

CEO's Address

Kia ora – nau mai haere mai.

Greetings, and welcome everyone who is here in person, or joining us online.

GLOBAL RANKINGS

Aotearoa catapults into the global Top 10

Omdia Fibre Development Index 2022

Rank	Country
1	Singapore
2	South Korea
3	China
4	UAE
5	Qatar
6	Japan
7	Thailand
8	Romania
9	Spain
10	New Zealand (+5 places)

A year ago I talked to you about plans for our big fibre boost – and in December we enabled consumers on our most popular 100 megabit plan to upgrade to 300 megabits at no extra charge.

The beauty of fibre is that we were able to do that upgrade seamlessly.

I said we expected this change to catapult New Zealand into the top ten in global broadband rankings.

And I'm pleased to say this did in fact happen.

In the August Ookla global fixed broadband ranking we were 9th for median download speed. That was one place ahead of Japan.

And in a just published study from global technology research firm Omdia, looking at broadband performance and investment, New Zealand ranked 10th.

These are tremendous results, and the more people we connect to high-speed fibre, the more we will consolidate New Zealand's global position.

CONNECTING AOTEAROA



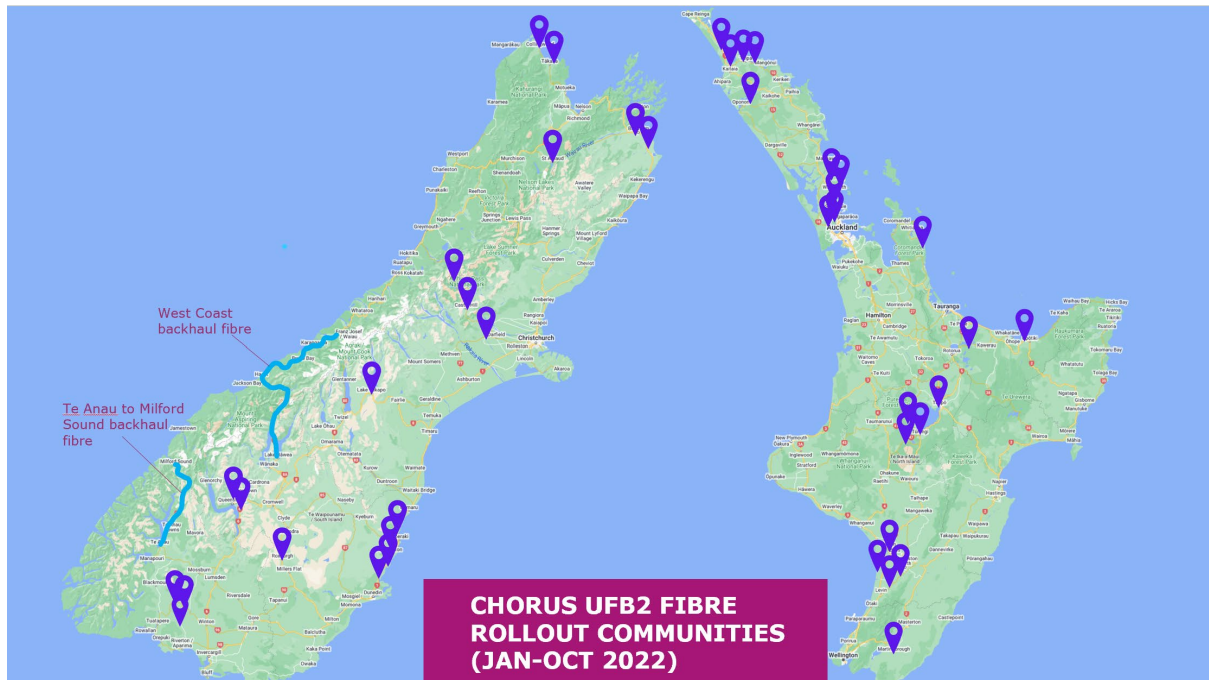
With the regulatory framework for fibre now set and the fibre rollout due to finish in a few weeks, we've refined our strategy.

Our company purpose is to *connect Aotearoa so that we can all live, learn, work and play*.

We want to keep growing fibre uptake so the socio-economic benefits of fibre help power New Zealand's digital future.

That's why winning in our core fibre business remains our primary strategic pillar.

FIBRE ROLLOUT



As this slide shows, our UFB partnership with government has taken fibre to a range of small communities in the last nine months. Some of those were made possible by specific projects to extend the fibre network in remote areas of the South Island.

At the end of Q1, we had reached 980,000 fibre connections. So we're very close to our target of 1 million connections by December.

This number excludes about 9,000 student households that we continue to support as part of our covid response with the Ministry of Education.

However, the consequences of Covid continue to challenge us. Our capital expenditure was less than expected in the recent financial year because lockdowns and Covid uncertainty affected our ability to access people's homes.

Now, as Patrick has touched on, the constraint is availability of field crews. We are competing for labour not just within New Zealand, but also globally.

This is pushing out connection times in some areas. And this in turn affects customer satisfaction.

COPPER WITHDRAWAL

Copper shutdown underway

Code enables shutdown with 6 months' notice

- Chorus provides notice to consumers and retailers
- fibre must be available at no installation cost to consumer
- initial focus on copper cabinets and premises with fibre installed

14,000
initial
notices
issued

~90%
broadband
retention

lower
fault rate
on fibre:
5%



Despite these challenges, we're now at 71% uptake across the entire UFB footprint. In Auckland, we've just reached 80% uptake.

And Invercargill leads the main urban centres with 85%.

With uptake at these levels, we've begun switching off the copper network in selected areas.

This activity is the main focus of our second strategic pillar: optimising our non-fibre asset base.

The Commerce Commission developed a detailed withdrawal process that requires us to provide consumers with six months' notice of copper withdrawal.

To date we've provided about 14,000 notices and about half of those consumers have moved off copper services so far.

The results have been positive with about 90% of copper broadband connections moving to fibre and zero escalated complaints.

And I want to be clear that under the Commission's code we can only withdraw copper services where fibre is available.

This means we're still maintaining the copper network in areas where we haven't notified customers and especially for the 13% of New Zealanders who do not have access to fibre, even though we're no longer the sole network provider for some of these customers.

Longer term, service obligations in rural and regional areas need a significant rethink.

Especially when some retailers are removing their copper voice services and promoting their own alternative network options, such as government subsidised wireless towers.

The government announcement last week on the allocation of 5G spectrum means there is likely to be even more wireless coverage in these areas.

From my recent discussions with European network providers, it seems there is growing recognition that network service obligations need to be technology agnostic.

This is sensible because it reflects what consumers are already doing anyway – choosing the service that best fits their needs.

That's why the trend in Europe is for network operators to extend fibre as far as possible, and to have long-term copper switch-off strategies. Alternative technologies such as wireless or satellite are better suited than copper for the small footprint that will likely not be reached by fibre.

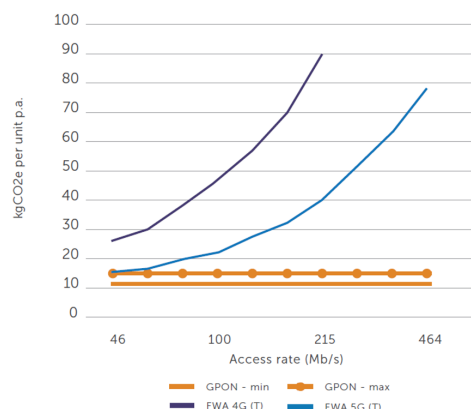
SUSTAINABILITY FOCUS

Fibre underpins new sustainability target

> commitment to Science Based Target initiative

- targeting 62% reduction in Scope 1 and 2 emissions by 2030, from 2020 base year
- goal of 25% electricity consumption reduction by 2030 as copper equipment is withdrawn and fibre enables more efficient data usage
- new carbon zero certified electricity supplier; exploring renewable energy capability (e.g. solar)

Emissions in GPON and FWA 4G/5G networks for average access rates between 50 and 500 Mbps



With fibre widely acknowledged as the greenest broadband technology – we think fibre to at least 90% of the population should be a bare minimum.

Fibre enabled us to absorb a 23% growth in data traffic in the last year without equivalent electricity consumption growth. And with 1,000 gigabytes expected to be average monthly usage in 2025, this will become even more important.

About 15% of our fibre connections are already at that level.

Moreover, fibre is the only technology capable of delivering higher broadband speeds without increasing carbon emissions.

As we migrate customers from copper to fibre, we expect to reduce our electricity consumption by 25% by 2025.

This underpins our commitment to a science based target of a 62% reduction in our scope 1 and 2 emissions by 2030, from 2020 levels.

In addition to reducing our own carbon footprint, high speed fibre broadband also delivers indirect environmental benefits, when enabling end-users to reduce their own emissions, such as when working from home.

Sustainability practices are increasingly part of the way we operate and you can find more information about these, including our focus on digital inclusion and on a more diverse and inclusive workforce in our second sustainability report.

GROWING REVENUES

Identifying revenue opportunities close to our core

- > **Hyperfibre:** 1,000 connections despite limited retail channels; revised pricing from 1 October to accelerate growth
- > **Business fibre:** fibre connections grew 12%; ~75% of business market on fibre (excluding small/home offices)
- > **EdgeCentre:** COVID slowed site expansion; market trends support continued focus on opportunity
- > **PowerSense:** leveraging fibre capability in a new way



Our third strategic pillar is to grow new revenues.

Our FY22 financial results were significant because we delivered revenue growth – albeit modest – for the first time since 2017.

Continued growth in 1 gigabit uptake, from 19% to 23% of mass market connections, helped lift average revenue per user.

About one-third of net fibre adds are on to the 1 gigabit plan.

And we're now focused on growing demand for our Hyperfibre services of 2, 4 and 8 gigabits. These services are delivered over the same fibre that we've already rolled-out but using next generation electronics.

This technology is gaining strong momentum internationally as network operators look ahead to expected data demand and we already have more than 1,000 connections on these services.

Two-thirds of our FY22 revenues were regulated fibre services and we expect this to grow further as uptake increases.

But we also want to grow our non-regulated revenues.

Our edge centre plans – where we lease space in our exchange buildings for computing capacity - were slowed by Covid in FY22 but we still doubled revenues in the year.

This service is a complementary regional and suburban offering to the larger data centre developments you may have heard about in the media.

Another innovative product we've just launched is called power sense.

This service detects when clusters of fibre terminals lose power at the same time, indicating a likely loss of main power.

Electricity lines companies can then use this data to identify the geographic impact of power outages and support faster service restoration.

Fibre powering Aotearoa's digital future

- 90%+ of fibre connections on 300Mbps and above
- strong technology roadmap: trialled 25Gbps
- focus on improving customer experience and delivering benefits to all stakeholders
- pragmatic policy settings could get fibre to at least 90% of the population



So in conclusion:

We continue to be successful in promoting fibre, and the fact that over 90% of our fibre consumers are on speeds of 300mbps and over, maintains a material performance advantage over other technologies.

We have transitioned smoothly to our new regulated regime and delivered on the previously outlined capital management policy of delivering higher free cash flows, distributing the majority of these to shareholders and investing the remaining in the business.

There is no question that fibre is the most future proofed technology. And in fact we recently demonstrated a 25 gigabit per second service over the same fibre as our existing services.

But we can't just assume consumers choose fibre because it is the best.

We need to keep doing better to deliver great customer experience and leverage our new regulatory framework to benefit all our stakeholders.

This isn't rocket science, but like anything it comes with its own challenges.

We are also passionate about making fibre accessible to more of New Zealand.

Delivering the benefits of high-speed reliable fibre broadband to even more Kiwis is the way we will truly deliver on our goal of powering Aotearoa's digital future and enabling a growing business.

ENDS