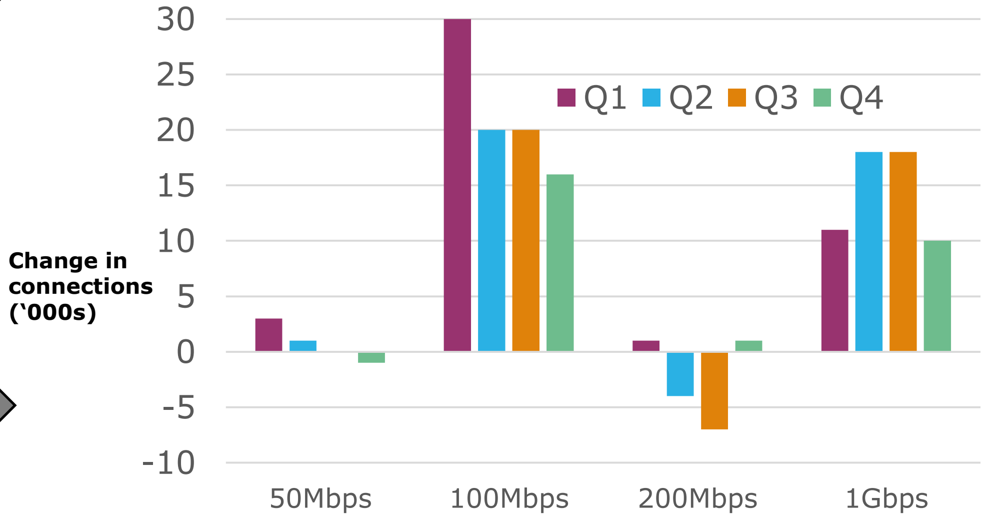
Total mass market fibre uptake by plan type



141,000 mass market fibre connections added in FY20 (FY19: 166k)

- 1Gbps connections grew from 10% to 16% of connections (58k to 115k)
- 100Mbps plans reduced from 71% to 69%
- small business plans grew to 3k

Fibre plan movement by quarter

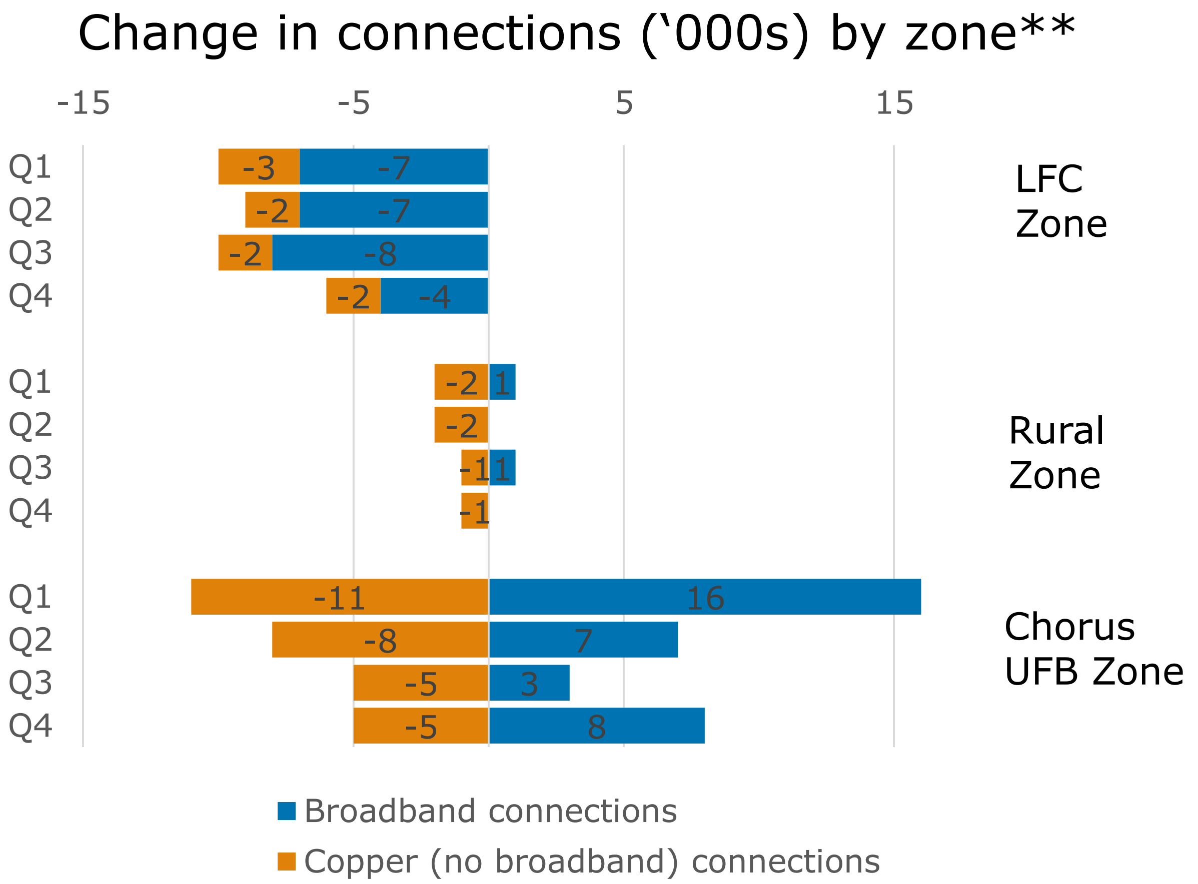


Connection changes by Zone (indicative)

- **Chorus UFB zone:** 34k broadband growth more than offset copper voice disconnects of 29k. Fibre growth constrained in Q4 by COVID-19 limitations on non-essential work.
- **Local Fibre Company (LFC) zone**: Reduction of about 35k lines through FY20, with slight slowdown through lockdown period.
- **Rural**: VDSL and fibre connections continued to grow, helping offset copper voice and ADSL reductions. Fibre connections now 20k.

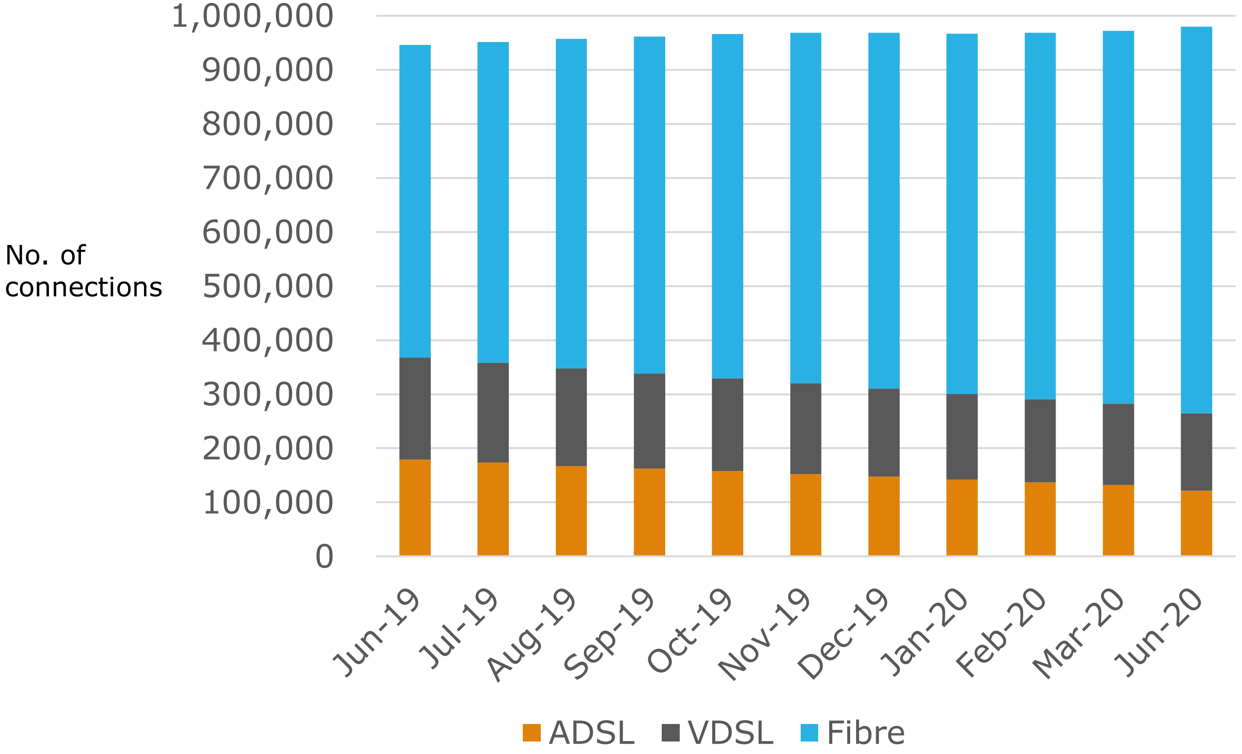
	Chorus UFB zone*	Rural (non-UFB) zone	Local Fibre Company UFB zone
Total connections at 30 June**	**1,097,000**	**195,000**	**108,000**
Broadband connections	980,000	155,000	71,000
Copper (no broadband) connections	117,000	40,000	37,000

* Includes planned UFB1 and 2 coverage
**Excludes 15k fibre premium and data services (copper) connections

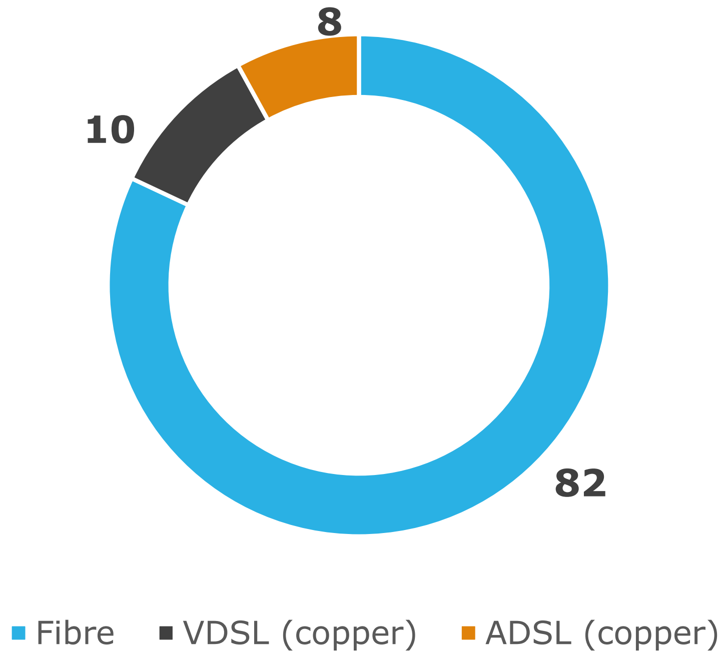


Chorus broadband mix in planned UFB zone

73% of Chorus broadband connections in planned UFB zone are on fibre (FY19:61%)



Auckland: Chorus broadband connections by type (%)



Financial performance

David Collins, Chief Financial Officer

Income statement

	FY20 $m	FY19 $m
Operating revenue	959	970
Operating expenses	(311)	(334)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**648**	**636**
Depreciation and amortisation	(402)	(393)
Earnings before interest and income tax	246	243
Net finance expense	(173)	(165)
Net earnings before income tax	73	78
Income tax expense	(21)	(25)
Net earnings for the year	**52**	**53**

> ~$3m COVID-19 impact from industry hardship fund ($2m) and migrations/connections

> ~$9m COVID-19 impact across labour, other network (sercos $5m) and provisioning lines

> Increasing with fibre asset; Crown funding offset increased from $25m to $27m

> EUR300m bond issued in Dec 2019; average interest rate on debt was 5.16%

Revenue

	FY20 $m	FY19 $m
Fibre broadband (GPON)	393	294
Fibre premium (P2P)	73	74
Copper based voice	82	106
Copper based broadband	271	344
Data services copper	16	18
Field Services	65	74
Value added network services	29	30
Infrastructure	24	24
Other	6	6
Total	**959**	**970**

- Growing fibre uptake and ARPU: June FY20 $48.42* vs June FY19: $47.50
- Direct fibre and backhaul growth helping offset legacy churn

Copper revenues declining as customers migrate to Chorus fibre or competing fibre/wireless networks

- Reduced demand largely due to COVID-19 restrictions on activity
- Commercial co-lo growth offsetting reduced copper unbundling demand

*FY20 ARPU adjusted to exclude COVID-19 related industry credits

Expenses

	FY20 $m	FY19 $m	
Labour	80	74	> 5% reduction in staff numbers, offset by COVID-19 impact on capitalisation rates and annual leave costs, plus investment in regulatory capability
Network maintenance	64	75	> Lower fault volumes due to favourable weather, fibre uptake and COVID-19 restrictions on activity
Other network costs	29	33	> Included $5m COVID-19 serco support payments
IT	47	50	> New platforms enabling lower IT maintenance and support costs
Rent, rates and property maintenance	25	30	> Property maintenance activity reduced, partly COVID-19 related
Regulatory levies	7	16	> Reduction in annual Telecommunications Development Levy
Electricity	15	17	> Lower electricity prices and consumption
Provisioning	5	6	
Consultants	9	7	> Increase in external advice related to new regulatory framework
Insurance	3	3	
Other	27	23	> Increased marketing to support copper to fibre migration
Total	**311**	**334**	

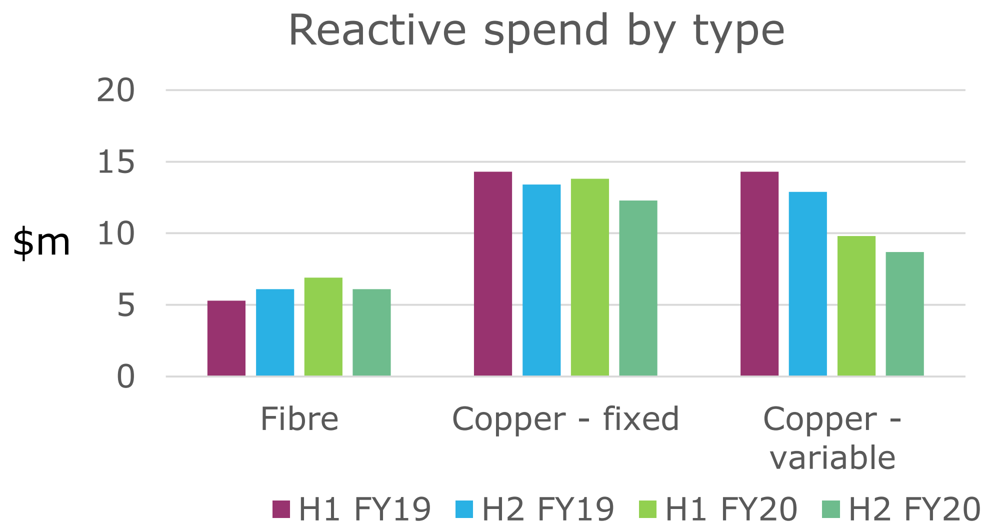
Reactive maintenance: Chorus network

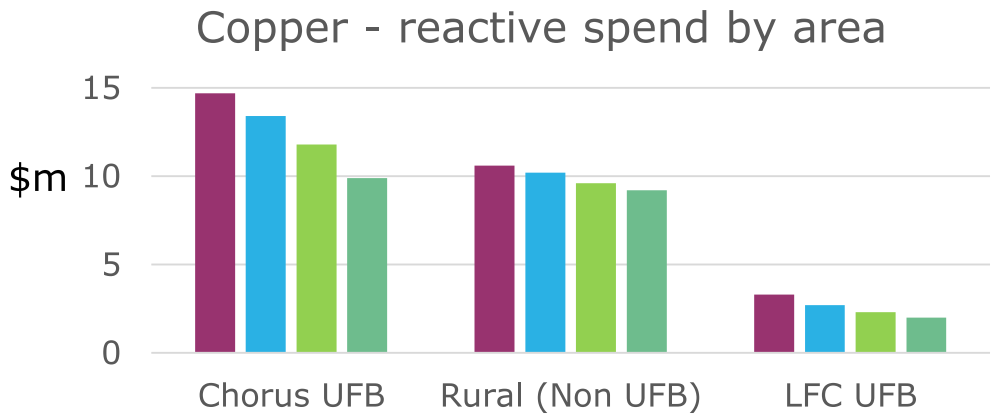
Key drivers for $58m spend

- reactive maintenance spend in H2 FY20 was affected by COVID-19 with lower reported fault volumes
- copper (fixed and variable) fault volumes reduced due to drought conditions in upper North Island and the ongoing reduction in total copper connections
- fibre maintenance increasing as share of connections grows, but fault rate is lower on fibre (although costlier to fix)
- long run annual saving from full copper to fibre migration in Chorus UFB areas estimated at ~$10m p.a for fixed fault costs

Note:

- reactive maintenance excludes spend on proactive maintenance and customer networks (i.e. premises wiring, no fault found, cancellations)
- 'fixed' faults: occur in parts of the network that affect multiple customers (e.g. cable between exchange and cabinet)
- 'variable' faults: only affect one customer (e.g. cable on customer property)





FY20 gross capex $663m vs $610m - $650m range

Faster than expected recovery from initial COVID-19 lockdown

Fibre capex	FY20 $m	FY19 $m	
UFB communal	170	245	> includes $145m UFB2 rollout (FY19: $105m)
Fibre connections & layer 2	282	308	> 167,000 installations (FY19: 186,000), including 27,000 UFB2
Fibre products & systems	14	17	
Other fibre connections & growth	62	65	> greenfields spend of $42m
Customer retention costs	20	29	> incentive campaigns affected by COVID-19 restrictions
Subtotal	**548**	**664**	

- **Cost per UFB1 premises passed (CPPP): ~$1,558** vs $1,500 - $1,600 guidance (FY19: $1,573)

Capex: Fibre connections & layer 2

Connections capex of **$282m** vs FY20 guidance of $260m-$280m

- **Cost per UFB1 premises connected (CPPC): $1,022*** vs $1,000 - $1,150 guidance (FY19: $1,025)
  * excludes layer 2 and includes standard installations, some non-standard single dwellings and service desk costs

Fibre connections & layer 2 capex	FY20 spend	FY19 spend
Layer 2	**$31m**	**$25m**
Premium business fibre connections	**$10m:** 1,400 connections	**$8m**: 1,200 connections
Single dwelling units and apartments connections	**$173m:** 167,000 connections (FY20 estimate: 160k-180k)	**$198m**: 186,000 connections (FY19 estimate: 175k -195k)
Backbone build: multi-dwelling units and rights of way	**$68m:** 11,000 completed (FY20 estimate: 11,000)	**$77m**: 16,000 completed (FY19 estimate: 19,000)
TOTAL SPEND	**$282m**	**$308m**

Capex: Copper and Common

Copper capex	FY20 $m	FY19 $m
Network sustain	31	44
Copper connections	1	2
Copper layer 2	7	12
Product	0	1
Customer retention costs	16	22
Subtotal	**55**	**81**

- **network sustain:** weather driven spend reduced; proactive work realigned as customers shift to fibre.
- **copper layer 2**: reduced following Rugby World Cup capacity investment in FY19.
- **customer retention costs** reducing as demand and provisioning activity shifts to fibre.

Common capex	FY20 $m	FY19 $m
Information technology	43	34
Building & engineering services	17	22
Other	0	3
Subtotal	**60**	**59**

- IT spend to support integrated provisioning and assure platforms for better customer outcomes.
- planned building and engineering work delayed by COVID-19 restrictions.

FY21 guidance summary

EBITDA: $640m to $660m

- subject to no material changes in expected regulatory and competitive outlook
- includes ~$10m allowance for ongoing COVID-19 impact and broader economic uncertainty

Gross capex: $630m to $670m

> **Fibre $530m-$560m**

- **$275m-$295m** fibre connections & layer 2

  (based on mass market 145,000 – 165,000 fibre connections, 9,000 backbone builds and including service desk costs)
- **$125m-$145m** spend for UFB2 communal
- includes **~$30m for West Coast fibre** rollout in FY21 (3-year project ~$50m, largely government funded)
- **UFB1 CPPC $1,025 - $1,175***
- **UFB2 CPPC $1,200 - $1,350***

  *excluding layer 2 and including standard installations and some non-standard single dwellings and service desk costs

> **Copper $35m-$55m**

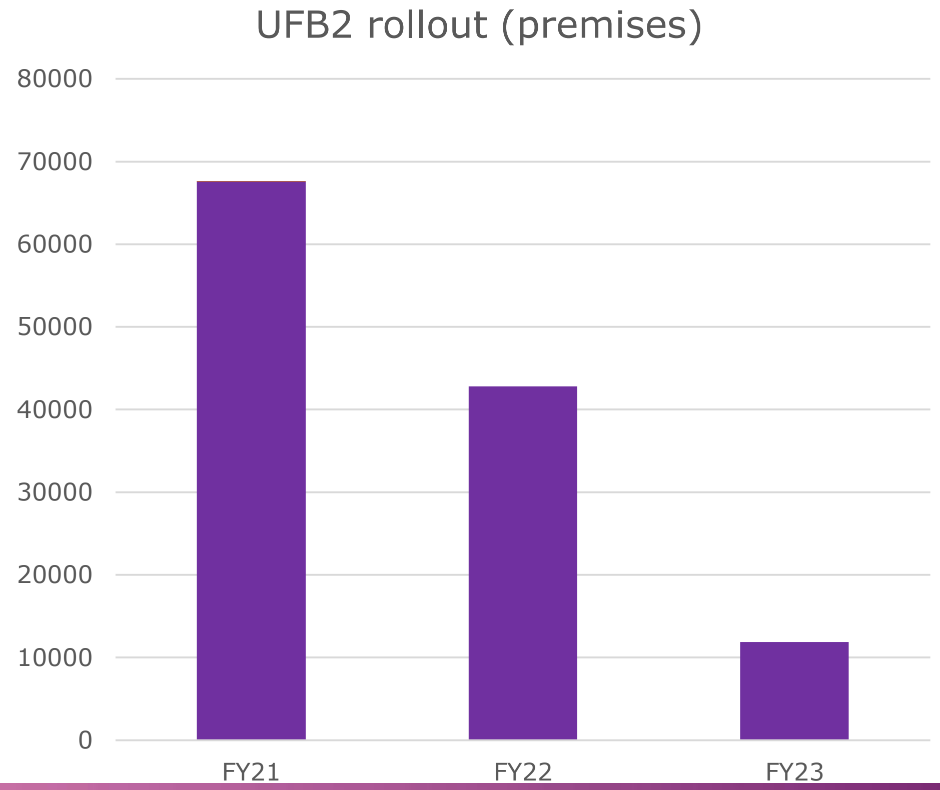
> **Common $50m-$65m**

UFB2 programme guidance update

With rollout now almost halfway complete we're narrowing communal guidance

> **Updating communal guidance** range from \$505m to \$565m to a new range of **\$548m to \$568m** to reflect:
- greater proportion of underground build than aerial in rollout to date
- extension of the UFB2 footprint to include ~1,000 additional premises

> **Removing** UFB2 CPPC programme guidance (in 2017 dollars and with estimated backbone build) given now providing annual guidance for single dwelling units in current dollars and inclusion of backbone costs in fibre connection and layer 2 guidance



FY20 final dividend

14cps, fully imputed

- supplementary dividend of **2.47 cps** payable to non-resident shareholders
- **record date**: 15 September 2020
- **payment date**: 12 October 2020
- **Dividend Reinvestment Plan** applies with 2% discount to prevailing market price; open to New Zealand and Australian resident shareholders

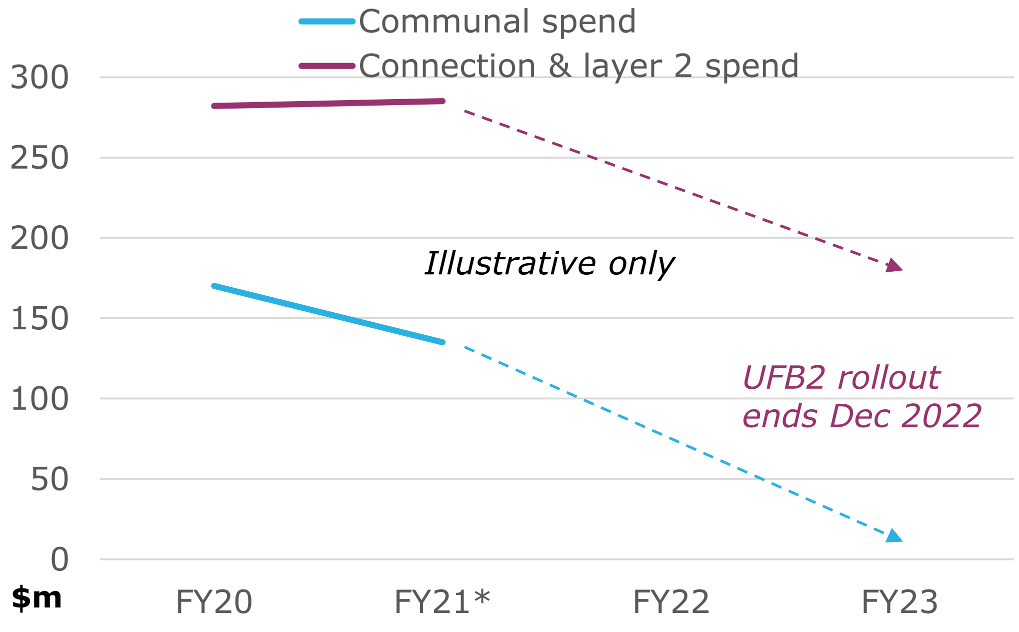
FY21 dividend guidance

25cps, subject to no material adverse changes in circumstances or outlook

Transition to free cash flow based dividend policy

- from FY22 we will transition to a dividend policy based on a pay-out range of free cash flow
  - free cash flow will be defined as net cash flows from operating activities minus sustaining capex
- dividend levels through the transition period will reflect the following considerations:
  - maintenance of a BBB credit rating
  - UFB related capital expenditure remains elevated initially, reducing as the UFB rollout winds down (ends Dec 2022)
  - fibre connection spend tapers off gradually, subject to ongoing demand and timing of copper migration in selected areas
  - copper capex is declining as connections reduce

UFB capex demands reducing



*based on midpoint of FY21 guidance

Defining sustaining capex

$186m of FY20 capex was sustaining

- Sustaining capex is defined as total capex excluding:
  - UFB communal & future footprint expansion
  - Fibre connections & greenfield growth
  - Customer retention spend (incentives related)
- Exclusions within FY20 Capex of $663m were:

UFB communal	$170m
Fibre connections	$251m
Greenfield growth	$42m
Customer retention	$14m
Sub total	$477m
FY20 Sustaining Capex	**$186m**

- Fibre sustaining capex is expected to increase over time as the asset ages

Fibre capex: sustaining	$m
Layer 2	31
Fibre products & systems	14
Other fibre connections	20
Customer retention costs*	7
Subtotal	**72**

Copper capex: sustaining	$m
Network sustain	31
Copper connections	1
Copper layer 2	7
Customer retention costs*	15
Subtotal	**54**

Common capex: sustaining	$m
Information technology	43
Building & engineering services	17
Subtotal	**60**

*Relates to provisioning, systems and service desk costs

FY22 capital allocation framework driven by shareholder value

Net cash flow from operating activities

Sustaining capital expenditure

Dividend distribution

Surplus capital

Share buy backs

Additional dividends

Discretionary capex *

- **Transition from FY22 to dividend distribution based on pay-out range of free cash flow to reflect**:
  - a focus on providing shareholders with dividend predictability, stability and sustainable growth
  - comparable Australasian infrastructure and utility-like businesses that pay out the majority of FCF
  - robust management of sustaining capital expenditure
  - transition period based on completion of UFB2 communal by December 2022 and ongoing tapering of connection capex
- **Surplus capital after dividend to be allocated based on maximising shareholder value, and guided by**:
  - debt levels consistent with existing credit rating, noting potential re-gearing from any relaxation of rating thresholds
  - discretionary capex will only be pursued where:
    - greater shareholder value is created compared to share buy backs and/or additional dividends; and
    - regulatory incentives are appropriate (e.g. regulatory WACC vs Chorus WACC)

* Examples include fibre footprint expansion, greenfield connections & customer retention spend

Net debt/EBITDA

	As at 30 June 2020 $m
Borrowings	2,234
+ PV of CIP debt securities (senior)	183
+ Net leases payable	263
Sub total	2,680
- Cash	0
Total net debt	**2,680**
Net debt/EBITDA*	4.14 times

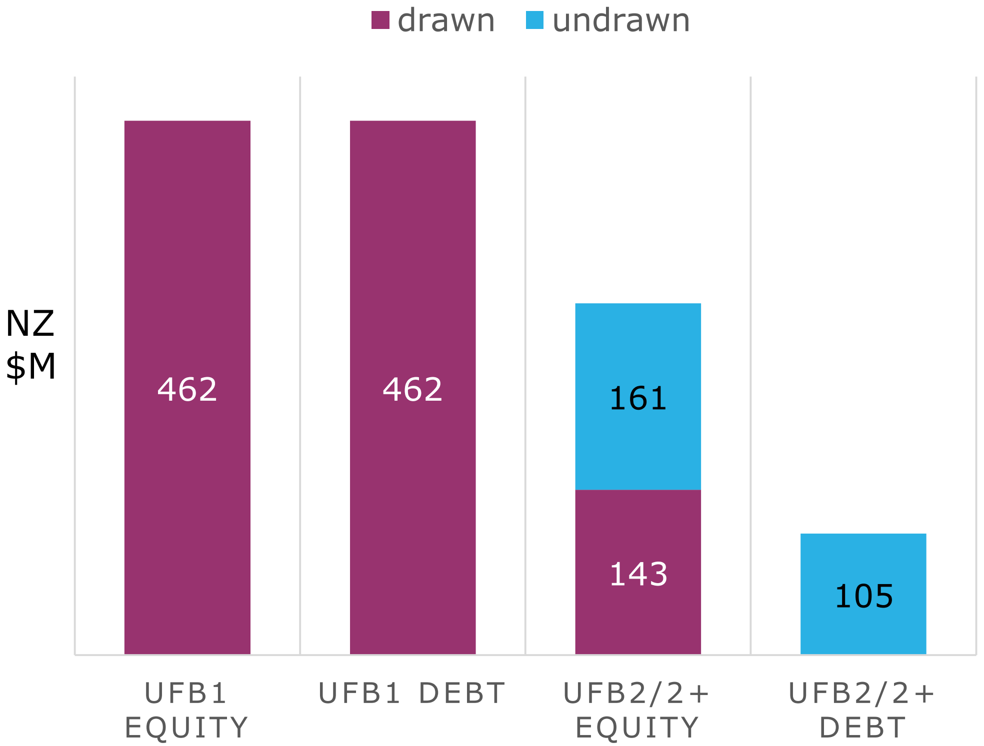
*Based on S&P and bank covenant methodologies

- **S&P** ND/EBITDA threshold **4.25x** on a sustained basis
- **Moody's** intend to review **4.2x** threshold once there is further clarity on regulatory framework and portion of revenue regulated
- **Financial covenants** require senior debt ratio to be no greater than **4.75 times**

- The Board considers that a 'BBB' credit rating or equivalent credit rating is appropriate for a company such as Chorus.

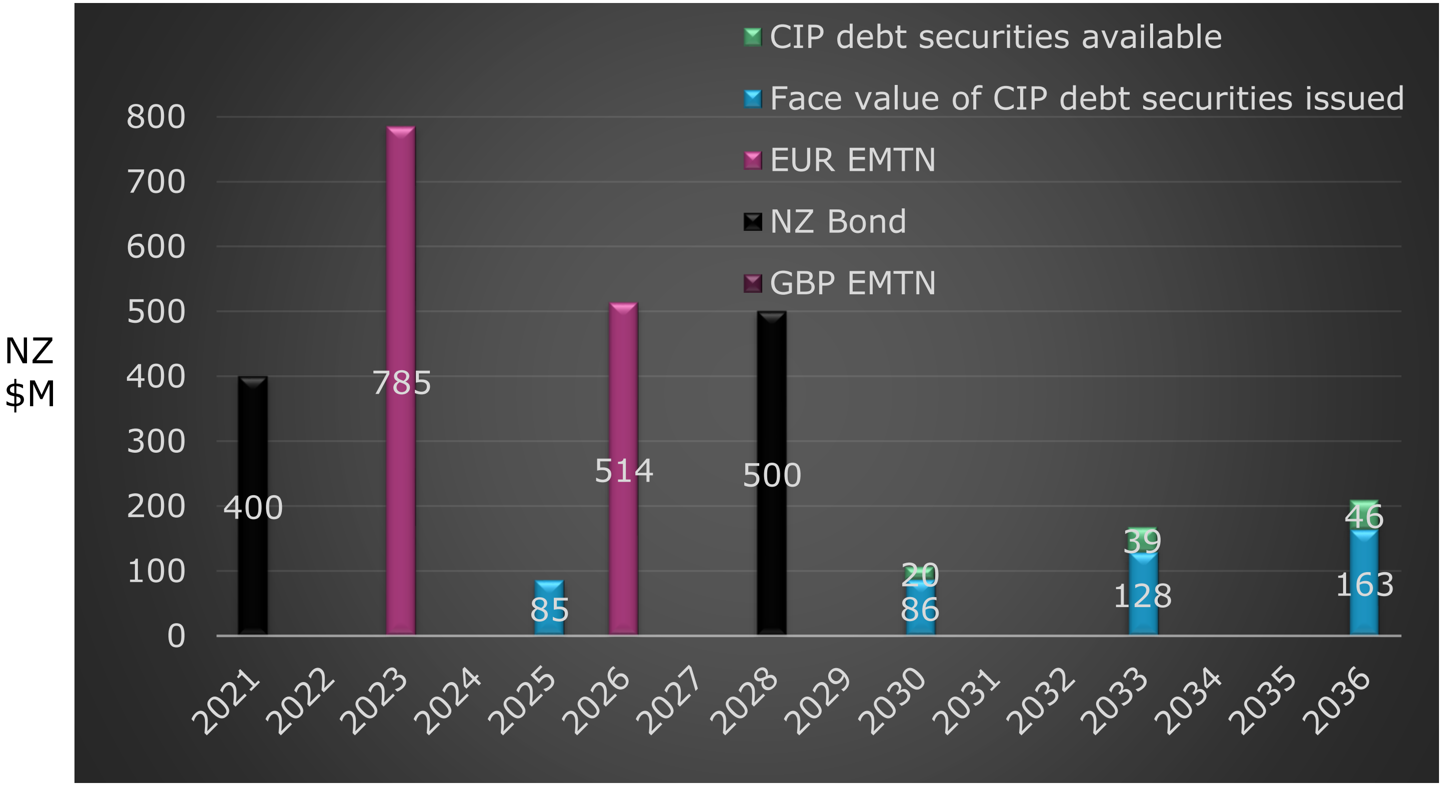
Crown financing and debt profile

> **up to $1.33 billion CIP financing available by 2023 (57:43 equity/debt)**
>
> **$1,067m drawn at 30 June 2020**



> At 30 June, debt of $2,234m comprised:

- Long term bank facilities of $550m ($30m drawn); $5m OD
- NZ bond: $400m and $500m
- Euro Medium Term Notes $1,299m (NZ$ equivalent at hedged rates)



Implementation Methodologies (IM) update

Recent IM process developments

- Commerce Commission is nearing completion of substantial and complex IM process
- Key IM elements under continued consideration include:
  - **Financial loss asset** – proposed shift from a building block approach to discounted cash flow
  - **pre-2022 WACC** - proposed shift in annual WACC calculation from using a diminishing term of the risk free rate (to 2022), to use of a fixed term of 5 years
  - **Crown financing** – reversal on draft decision to recognise cost; now proposed as costless to Chorus by deducting WACC from funded assets; arbitrary cost allowance of 25bps from 2022 with possible amendments

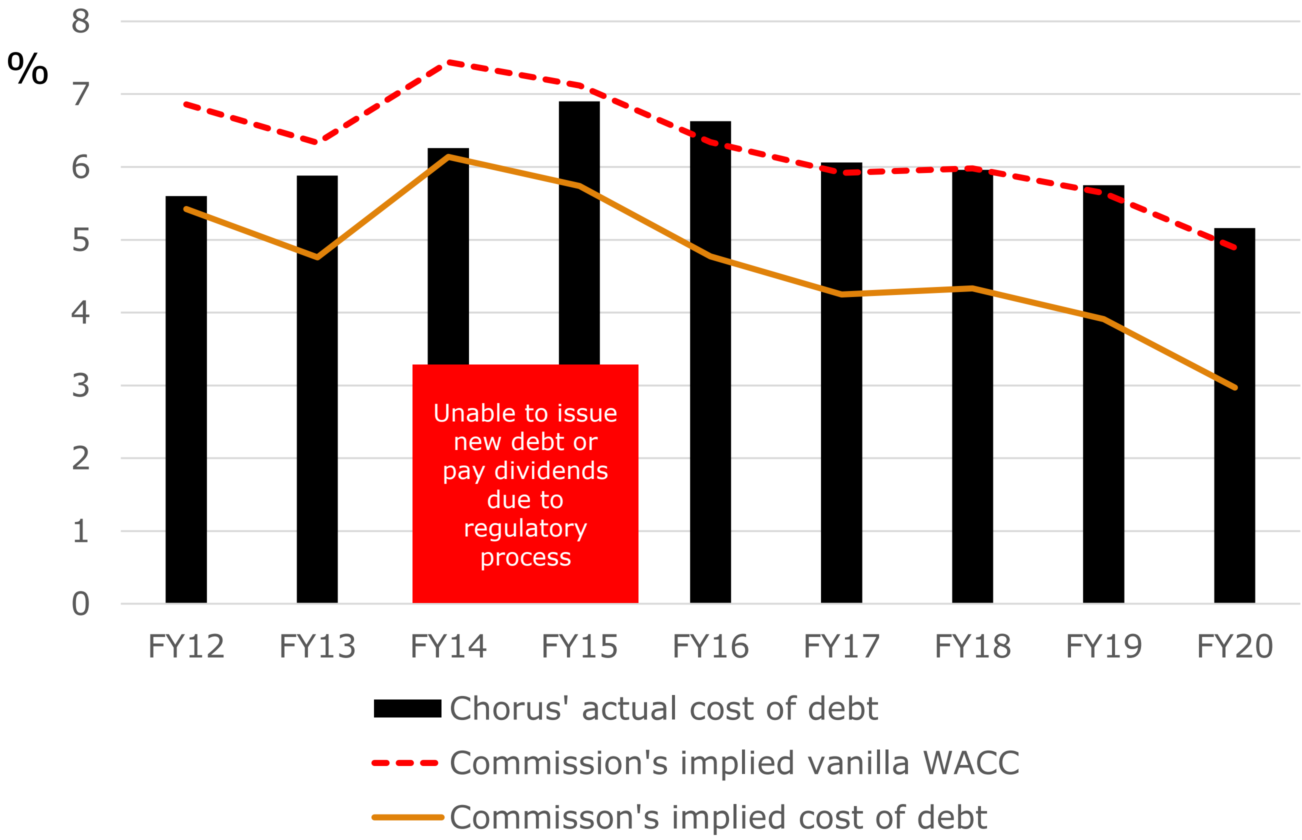
Chorus' view

- Final IMs should deliver outcomes that:
  - provide ongoing incentives for fibre companies to drive fibre uptake and extend the socio-economic benefits of gigabit broadband to more consumers
  - reflect the public-private partnership entered into with government, including government policy statements that price regulation should take "…into account the start-up risks associated with the introduction of new technology."
- Aspects of the recent regulatory proposals run counter to the true nature of the UFB partnership
  - the financial loss asset and pre-2022 WACC does not address the start-up and ongoing risks faced by Chorus
  - Crown financing was not costless and the Commission's expert agrees Chorus bore residual risk

Chorus’ commercial UFB reality

Commission’s implied debt and WACC doesn’t reflect Chorus’ actual cost

- Standard commercial infrastructure practice to recognise build and financing risks at the start of a project, not optimised with the benefit of hindsight
  - Crown Fibre Holdings (CFH) estimated 9% WACC for fibre companies
  - CFH, NBN Co (Australia) and Ofcom (UK) have all indicated higher asset betas for fibre rollouts
  - Ofcom has proposed a ~6% WACC for FTTH over the period 2021-2026, compared to a 4.88% WACC for Chorus in the Commission’s November 2019 draft decision



Next regulatory steps

Indicative fibre regulation timeline

October 2020	Input methodologies final decision due
November 2020	Input methodologies decision due on financial loss asset provisions
Q3 2020	Proposed approach & process paper for price-quality decision
Q2 2021	Draft price-quality decision due
Q3/Q4 2021	Final price-quality decision due

What we're focused on….

> **Final submission rounds on Input Methodologies**
- Cross submissions on updated draft determinations (excluding financial losses)
  3 September
- Submissions on financial loss asset consultation
  10 September
- Cross submissions on financial loss asset consultation
  1 October
- Commencement of consultation on Price Quality and Information Disclosure – expected Q3 2020

> **Regulatory Period 1 Proposal**
- expect to submit in December 2020 subject to final Input Methodologies

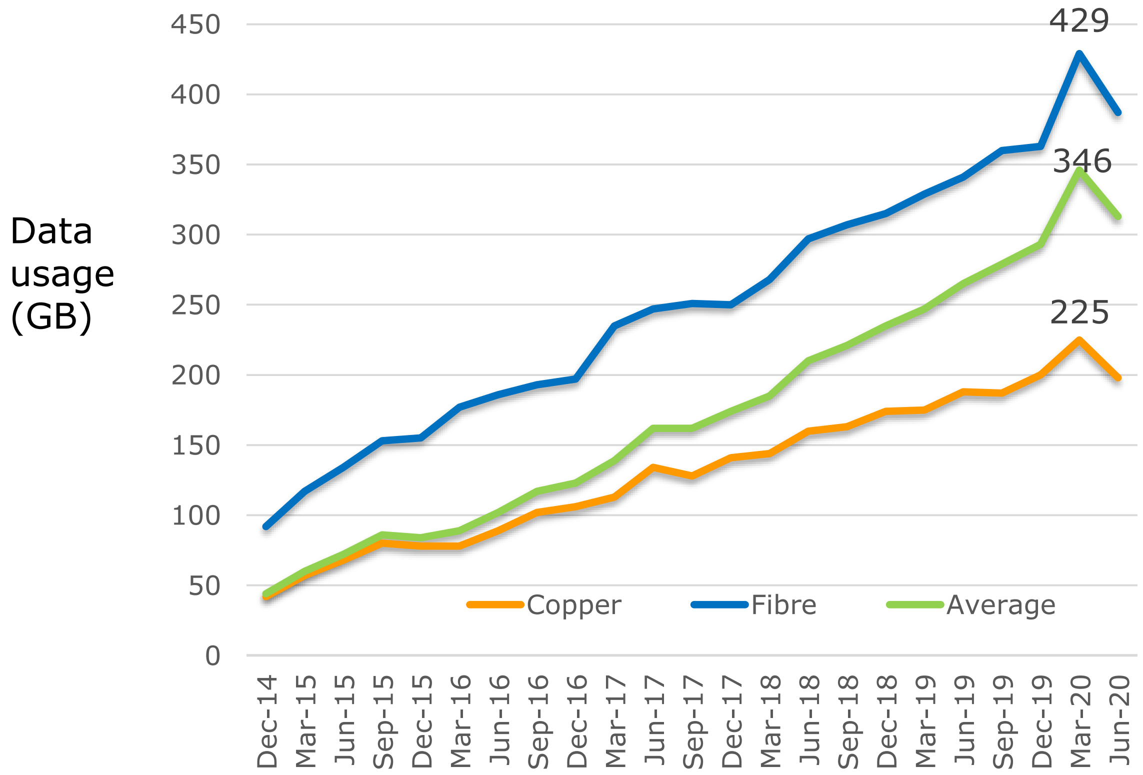
Fibre. It’s how we internet now.

JB Rousselot, Chief Executive Officer

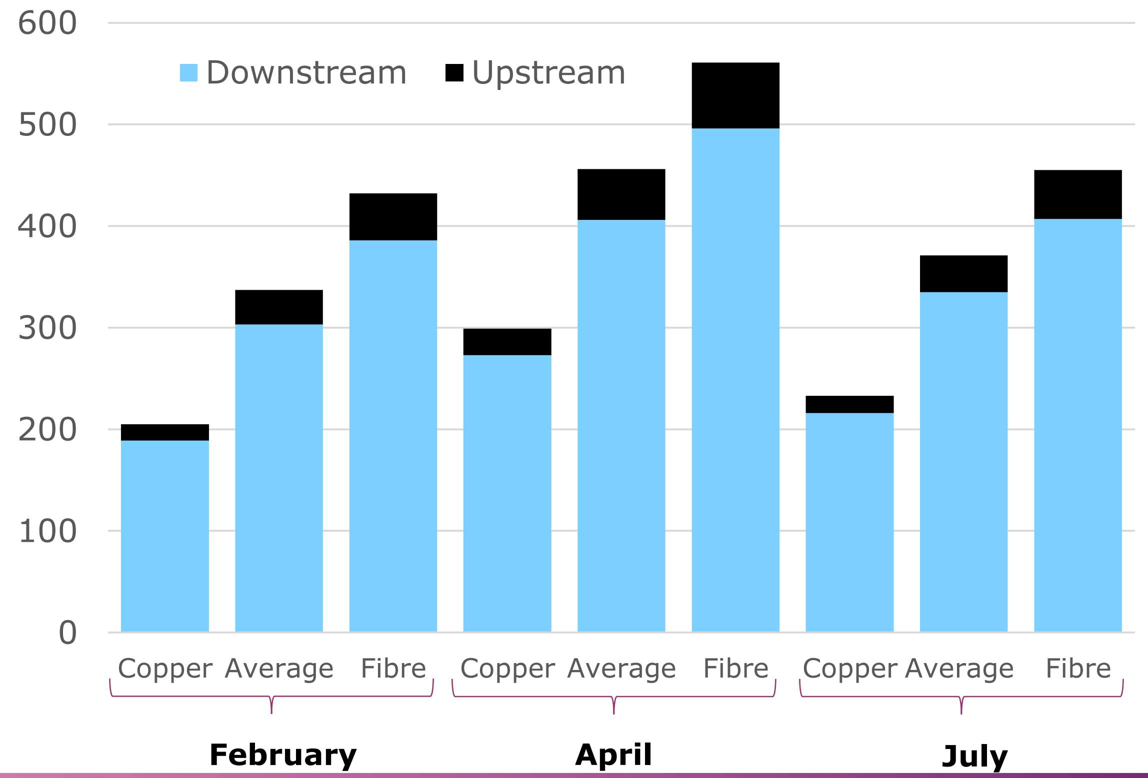
CHORUS

COVID-19 has cemented broadband's utility role

Monthly average data usage per connection on our network (downstream)

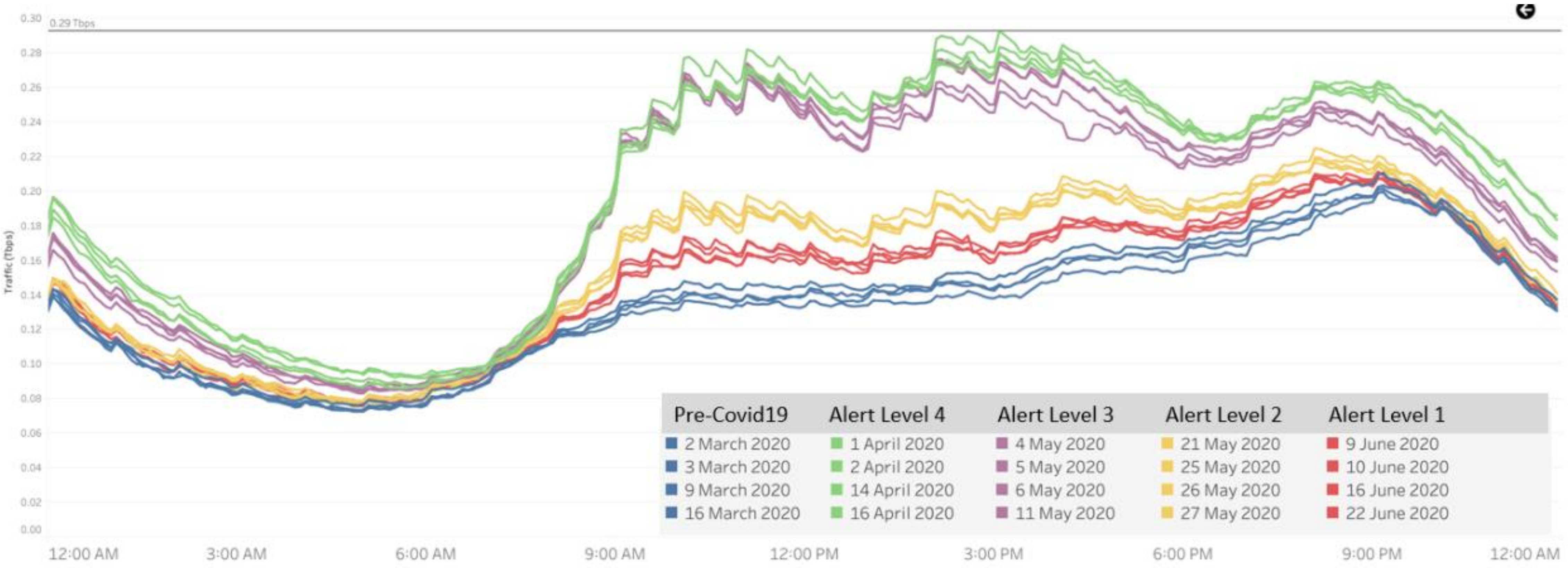


Monthly average data usage (combined downstream and upstream)



Video meetings create Godzilla effect

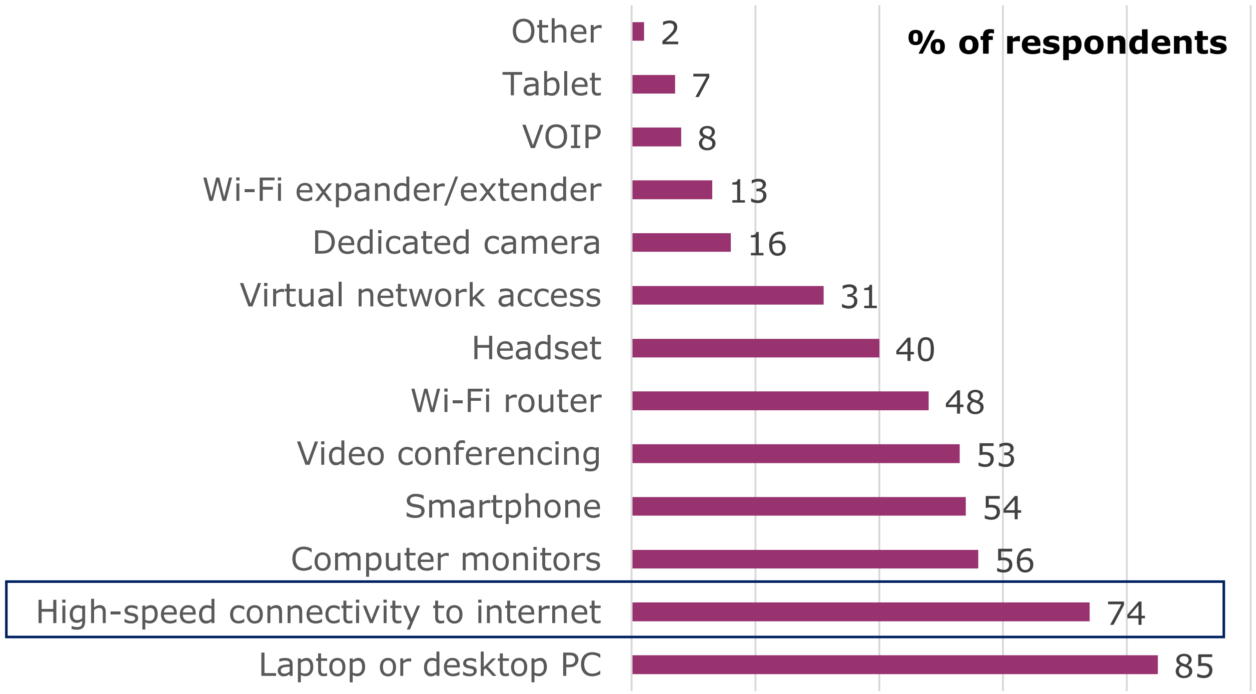
Upstream traffic spikes half hourly, consistent with meeting start times



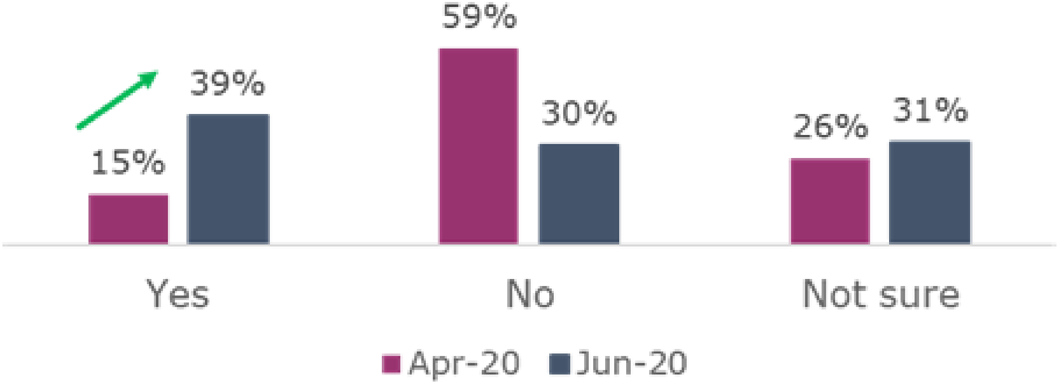
The shift to remote working

Reliable broadband becomes a necessity

Which of the following workplace technologies do you consider as 'must have' when working from home or remotely in general?



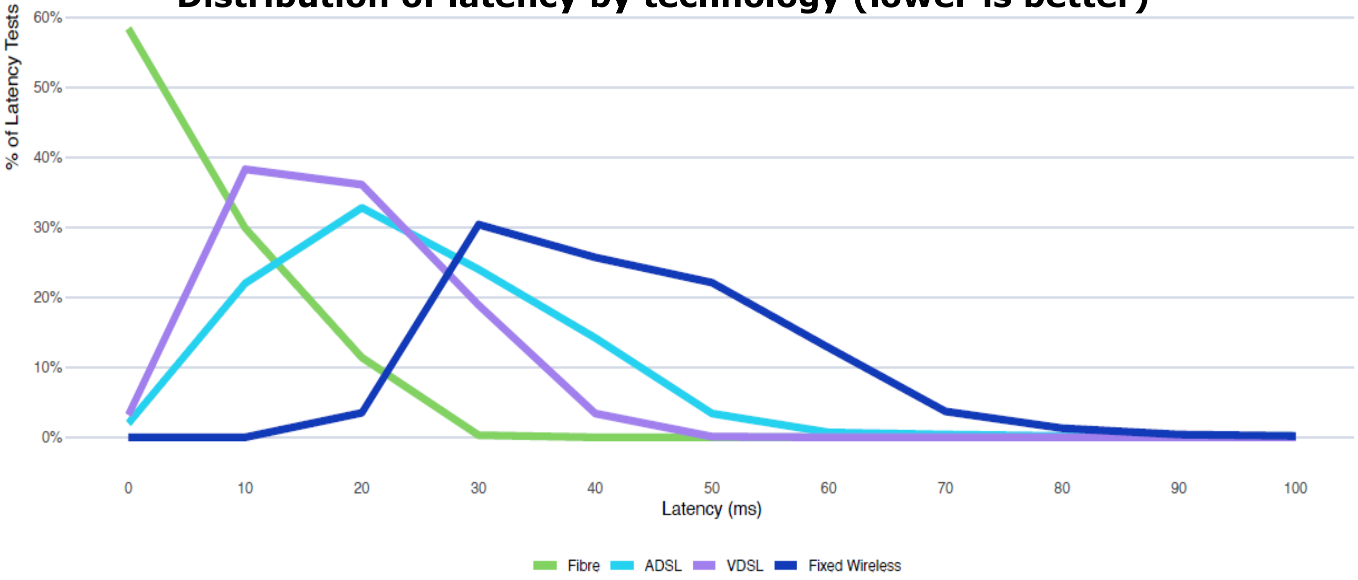
Do you plan to upgrade your home broadband service?



Fibre = the "gold standard" of broadband

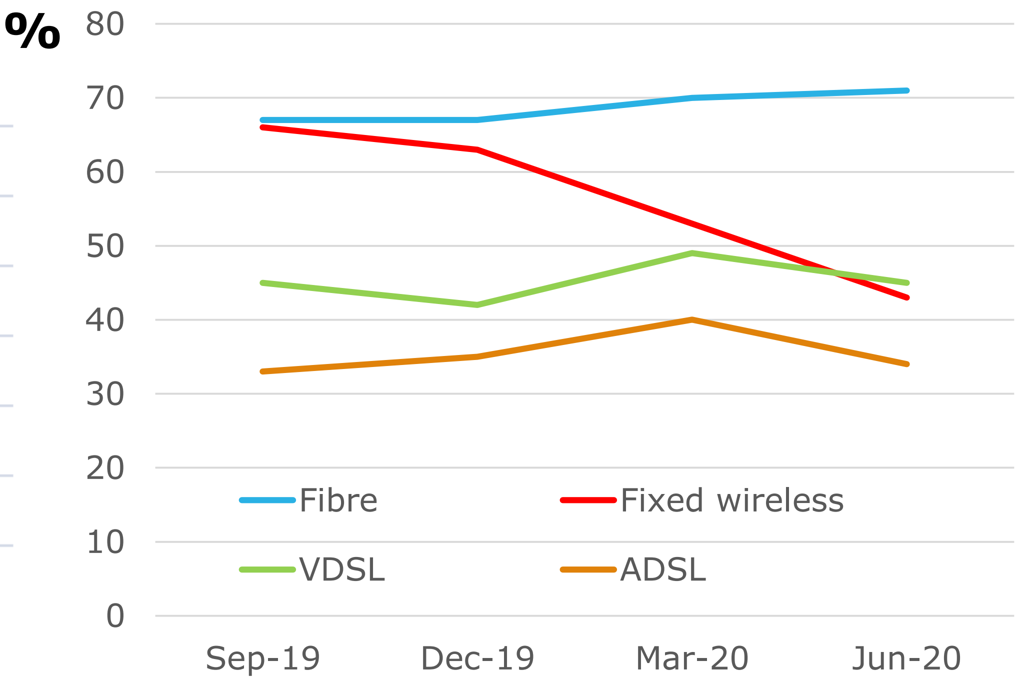
> Commerce Commission report (May 2020) noted reliability of fixed line services through lockdown vs fixed wireless (average download speeds decreased by around 25% and 96% of latency tests were above 30ms)

Distribution of latency by technology (lower is better)



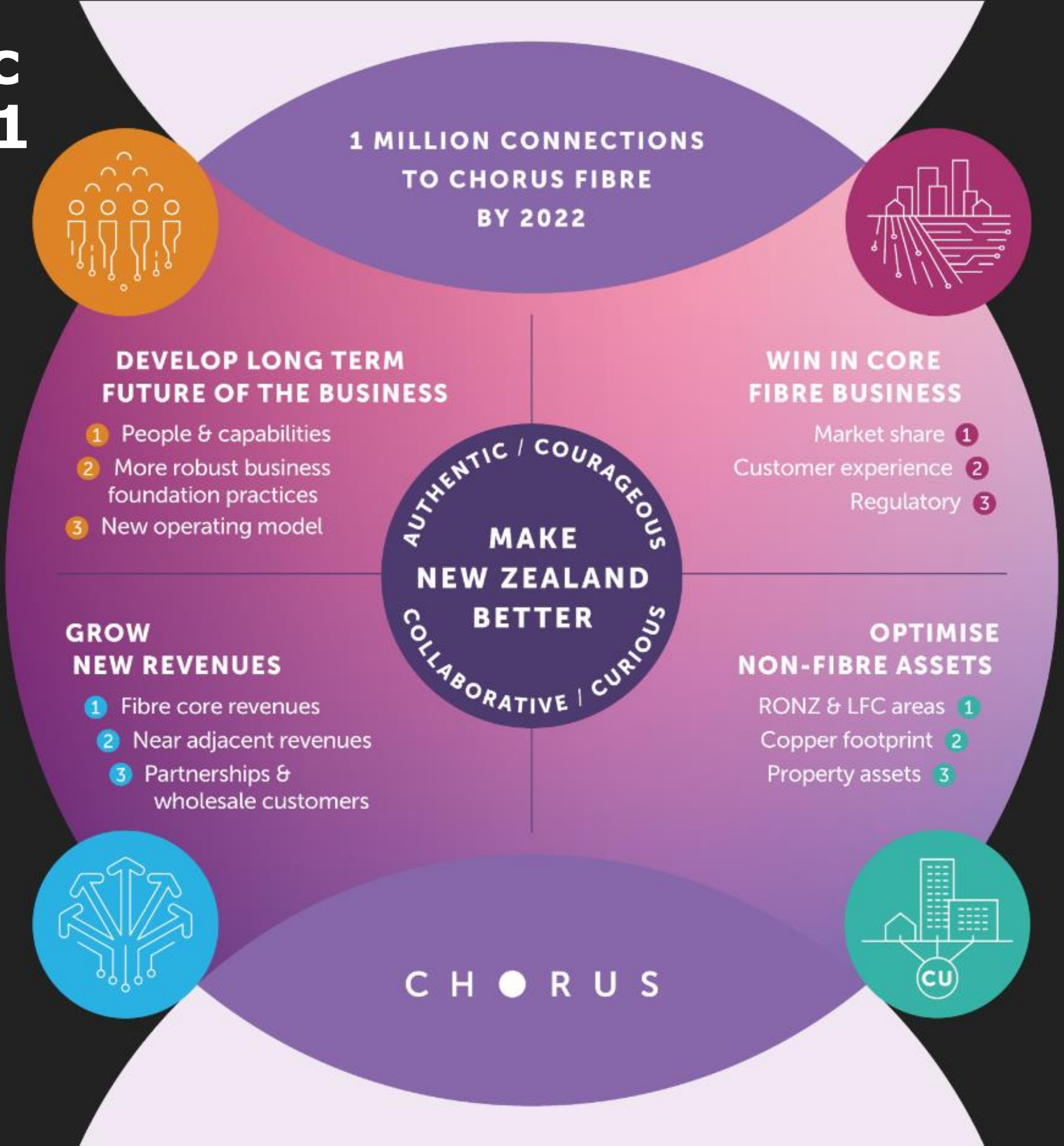
Source: *Measuring Broadband New Zealand*, Winter Report, August 2020

> **~70% of Chorus survey respondents consistently rate fibre 8-10 (out of 10) for internet satisfaction**



Source: Chorus consumer perception survey

Our strategic focus in FY21



1. Winning in our core fibre business

We're lifting our connections intensity in FY21

25,000 greenfield properties under contract

- growth strongest in Auckland, good demand outside UFB zone

~80,000 UFB2 addresses to pass in FY21

- uptake continues to track at ~30% within 6 months of network build; stronger in some UFB2 areas (e.g. Whatawhata 80%)

~80,000 UFB1 + 2 addresses passed and ONT already installed

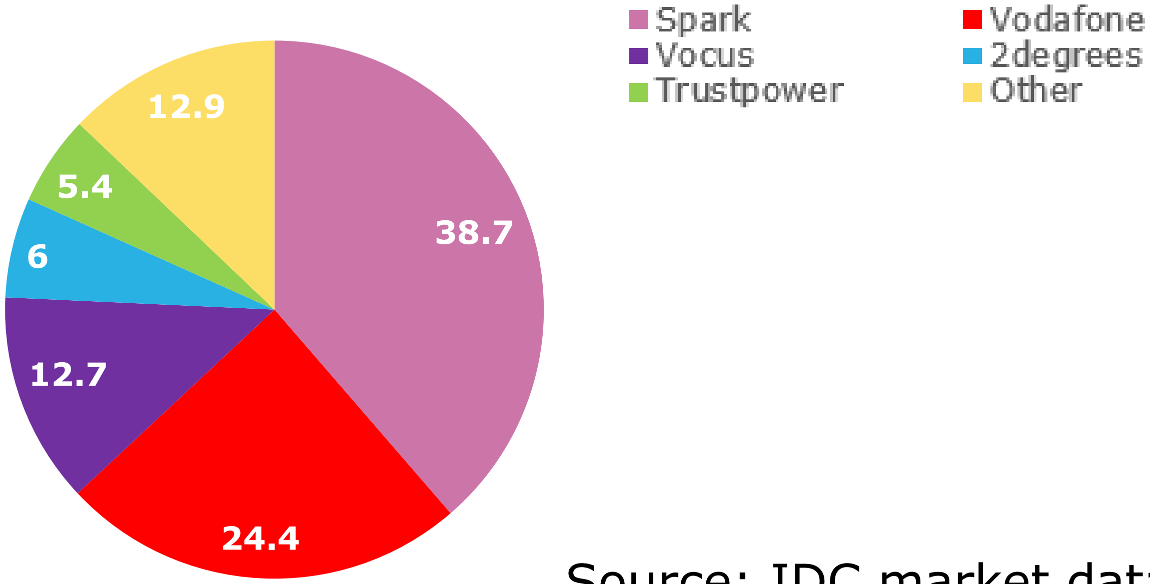
- ~50% of fibre orders are now from intact addresses as our migration/incentive programmes generate new uptake and consumers move premises

~420,000 UFB1 + 2 addresses already passed, with no ONT installed

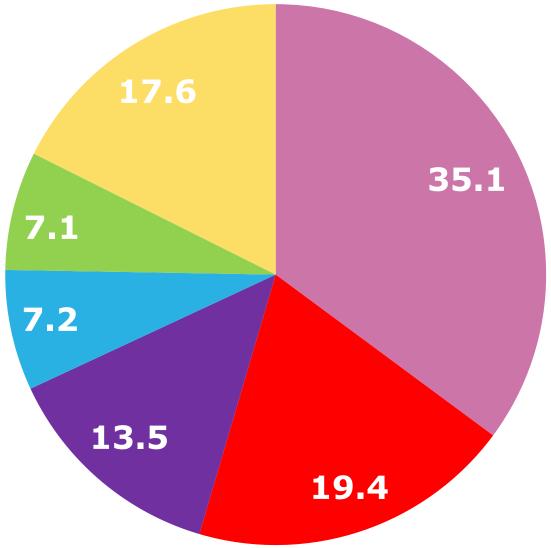
- COVID-19 driving awareness of fibre reliability and capacity
- new marketing and incentive campaigns launching
- uplift in managed migration volumes

Leveraging fibre uptake across a suite of retailers

Broadband connection market share Q4 19



Fibre market share Q4 19



Source: IDC market data

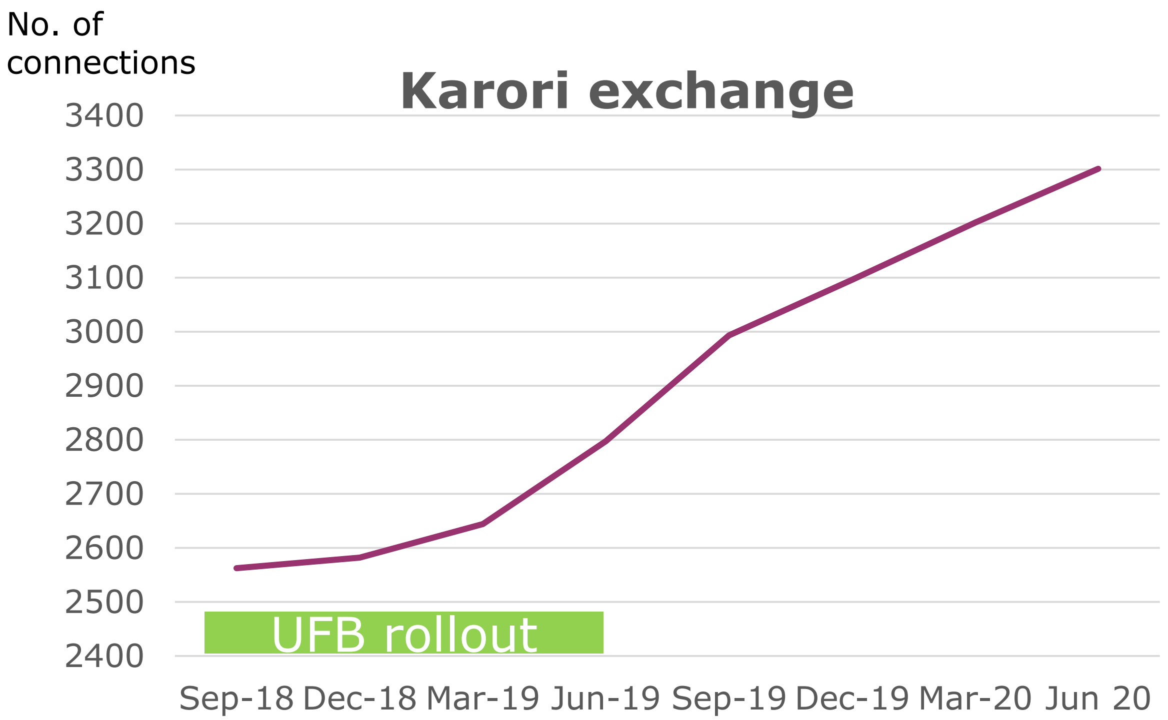
Lifting our open access wholesaler programme another level

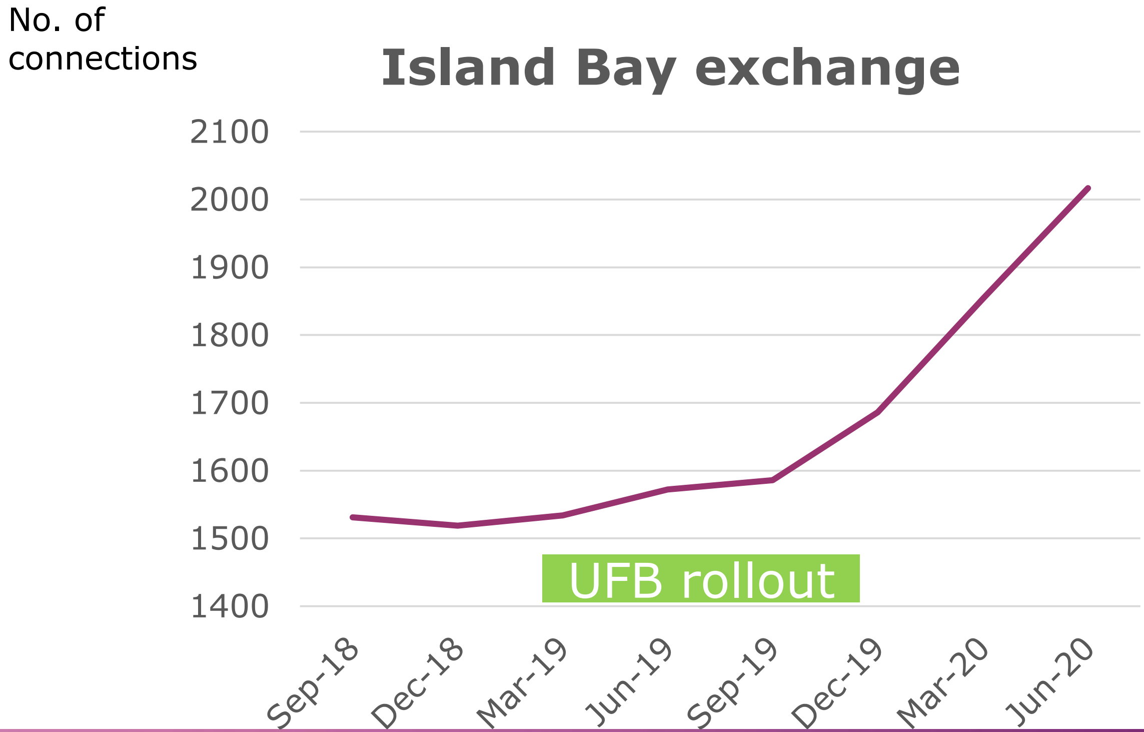
> **Migration and winback incentives**
- upweighting retailer incentives based on customer segment, plan and volumes (up to $300 for targeted copper 'late adopters'; up to $500 for winback of offnet connections)
- direct to consumer incentives (e.g. prezzy cards)

> **Managed migration programme**
- record month in July with 5,000+ installations, up from an average of ~3,000 per month
- proportion of installation orders for offnet customers increased from 35% (July 2019) to 50% (June 2020)
- targeted campaigns: UFB2 townships, MDUs

Fibre campaign: putting the focus on badnet

Continued connection growth in legacy cable areas





Boosting our business and network portfolio

> Enhancing our business services

- plan to expand **Hyperfibre** footprint beyond initial centres in H1 FY21
- **small business** fibre uptake doubled to 3k in H2; revised $52 pricing to drive uptake further
- upgraded **premium business services** with proactive fault response, reduced high bandwidth costs, ‘hot’ cutover of legacy fibre to GPON and other installation/provisioning incentives

> Growing our role as neutral network host

- **backhaul**: continuing to connect rural cellsites for Rural Connectivity Group; new tail extension service to facilitate nationwide UFB coverage for RSPs
- **edge centre**: adding Tauranga site to meet customer demand
- **peering**: planning to launch new service H1 FY21 to enhance interconnection between RSPs and cloud or content providers

2. Grow new revenues

Smart locations (e.g. CCTV, traffic lights)

- streamlined our processes to help realise market growth opportunity
- new 50Mbps symmetrical plan to support connectivity of urban infrastructure (e.g. poles, traffic lights) $55 per month

Wi-Fi ONT service

- co-developed service with retailers
- launching with $1.30 monthly fee; providing upfront credits to support retailers switching systems
- will enhance customer experience with shorter connection time for homes with fibre already installed
- potential to broaden fibre market by lowering router costs to connect customers on short term contracts

3. Optimise non-fibre assets

Detailed review underway of existing network infrastructure

> **Focus on reducing ongoing network costs**

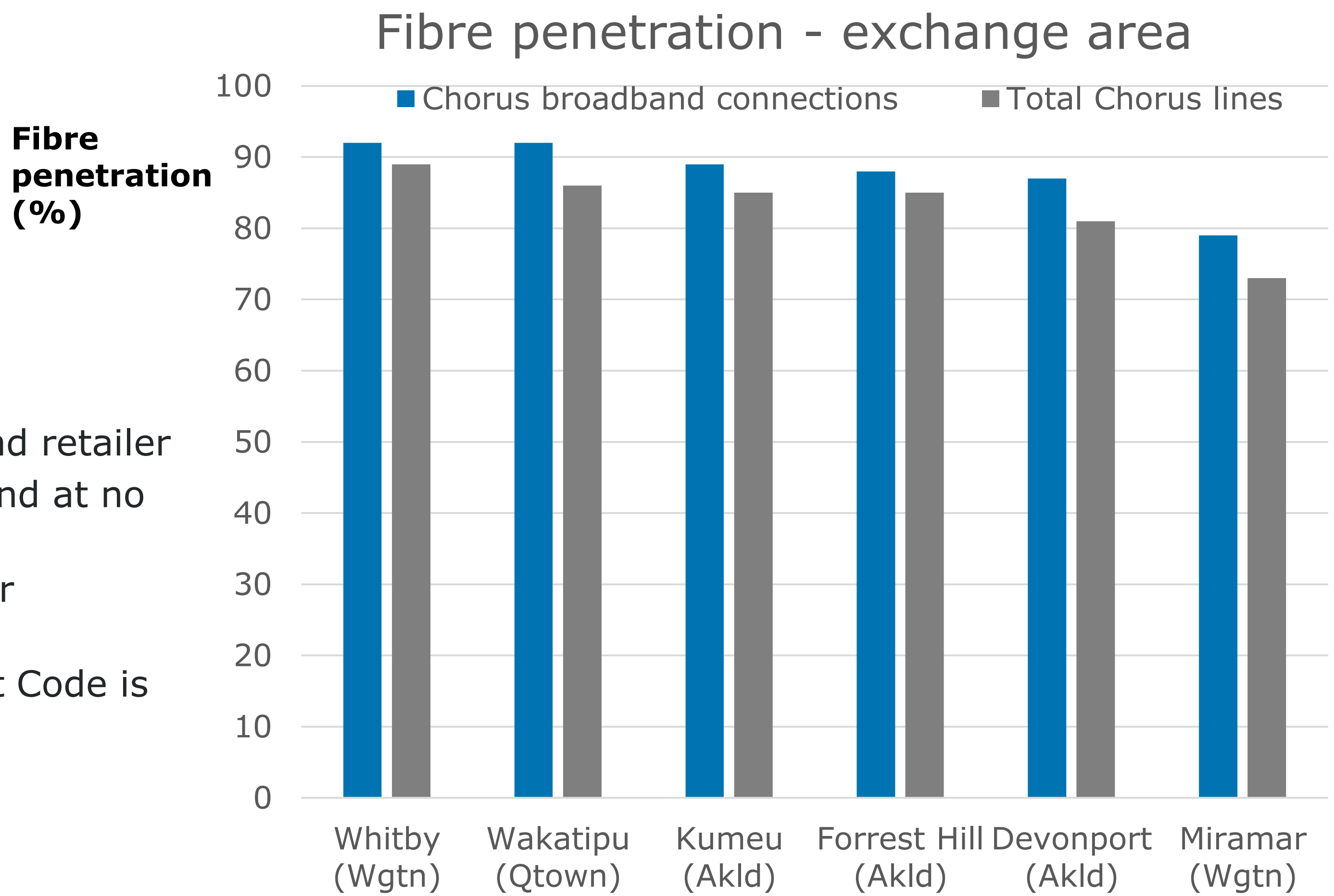
- 20 network sites exited in FY20 (e.g. New Plymouth site – LFC zone; Whangarei Heads rural site)
- reshaping proactive maintenance programme in UFB zone to reflect shift to fibre
- reviewing copper broadband network assets in UFB zone
  - ~20 copper broadband cabinets with no customers
  - ~30 cabinets with <10 customers

BEFORE **AFTER**

Copper withdrawal in UFB areas won’t happen overnight

Draft copper withdrawal code

> The Commerce Commission has proposed:
- six months’ notice by Chorus to the end user and retailer
- able to install fibre in a reasonable timeframe and at no cost to the end user
- providing end users with information about their protections under the code
- requirement that the Commission’s 111 Contact Code is in force



4. Develop long term future of the business

Reviewing our operating model, including flexible working

I am satisfied with our flexible working policy

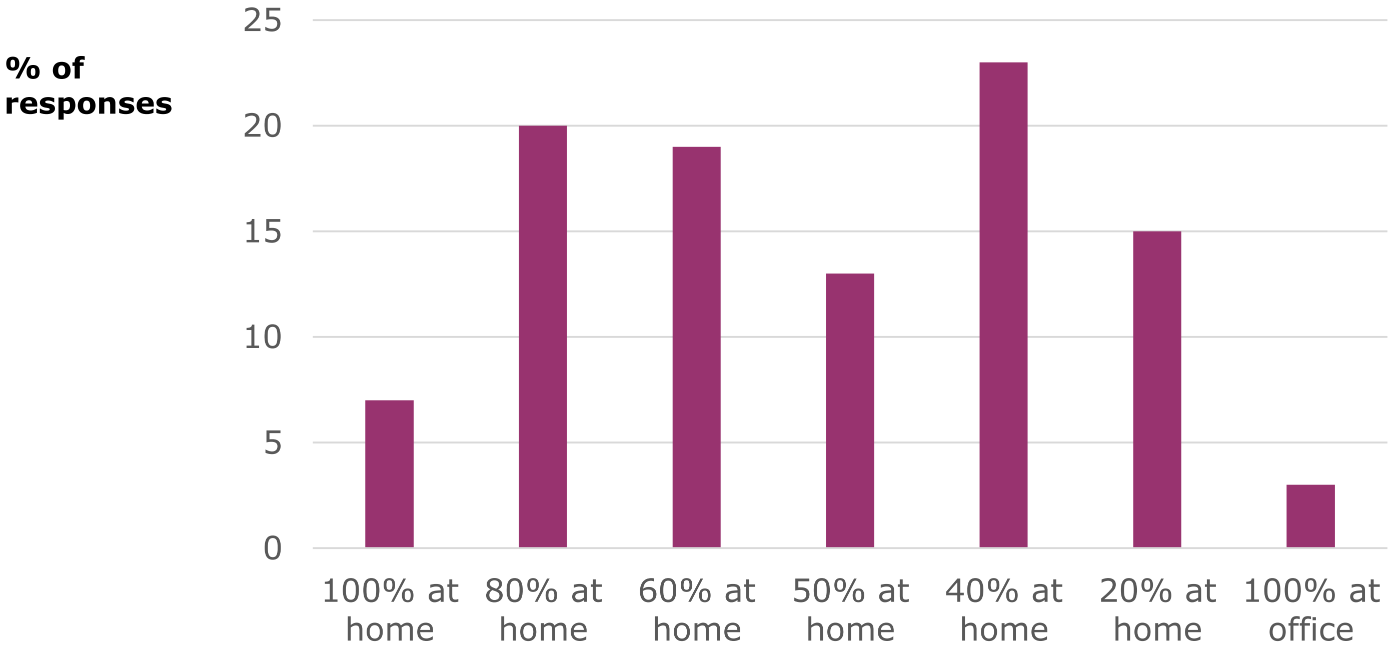
9.1
OUT OF 10
MAY 2020

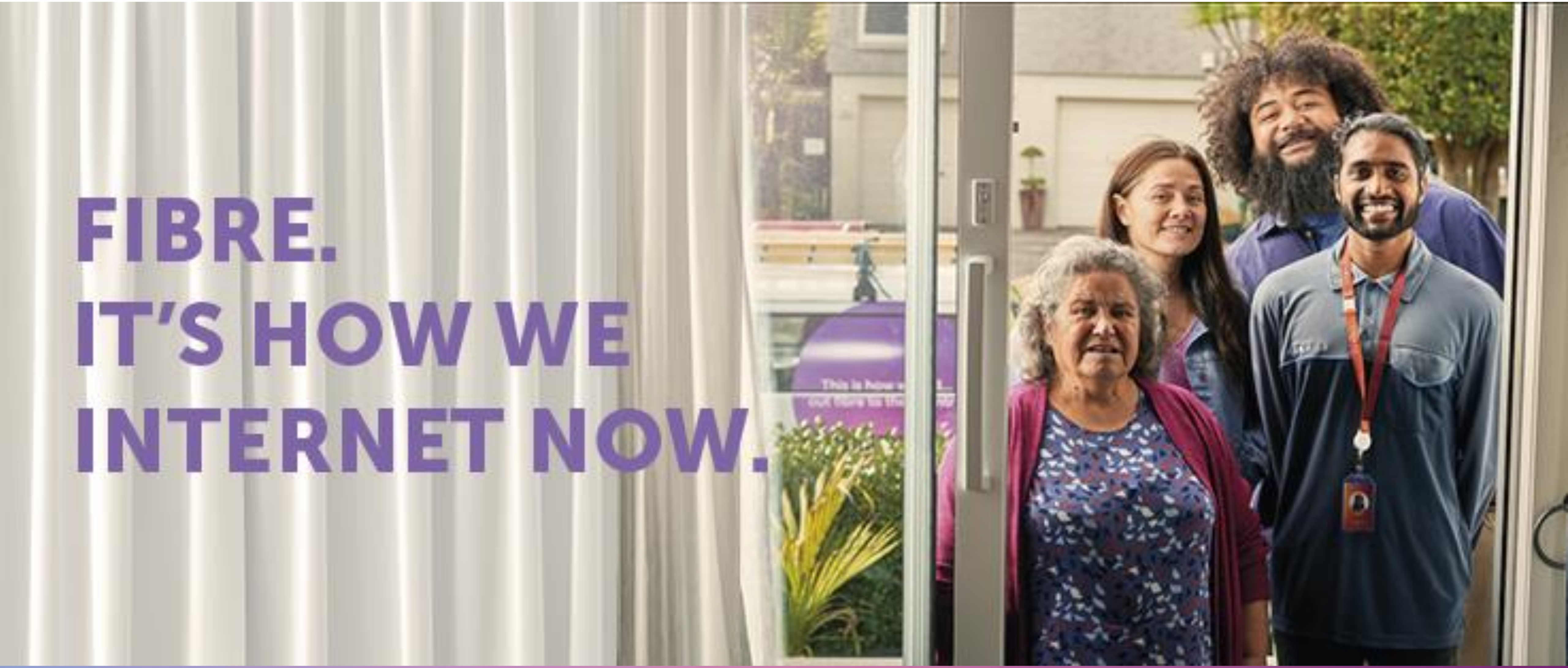
+73
eNPS*
MAY 2020

8.5
OUT OF 10
MAY 2019

+45
eNPS*
MAY 2019

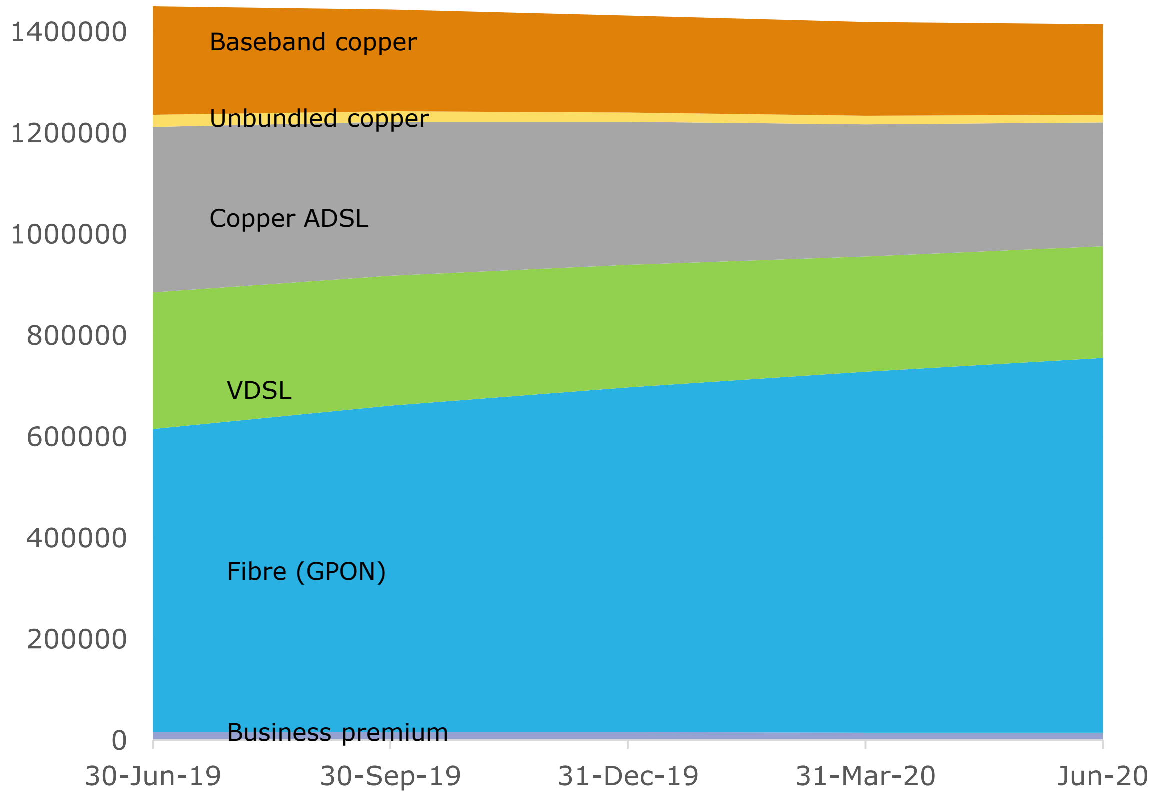
Employee preference for % of working week at home vs office




FIBRE.
IT'S HOW WE
INTERNET NOW.

Appendix A: Connection and market trends

	30 June 2019	30 Sept 2019	31 Dec 2019	31 March 2019	30 June 2020
Unbundled copper (no broadband)	24,000	21,000	18,000	17,000	15,000
Baseband copper (no broadband)	214,000	201,000	192,000	185,000	179,000
Copper ADSL (includes naked)	327,000	304,000	283,000	261,000	245,000
VDSL (includes naked)	270,000	257,000	242,000	228,000	221,000
Fibre broadband (GPON)	599,000	645,000	681,000	713,000	740,000
Data services (copper)	5,000	4,000	4,000	4,000	4,000
Fibre premium (P2P)	11,000	12,000	12,000	11,000	11,000
Total connections	1,450,000	1,444,000	1,432,000	1,419,000	1,415,000

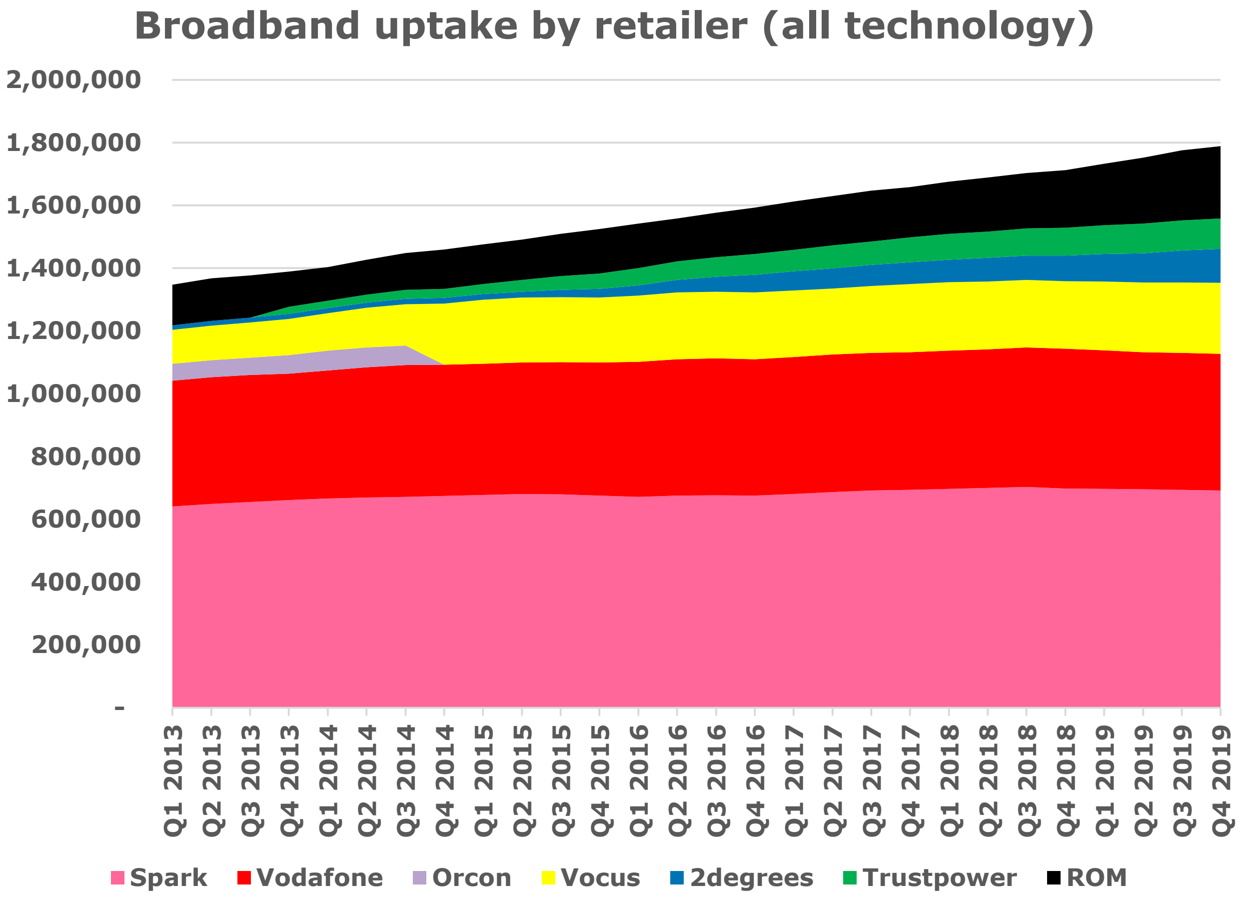


> **1,206,000 broadband connections comprises:**
- 740,000 fibre (GPON) connections
- 466,000 VDSL/ADSL (copper) connections

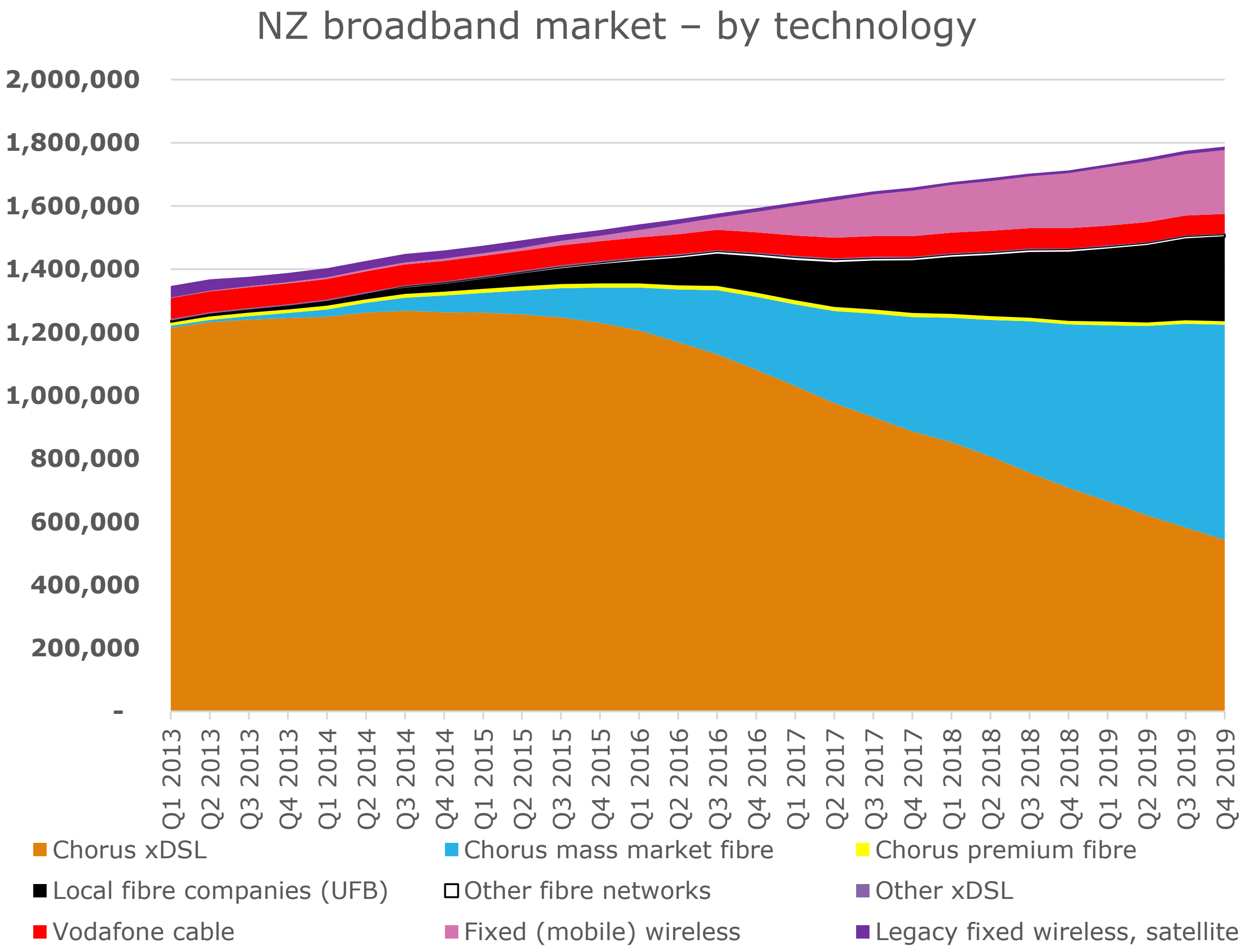
Note: Free education connections are excluded from this data

CHORUS

Appendix A: Connection and market trends (continued)



Source: IDC



Source: IDC

Appendix B: RAB parameters

Parameters	Summary of key parameters indicated by Commission process to date
Crown financing	New proposal to not treat Crown financing as debt-like and instead apply a WACC to Crown-funded assets, removing any return on capital pre-2022. A -25bps WACC adjustment would apply post 2022.
Taxation	Accepted that tax losses in pre-implementation period can be carried forward.
TAMRP	Tax-Adjusted Market Risk Premium updated from 7% to 7.5% (effective from end of IM process)
Credit rating	If the Commission continues to use BBB+ for WACC, then leverage should be higher at 34%. Chorus' view is our actual credit rating (BBB) is more appropriate.
WACC: 2011-2022	WACC for the unrecovered loss asset will be calculated annually, by 'locking in' the risk-free rate from the year the capex was incurred until implementation, using 5-year term.
WACC: asset beta	Proposed a revised asset beta of 0.49, up from 0.46, for both pre and post 2022 periods. Commission says difficult to quantify the pre-2022 asset beta and unrecovered losses compensate for higher systematic risk.
WACC: percentile	No uplift (above 50^{th} percentile) is required to mitigate risk of under-investment. We believe uplift to 75^{th} percentile should apply for initial rollout, consistent with regulatory practice at the time, and 67^{th} percentile from implementation date.
Ex-ante allowance for asset stranding	10bps (of the average total RAB) ex-ante allowance proposed, from a range of 5 to 40bps, to be included in the maximum allowable revenue. We believe an accurate allowance requires confirmation of the total RAB and our experts showed it could be above 40bps.
Depreciation	Act requires straight line depreciation for initial RAB valuation, but Commission accepts non-standard depreciation (i.e. tilted) could be considered post-implementation.

Crown financing

- **CIP equity securities**
  - unique class of security with no right to vote at shareholder meetings, but entitle the holder to a right to repayment preference on liquidation
  - an increasing portion of the securities will attract dividend payments from 30 June 2025 onwards
  - the dividend rate is based on 180 day NZ bank bill rate, plus 6% p.a. margin
  - may be redeemed at any time by cash payment of total issue price or the issue of Chorus shares (at a 5% discount to the 20-day VWAP for Chorus shares)

Equity securities subject to paying dividends (cumulative)	30 June 2025	30 June 2030	30 June 2033	30 June 2036	TOTAL
UFB1 & 2	$85.3m	$197.1m	$377.7m	$766.4m	$766.4m

- **CIP debt securities**
  - unsecured, non-interest bearing and carry no voting rights at shareholder meetings
  - Chorus is required to redeem the securities in tranches from 30 June 2025 to 2036 by repaying the issue price to the holder

Debt securities maturity profile	30 June 2025	30 June 2030	30 June 2033	30 June 2036	TOTAL
UFB1 & 2	$85.3m	$104.7m	$166.7m	$210.2m	$566.9m

Appendix C: Making New Zealand better

We take a long term view of our network infrastructure investments and our people take pride in delivering an asset for New Zealand's ongoing social and economic betterment. Chorus is included in the Dow Jones Sustainability Australia Index.

- **Environment**
  - Target of 80% reduction in scope 1 and 2 emissions, from our FY12 base year, by 2030. Achieved 37% reduction against target in FY20.
  - B rating from CDP for FY19 reporting.
  - Extensive waste minimisation: 195 tonnes of waste ducting and 37 tonnes metal network components recycled in FY20.
- **Social**
  - FTTH estimated (2012) to contribute $32 billion in economic benefits to NZ over 20 years. Social benefits estimated (2017) at $2 billion annually.
  - Winner of Broadband World Forum's *Broadband delivering social impact award 2018* for rural broadband rollout.
  - Employee engagement 8.5 out of ten in June 2020 (7.6 in FY19).
- **Governance**
  - Director gender ratio of 38% women, 62% men at 1 July 2020.
  - Target of 40:40:20 gender ratio achieved for Chorus' people leader community in FY20. Largest gender pay gap by career level is 4.1%. Objective to achieve 0% gender career level pay gap.
  - New Minimum Shareholding Policy for directors.
  - Total Recordable Injury Frequency Rate decreased from 2.67 to 2.43 in FY20 with an overall reduction in injuries requiring medical treatment.

Scope 1 and 2 Emissions