Chorus Annual Meeting – 24 October 2024

Chair's Address

Tēnā koutou katoa.

Good morning and welcome to Chorus' 2024 Annual Shareholders' Meeting. I'm Mark Cross, Chorus' Chair.

We're joining you virtually this morning from the Chorus Network Lab in Auckland.

On the information conveyed to me, I confirm that a quorum of shareholders is present and declare the meeting open.

The minutes of the last annual shareholders' meeting have been approved. The Notice of Meeting, including the explanatory notes has been circulated to all shareholders, and I intend to take it as read.

We have a fairly short agenda today in terms of the formal business of the meeting.

As the TV ad we played just before shows, our network helps Kiwis across the country meet every day, so we think it is only appropriate that we showcase our own technology for today's meeting.

This is actually our third virtual meeting and the administrative nature of today's resolutions is part of our rationale for holding it virtually, as allowed under the NZX Listing Rules.

A virtual meeting also makes sense given the very small number of attendees at our recent meetings and the positive difference it makes to the costs and associated carbon emissions for director and staff travel.

We're always open to feedback from shareholders on how we can improve the format of the meeting next year.

On to today's agenda.

Agenda

- Introduction and Chair's address
- CEO address
- Committee chairs updates
- Resolutions
- Shareholder questions

I'll start today's agenda with a short summary of the year and some of the things the Board has been focused on to deliver value to shareholders.

Chief Executive Mark Aue will then cover what's happening at an operational and market level. Mark stepped into the CEO role in April when we said farewell to JB Rousselot - I have previously acknowledged JB's outstanding contribution to Chorus over his nearly 5 years as CEO.

Mark brings extensive telecommunications experience, having previously served as CEO of 2Degrees and CFO of Vodafone NZ.

Directors Kate Jorgensen and Sue Bailey, as chairs of our Board committees, will then update you on the work carried out by the Audit & Risk Management Committee and the People, Performance & Culture Committee.

After that we'll move to resolutions, questions and voting.

I would firstly like to introduce your directors to you. Joining us online are:

- Sue Bailey
- Neal Barclay, who was appointed by the Board in August this year
- Will Irving
- Kate Jorgensen, and
- Jack Matthews.

Director Miriam Dean, also joins me here at the Auckland Lab.

Miriam is standing for re-election today in accordance with the NZX listing rules and Neal Barclay is standing for election to the Board as a new director. Neal brings a wealth of experience from the energy and communications infrastructure sectors.

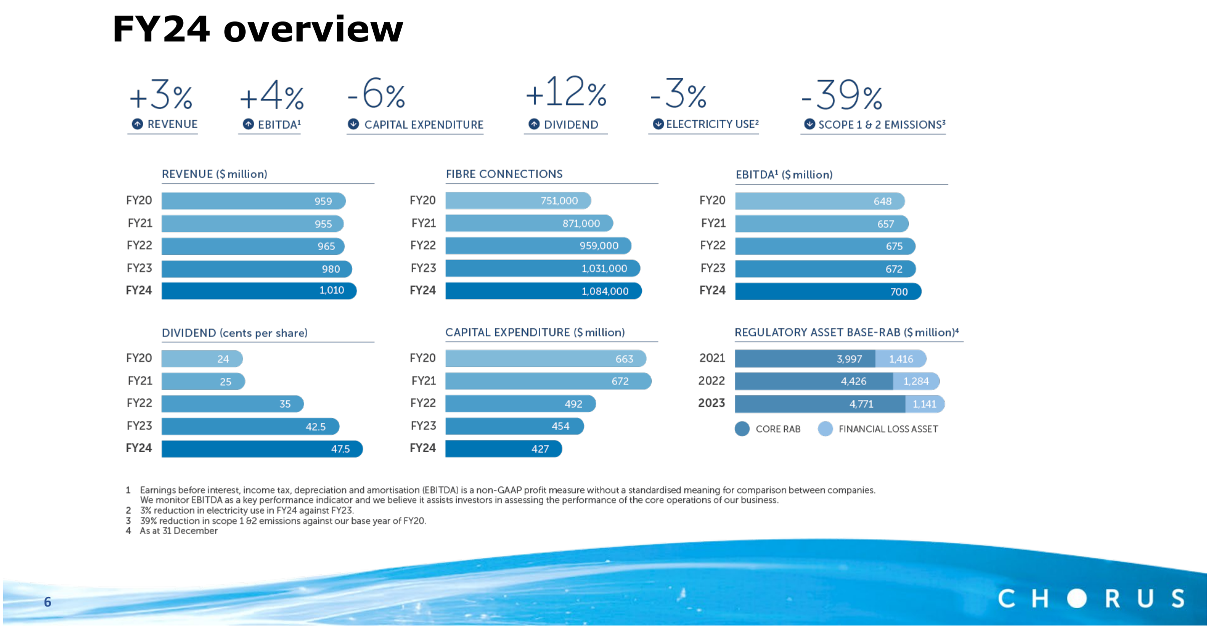
If elected, Neal will replace Murray Jordan who retired from the Board in September. We thank Murray for his valuable contributions to the Board over the past nine years.

We also have with us today key personnel including:

- Drew Davies, our recently appointed Chief Operating Officer

- Katrina Smidt, our Deputy Chief Financial Officer, and
- Kristel McMeekin, our General Counsel,

as well as representatives from our auditors KPMG, and our legal provider Chapman Tripp.



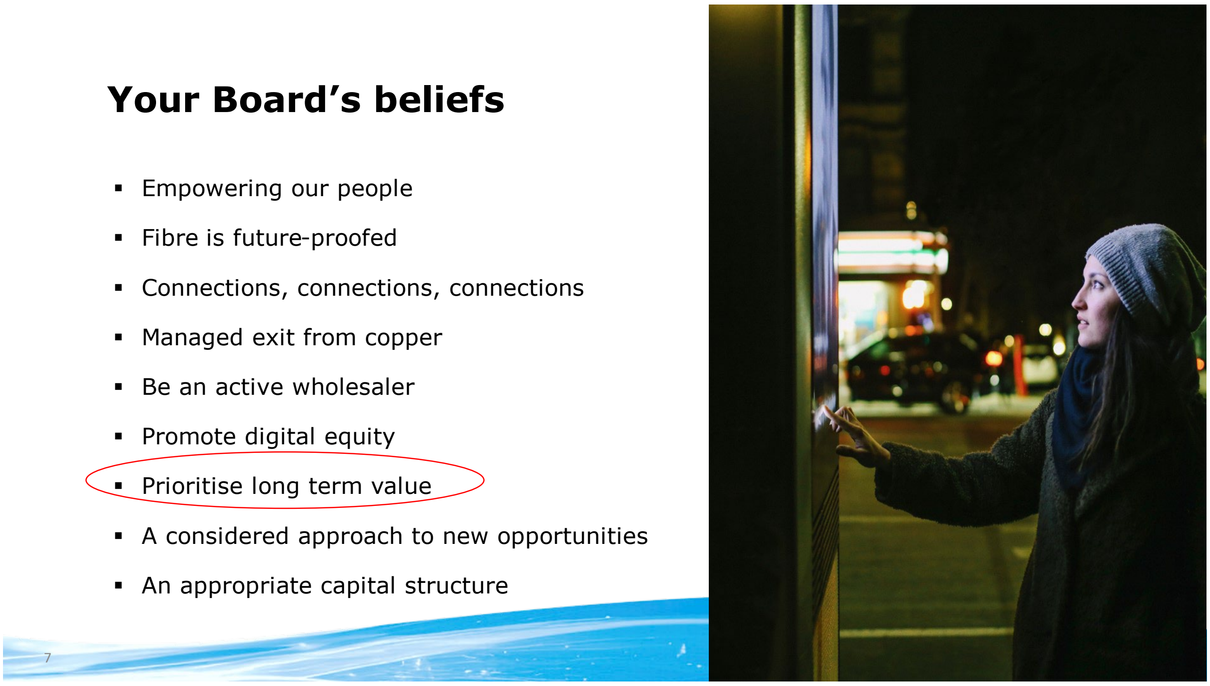
At the outset I'd like to thank and acknowledge our people and our partners. Through their collective efforts we have enabled 1.2 million New Zealanders to connect to the Internet so that they can live, learn, work and play. That is our purpose and is the driving force behind what we do.

As you'll have seen from the August results announcement, Chorus delivered another steady financial result despite the challenging macroeconomic environment.

We maintained solid momentum in our transformation into a simpler, all-fibre digital infrastructure company. Fibre connections grew by 83,000 and fibre made up 87% of our total fixed-line connections at 30 June. The continued growth in fibre demand helped lift revenues to more than one billion dollars for the first time. Tight cost management and reducing copper network costs helped offset inflationary pressure across various expense lines.

This meant we achieved EBITDA of $700 million dollars, up from $682 million last year and at the top of our guidance range.

These results enabled total unimputed dividends for the year of 47.5 cents per share. That was up from 42.5 cents in FY23 and for FY25, we've provided dividend guidance of a 21% increase to 57.5 cents per share, unimputed, subject to no significant adverse changes in circumstances or outlook.



Last year I summarised various beliefs that the Board considers important to Chorus' success. These are shown on the slide here.

I noted that prioritising long-term value, through capital allocation, was a key area of focus for the Board.

During the year, we undertook a review to ensure our capital management framework is fit for purpose as we approach the new regulatory period in 2025. This review included a consideration of regulatory settings, shareholder feedback, market benchmarks, and Chorus' financial outlook.

Capital management: Principles

A digital infrastructure business maximising long-term value and shareholder returns

Capital allocation underpinned by free cash flow from an essential regulated infrastructure asset	Deliver a sustainable growing dividend, at least in real terms	Use balance sheet to fund discretionary growth capex - up to 4.75x ND/EBITDA	Discretionary growth capex must deliver greater value than returning funds to shareholders

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This slide summarises the capital management principles that we identified through our capital management review.

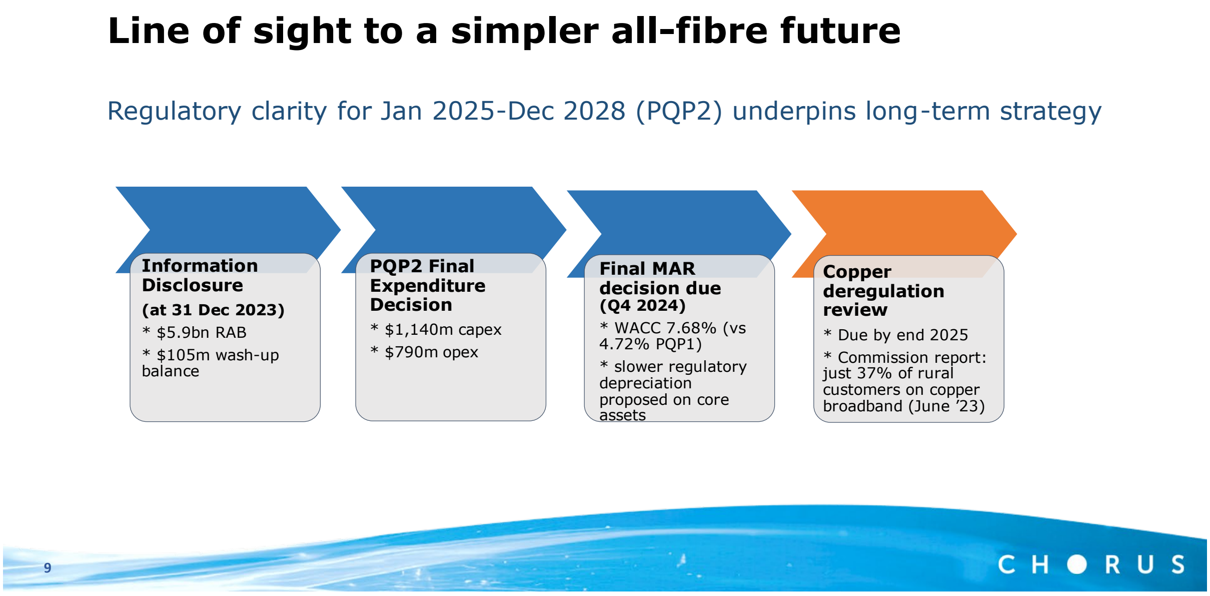
First, we see ourselves as operating an essential regulated infrastructure asset. We have clarity for the upcoming regulatory period and our capital allocation is underpinned by the free cash flow we see these assets now generating. The step up in dividend has in part been driven by our solid FY24 results, confidence in our future operating cash flows and a more efficient use of our balance sheet to invest in the business.

A core pillar of our capital management framework is a sustainable, growing dividend, that was paramount in all shareholder feedback. Our intention is to maintain that dividend growth at least at the rate of inflation.

We maintain the view that an investment grade rating of BBB is appropriate for Chorus as a digital infrastructure company. Based on the ratings down driver of 5x we remain of the view that 4.75x is an appropriate internal limit that allows sufficient buffer, and we are comfortable to operate up to that level. Net debt was 4.4 times EBITDA at the end of FY24.

And we'll use the balance sheet to fund capex where it meets our investment hurdle rates. Any growth investment must deliver greater shareholder value than returning it to shareholders. Capital discipline is an important focus point for us, and was demonstrated by our decision to not proceed with $200m of investment in extending fibre that was initially part of our regulatory submission.

As a result of this review, we decided to target a higher dividend payout range of 70% to 90% of our net operating free cash flows after sustaining capital expenditures. This is an increase from the previous range of 60% to 80% and reflects the confidence we have in our cash flows over the next and following regulatory periods for fibre.

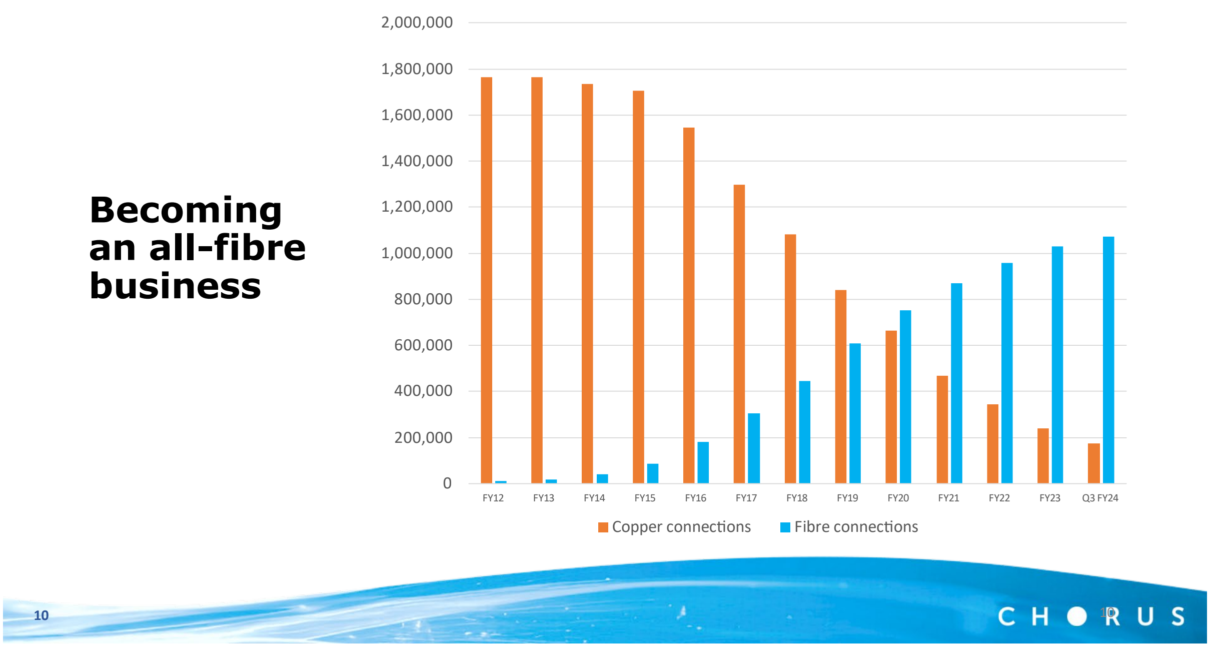


That confidence reflects the end of the UFB rollout and the peak of fibre installations, as well as clarity on future fibre expansion and expenditure allowances for the next regulatory period.

That period runs for four years from January 2025. You may recall at last year's meeting that we had just submitted our expenditure proposals to the Commerce Commission for this period. The Commission has now approved capital expenditure of $1.14 billion and operating expenditure of $790 million for this next period.

We appreciate the Commission's engagement through this process and its careful consideration of the further evidence we provided that resulted in an uplift from their initial draft decision.

This final expenditure decision now becomes an input into the setting of our maximum allowable revenue for each regulatory year. This revenue cap is increasing as a natural function of the cost of capital being set at a much higher rate than the record COVID lows when our first regulatory WACC was set in mid-2021.



With the regulatory settings for fibre now close to being finalised through to 2029, our focus is turning to the need for greater clarity on the outlook for copper.

The fibre regime means we cannot cross subsidise rural network costs with urban revenues. As we've said before, copper is an old technology. Copper networks are approaching obsolescence and are being switched off in Europe with discussion about a 2030 end date.

We believe the trends are clear. And Chorus' new business strategy forecasts that copper will be shut down in New Zealand by 2030.

In 2012, when we started building our fibre network, Chorus had nearly 1.8 million copper connections. This number has now fallen to just 139,000, with many of these remaining connections located in areas where other network providers now have a greater market share.

Given the rapidly diminishing market share of copper and the wide availability of other network technologies, we think the regulatory regime is no longer fit for purpose. The Commerce Commission has commenced an investigation into the deregulation of copper services. It will report its results later next year.

We believe fibre can reduce the digital divide between urban and rural areas. However, any expansion beyond the 10,000 premises rollout we announced in January requires clarity on pricing, market and regulatory changes. As I referenced earlier, capital discipline requires that we need further clarity and benefits to make the commercial case for further investment stack up for our shareholders.

I am very encouraged by the current state of the business, our leadership, our momentum and the clear direction ahead. The evolution and simplification of Chorus will require a different pace and focus and I am confident our people are up for that.

It will also involve taking a more proactive stance in the market to ensure that customers fully understand fibre as a choice, recognising the reality that most customers don’t understand the complexities of the underlying technology that delivers the Internet to their device.

In conclusion, I want to thank our customers, our shareholders, our team, and my board colleagues for your continuing support of Chorus. Together, we are enabling a stronger, simpler, all-fibre future for New Zealand.

ENDS