

HY24 RESULTS

27 February 2024

C H ● R U S

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Agenda

JB Rousselot, CEO

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Mark Aue, COO

JB Rousselot, CEO

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Half year result overview

Fibre connections¹



Broadband connections¹



Fixed line connections¹



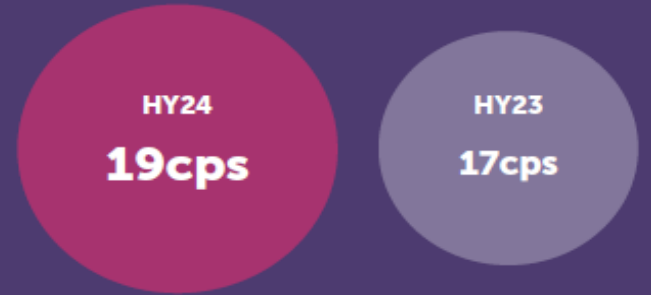
EBITDA²



Net profit after tax



Dividend



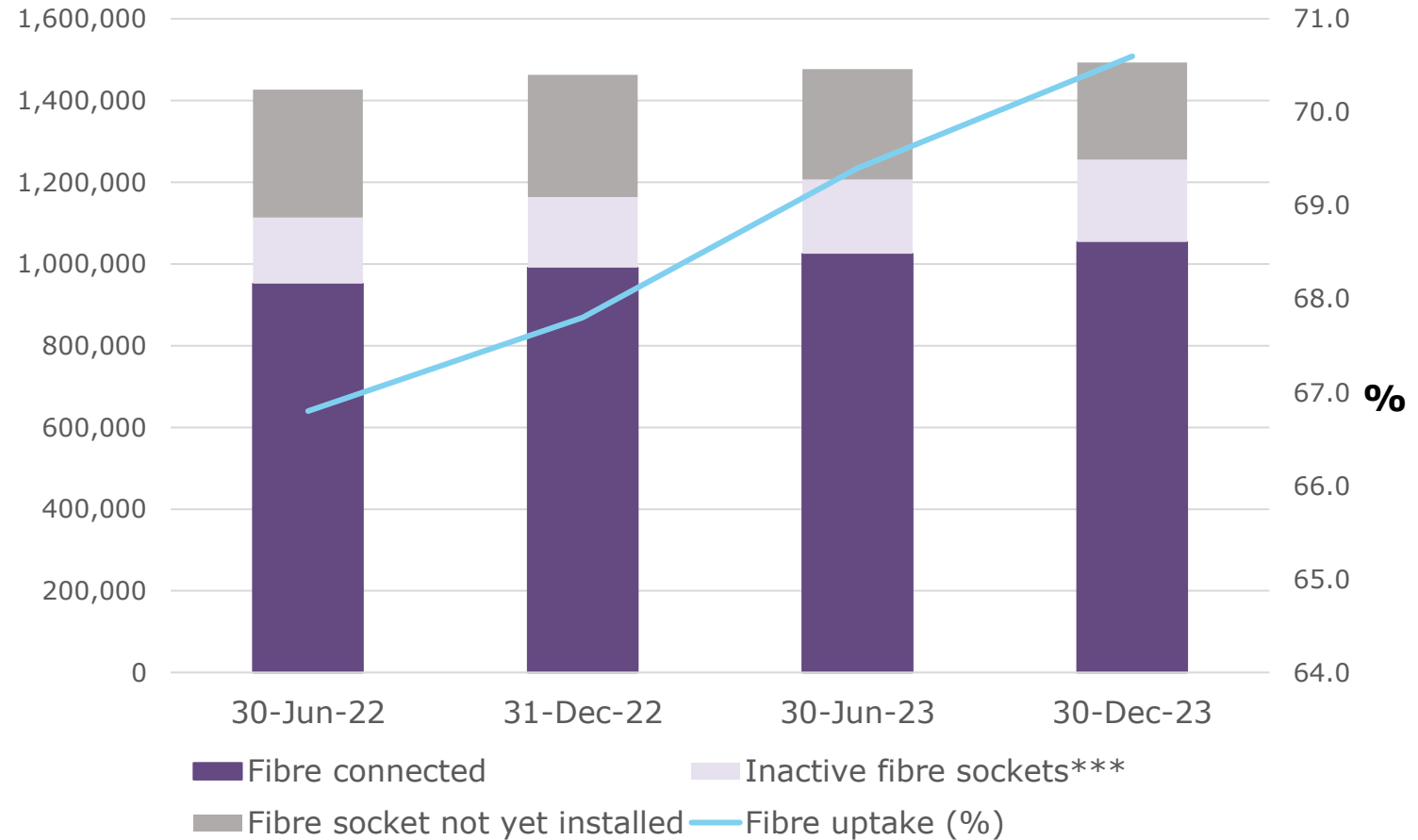
HY24: Six months ended 31 December 2023
FY23: Year ended 30 June 2023
HY23: Six months ended 31 December 2022

¹ HY24 totals include about 2,000 partly subsidised education connections previously excluded from connections data.
² Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure without a standardised meaning for comparison between companies. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.

Fibre uptake grew 1.2%

- **70.6% fibre uptake across 1,493,000 passed addresses***
 - uptake +1.2% in HY24
 - **1,054,000** active fibre connections**
 - +16,000 addresses passed

- **1,256,000 fibre installed addresses**
 - ~**49,000** installations in HY24
 - **238,000** addresses passed by fibre, but fibre socket not yet installed



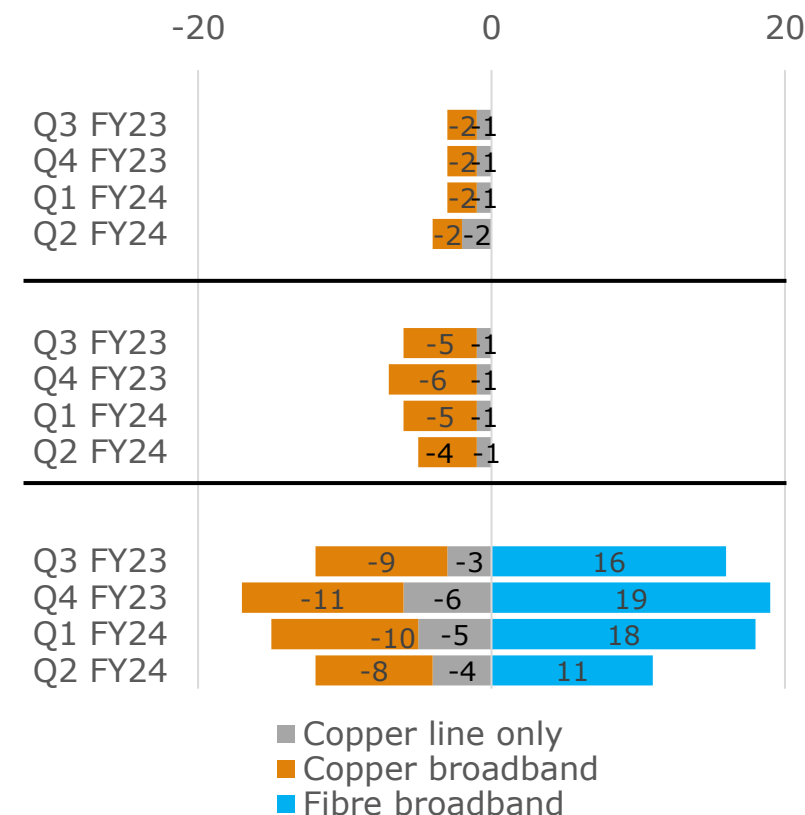
*based on independent address data and Chorus network data for addresses passed by fibre; excludes Chorus fibre in LFC areas
 ** includes ~7k fibre premium connections to addresses; excludes smart location (GPON) connections and connections in LFC areas
 *** not active on 31 December 2023

Continued broadband growth in Chorus fibre zone

Connection changes by Zone (indicative as at 31 Dec*)

Other fibre company (LFC) zone	Copper lines (no broadband)	10,000	Local Fibre Company and fixed wireless provider activity is driving a gradual decline in copper connections.
	Copper broadband lines	15,000	
	Fibre broadband lines (GPON)	3,000	
	TOTAL	28,000	
Non-fibre addresses (i.e. Chorus fibre not available)	Copper lines (no broadband)	20,000	Ongoing decline in copper connections due to mobile/fixed wireless/satellite footprint expansion.
	Copper broadband lines	81,000	
	TOTAL	101,000	
Chorus fibre zone	Copper lines (no broadband)	27,000	Covers all addresses outside of LFC UFB rollout zone where Chorus fibre is available. Fibre footprint is growing as a result of new property development. Copper connections are reducing as Chorus retires its copper network.
	Copper broadband lines	40,000	
	Fibre broadband lines (GPON)	1,047,000	
	TOTAL	1,114,000	

Quarterly change ('000s) by zone

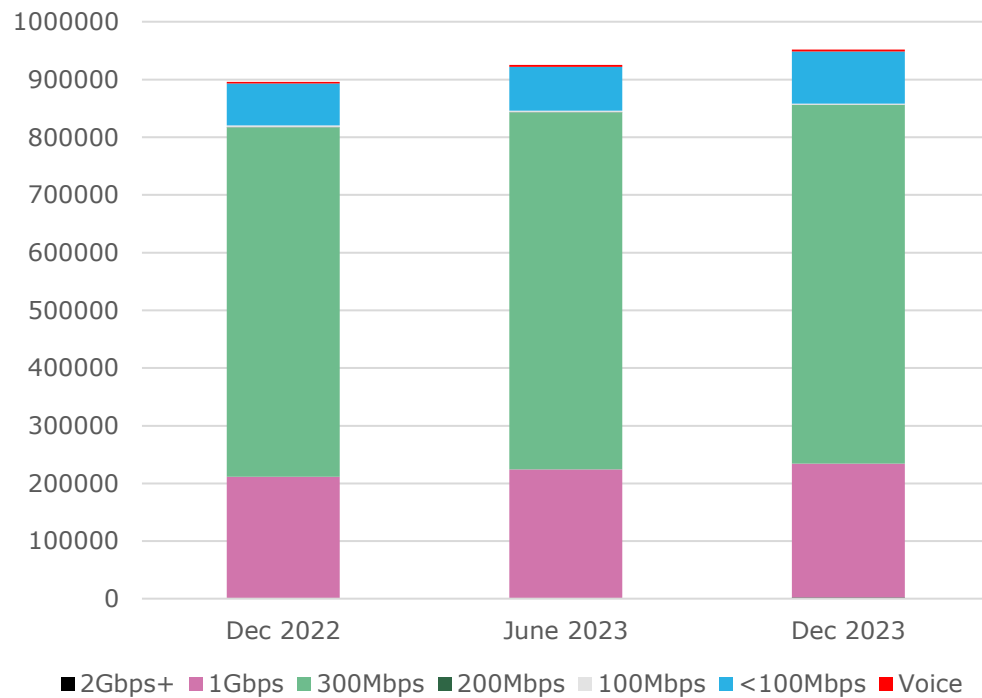


* excludes ~13k fibre premium and data services (copper) and smart location (GPON) connections

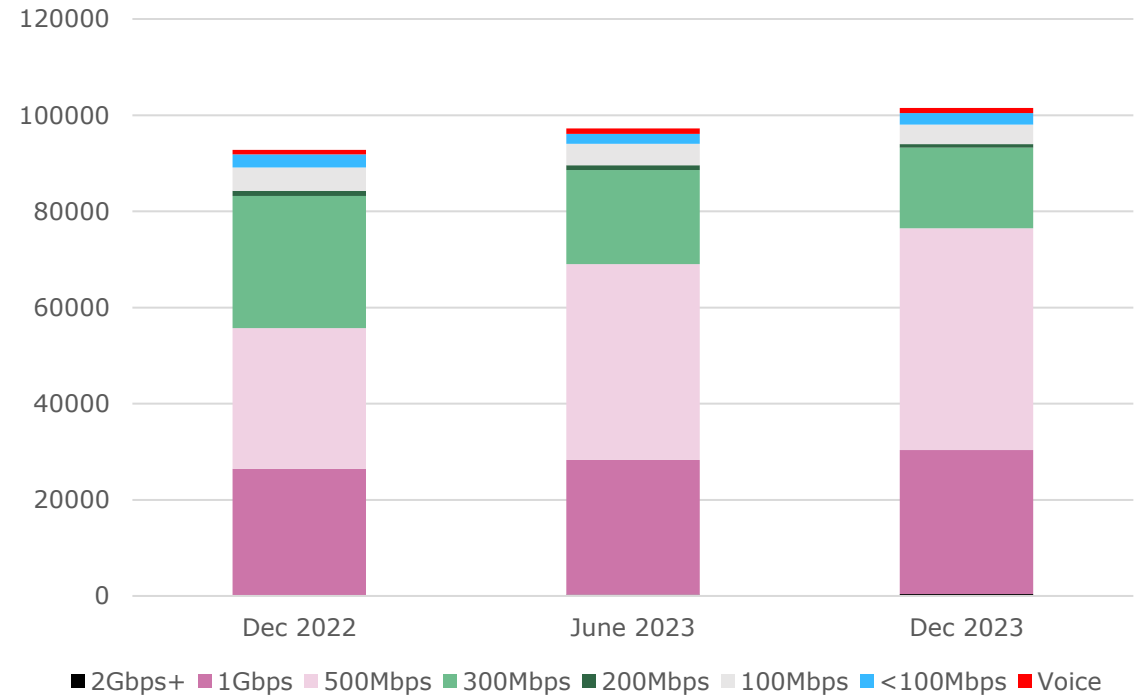
Residential 1Gbps uptake lifts to 25%

- > Home Fibre Starter (50Mbps) uptake doubled to 30k connections
- > 1Gbps connections grew to 25% of residential plans; connections below 300Mbps are 10% of residential plans
- > ~3k Hyperfibre connections with 85% residential consumers
- > 75% of mass market business plans are on 500Mbps or above

Residential

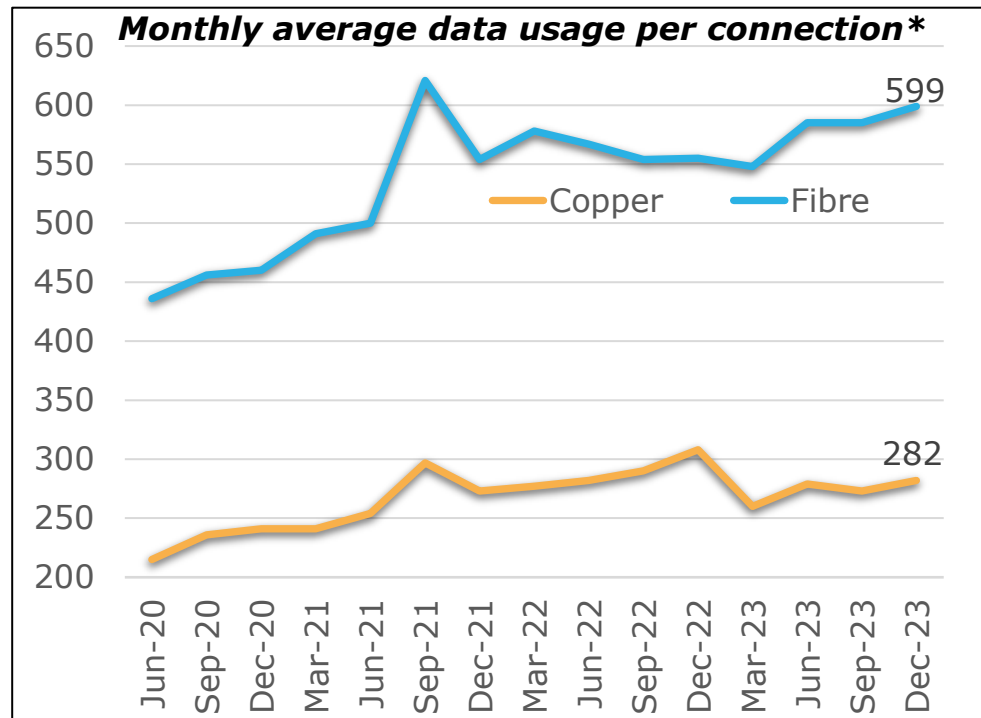


Business



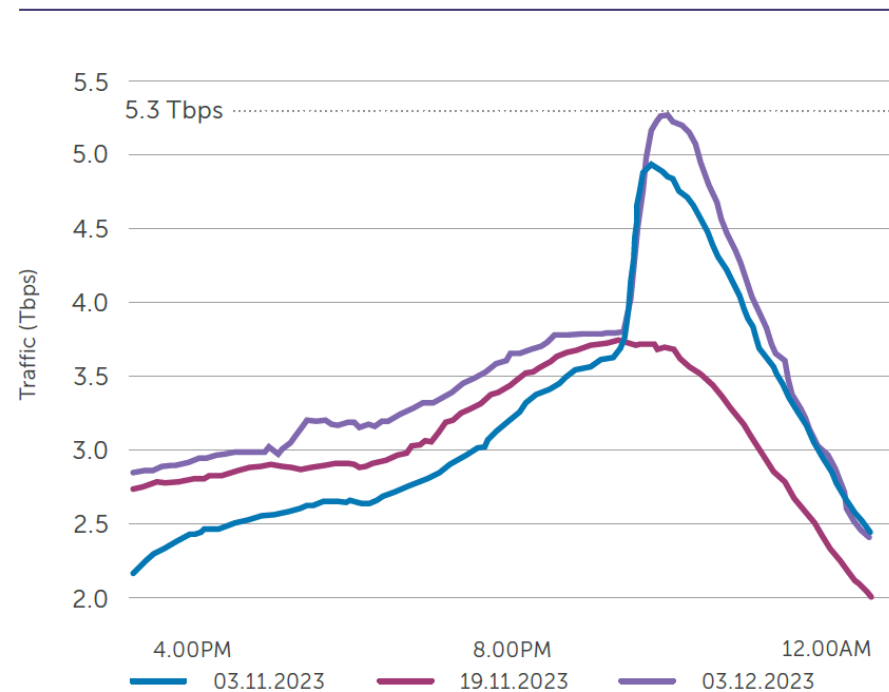
Peak time data usage keeps setting new records

- > monthly average data usage on fibre 599GB in December
- > 16% of broadband connections using more than 1 terabyte of data
- > record peak time throughput of 5.3Tbps in December; up 35% from Dec 2022



* includes upstream traffic

Peak time traffic – Terabits per second



Financial performance

Mark Aue, Chief Operating Officer

Income statement

	H1 FY24 unaudited \$m	H2 FY23 unaudited \$m	H1 FY23 unaudited \$m
Operating revenue	503	493	487
Operating expenses	(156)	(163)	(145)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	347	330	342
Depreciation and amortisation	(228)	(224)	(222)
Earnings before interest and income tax	119	106	120
Net interest expense	(107)	(92)	(103)
Net earnings before income tax	12	14	17
Income tax expense	(7)	2	(8)
Net earnings	5	16	9

- > continued revenue growth as fibre uptake rises
- > inflation-linked cost increases drove HY24 vs HY23 cost growth; H2 FY23 included \$6m for extreme weather costs
- > HY24 underlying EBITDA of \$349m when exclude one-off operating model change costs
- > increase from accelerated copper cable/duct depreciation in fibre areas
- > total borrowings increased and weighted effective interest rate on debt increased from 5.4% to 5.8% in HY24 (note: HY23 included \$11m of non-recurring costs to support refinancing)

Revenue

	H1 FY24 unaudited \$m	H2 FY23 unaudited \$m	H1 FY23 unaudited \$m
Fibre broadband (GPON)	341	320	302
Fibre premium (P2P)	35	34	34
Copper based broadband	45	55	62
Copper based voice	15	18	21
Data services copper	1	2	2
Field services	34	33	37
Infrastructure	16	16	15
Value added network services	13	13	13
Other	3	2	1
Total	503	493	487

> growing fibre uptake and ARPU: \$56.05 end of HY24 vs \$53.38 end of HY23; average CPI of 6% from 1 October

- copper revenues declining as customers migrate to Chorus fibre or competing fibre/wireless networks
- CPI increase of 5.95% applied to some services from mid-December

> greenfields revenue \$14m in HY24 vs \$20m in HY23

> HY24 includes \$2m from property optimisation

Expenses

	H1 FY24 unaudited \$m	H2 FY23 unaudited \$m	H1 FY23 unaudited \$m
Labour	39	38	38
Network maintenance	27	32	28
IT	23	22	20
Other network costs	19	21	16
Rent, rates and property maintenance	14	15	11
Electricity	10	10	9
Provisioning	0	0	1
Insurance	3	3	2
Consultants	3	5	4
Regulatory levies	5	3	6
Other	13	14	10
Total	156	163	145

- > HY24 includes \$2m for operating model changes effective 1 Feb 2024
- > reducing fault volumes but higher average cost per fault
- > HY23 included release of \$2m software provision
- > ~\$2m for copper network decommissioning in HY24
- > CPI impact and increased maintenance work
- > higher electricity prices offsetting declining usage

Underlying EBITDA

	H1 FY24 unaudited \$m	H2 FY23 unaudited \$m	H1 FY23 unaudited \$m
REPORTED EBITDA	347	330	342
Reported operating revenue	503	493	487
▪ extreme weather credit		<u>1</u>	
Underlying operating revenue	503	494	487
Reported operating expenses	156	163	145
▪ extreme weather costs		(6)	
▪ operating model change	<u>(2)</u>	<u>(3)</u>	
Underlying operating expenditure	154	154	145
UNDERLYING EBITDA	349	340	342

Gross capex: \$232 million (HY23 \$222m)

Fibre capex	H1 FY24 \$m	H2 FY23 \$m	H1 FY23 \$m
Communal network	0	0	5
Fibre installations & layer 2	108	93	100
Fibre products & systems	6	5	5
Other fibre & growth	41	52	53
Network sustain	12	8	4
Customer acquisition	20	15	15
Subtotal	187	173	182

- > 49,000 installations; Layer 2 spend \$36m for multi-gigabit services and increased network capacity
- > greenfields \$31m (HY23 \$38m)
- > increased roadworks activity attributable to fibre; cable route lifecycle projects; \$1m cyclone recovery
- > \$12m incentive spend subject to connection volumes and retailer activity

- **Average cost per premises installation: \$1,101** vs \$1,100 - \$1,250 guidance (excludes layer 2 and includes standard installations, some non-standard single dwellings and service desk costs)

Capex: Copper and Common

Copper capex	H1 FY24 \$m	H2 FY23 \$m	H1 FY23 \$m
Network sustain	11	18	9
Copper connections	-	1	-
Copper layer 2	-	-	1
Customer acquisition	1	1	3
Subtotal	12	20	13

> HY24 includes ~\$2m for ongoing rural cabinet upgrade project (largely grant funded) and \$1m for cyclone recovery

Common capex	H1 FY24 \$m	H2 FY23 \$m	H1 FY23 \$m
Information technology	22	24	20
Building & engineering services	11	15	7
Subtotal	33	39	27

> network resilience projects and EdgeCentre investment

FY24 guidance and dividend - unchanged

> **EBITDA: \$680m to \$700m*** [unchanged]

- tracking to upper half of range

> **GROSS CAPEX: \$400m to \$440m** [unchanged]

- tracking to upper half of gross capex range
- fibre, copper, common and sustaining capex sub-category ranges are unchanged

> **FY24 dividend guidance of 47.5cps*** [unchanged]

- FY24 interim dividend 19cps, unimputed
 - **record date:** 19 March 2024
 - **payment date:** 16 April 2024
 - no Dividend Reinvestment Plan available

> **\$150m share buyback completed in September 2023**

- ~19m shares purchased since February 2022
- ~434 million shares on issue at 31 December

> **Chorus is undertaking a capital management review and expects to provide an update at the FY24 results.**

- this review will consider PQP2 settings, shareholder feedback, comparable company benchmarks and macroeconomic factors.
- as noted previously, Chorus is committed to growing shareholder value and delivering a sustainable, growing dividend through time.

* subject to no material adverse changes in circumstances or outlook

Net debt/EBITDA

> ND/EBITDA increased from 4.39x (FY23) to 4.56x

- borrowings increased from \$2,561 million (FY23)
- ratings agency thresholds: Moody's 5.25x, S&P 5.0x
- the Board considers that a 'BBB' credit rating or equivalent is appropriate for a company such as Chorus
- intention that in normal circumstances the ratio of net debt to EBITDA will not materially exceed 4.75x
- financial covenants require senior debt ratio to be no greater than 5.5x

	As at 31 Dec 2023 (\$m)
Borrowings	2,709
+ PV of CIP debt securities (senior)	290
+ Net leases payable	<u>179</u>
Sub total	3,178
- Cash	87
Total net debt	3,091
Net debt/EBITDA*	4.56x

*Based on S&P and bank covenant methodologies

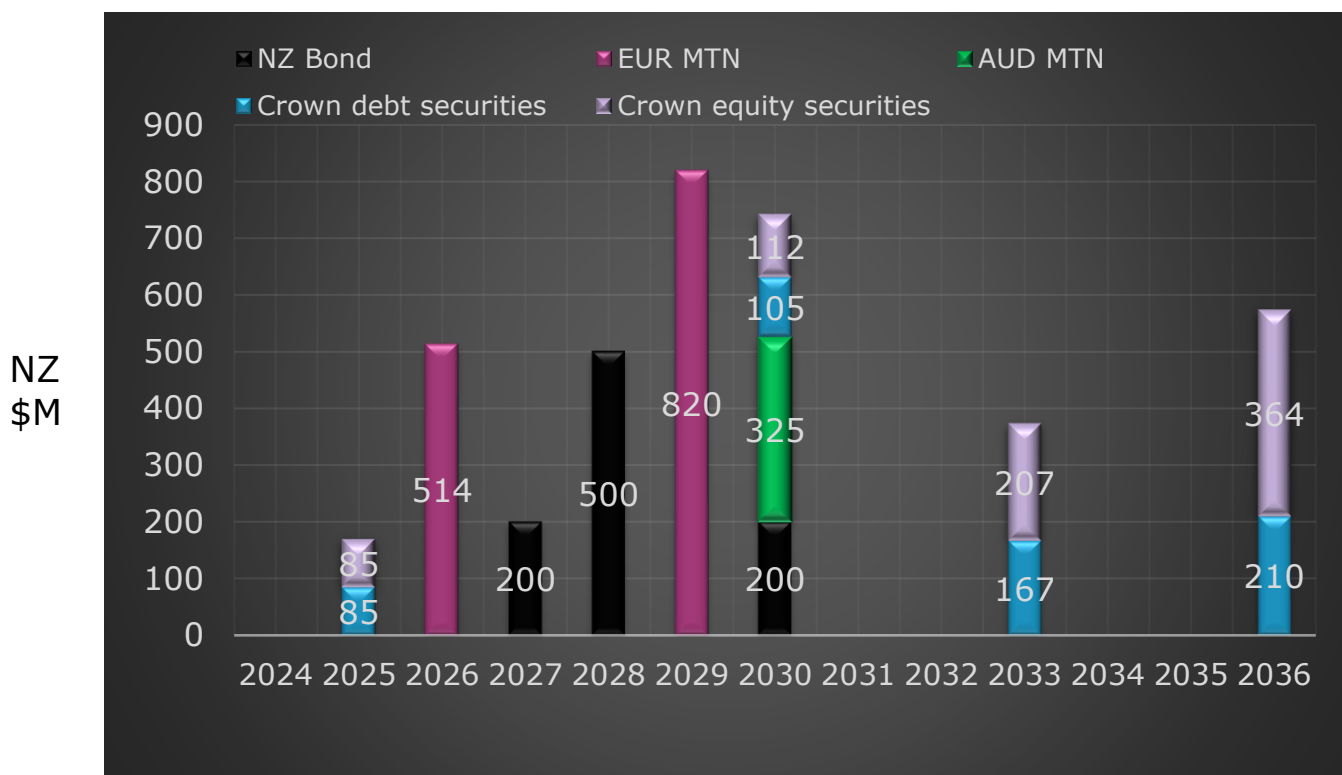
> ~70% of interest rate exposure fixed at 31 December

- net ~\$750m forward start fixed interest rate swaps started in HY24
- ~70% fixed over next 3 years

Bond	Amount (NZ\$m)	Current hedge profile
EMTN 2026	514	100% fixed for life of bond at 3.39%
NZD 2027	200	100% fixed for life of bond at 1.98%
NZD 2028	500	100% fixed for life of bond at 6.21% from Dec 2023 Swapped to a margin over floating (BKBM) through cross currency interest rate swaps. ~50% fixed at 6.3% from Dec 2023
EMTN 2029	820	
NZD 2030	200	100% fixed at 2.5% from Oct 2023
AMTN 2030	325	Swapped to a margin of 1.73% over floating (BKBM) through cross currency interest rate swaps.

Crown financing and debt profile

- > At 31 December, debt of \$2,709m comprised:
 - Long term bank facilities of \$450m (\$150m drawn)
 - NZ bonds: \$900m
 - Euro Medium Term Notes \$1,334m (NZ\$ equivalent at hedged rates)
 - AUD Medium Term Notes \$325m (NZ\$ equivalent at hedged rates)



Crown securities \$m	30 June 2025	30 June 2030	30 June 2033	30 June 2036	TOTAL
Equity securities (cumulative total)	85.3	197.0	404.0	768.5	768.5
Debt securities (maturity profile)	85.3	104.7	166.7	210.2	566.9

Crown equity securities

- unique class of security with no voting rights but a repayment preference on liquidation
- an increasing portion attract dividend payments from 30 June 2025 onwards based on 180-day NZ bank bill rate, plus 6% p.a. margin
- redeemable 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)

Crown debt securities

- unsecured, non-interest bearing and carry no voting rights
- to be redeemed in tranches from 30 June 2025 to 2036 by repaying the issue price to the holder

Regulatory update

> Recent events

- **18 Jan:** notice of consultation on amendments to fibre Input Methodologies with reference to market risk premium (note: recent electricity, gas and airports sector review reduced premium from 7.5% to 7.0%)
- **5 Feb:** Chorus update to PQP2 expenditure proposal reduced capex from ~\$1.5bn to ~\$1.3bn (nominal)

2024 timetable	Detail
Q1 2024	<ul style="list-style-type: none"> ▪ Draft determination of Chorus' PQP2 expenditure allowance ▪ Draft fibre Input Methodologies (IM) amendments
Q2 2024	<ul style="list-style-type: none"> ▪ Chorus Information Disclosure reporting for 2023 year ▪ Final fibre IM amendments ▪ Final determination of PQP2 expenditure allowances ▪ Draft determination of PQP2 revenue path and quality standards ▪ WACC determination
Q4 2024	<ul style="list-style-type: none"> ▪ Final determination of PQP2 revenue path and quality standards

> Recent Commerce Commission reporting update indicates materially higher WACC

- The PQP2 WACC risk-free rate is expected to be based on the average interpolated 4-year government bond yield (bid yield to maturity) during the March to May period

WACC parameter	PQP1 ¹ WACC (1 July 2021)	ID ² WACC (1 Jan 2024)
Risk-free rate	0.51%	5.09%
Average debt premium	1.70%	1.45%
Cost of debt	2.54%	6.87%
Cost of equity	5.62%	8.92%
Mid-point vanilla WACC	4.72%	8.32%
Mid-point post-tax WACC	4.52%	7.77%

Source: Commerce Commission

1. PQP1: first price-quality regulatory period from 2022-2024
2. ID: Information Disclosure. Latest calculated WACC is used for reporting purposes only.

Simplifying our future

JB Rousselot, Chief Executive Officer

Becoming a simpler business

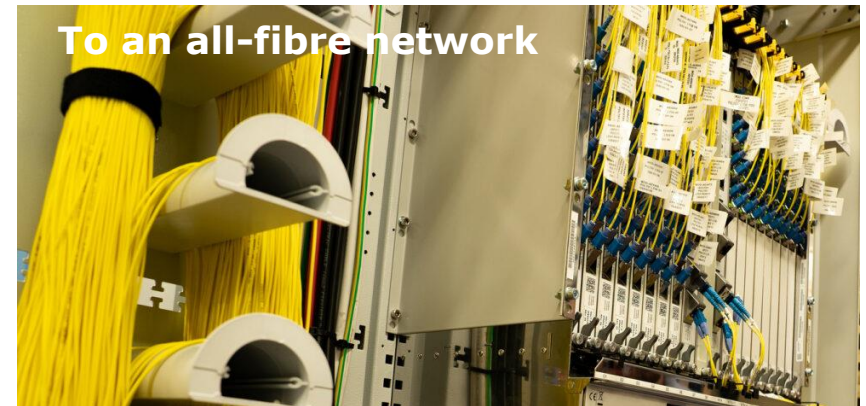
2024 will see large steps in our evolution as a digital infrastructure company

> Copper complexity is diminishing

- copper connections reduced by 94k in 2023; fibre now 85% of connections
- migration to fibre reduced total faults 15% (HY23 vs HY24)
- network and property optimisation activity ramping up
- just 100k copper connections remain in non-fibre areas

> Fine tuning our fibre business

- simpler product stack delivering business connection growth
- 'intacts' customer experience lifted from 7.2 to 7.6 in HY24
- new operating model: value streams driving strategic outcomes
- regulatory settings (2025-2028) should better reflect our fibre-centric business

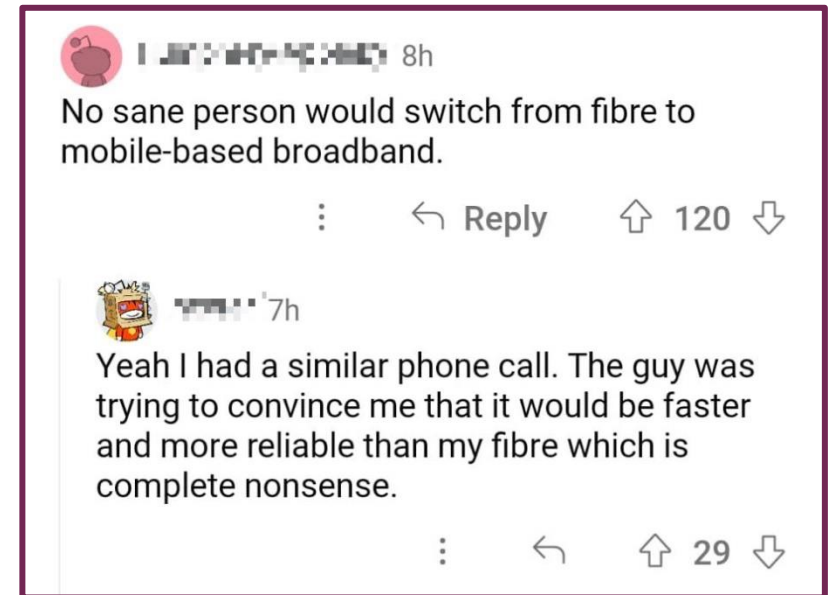


WIN
IN CORE
FIBRE



Pushing towards 80% uptake

- > **Active wholesaler initiatives keep evolving**
 - continue targeting UFB2 areas and inactive fibre socket base
 - tailwind from copper withdrawal will slow as customer pool shrinks
 - consultation underway to sharpen retailer incentives
 - tailoring migration activity to customer groups (e.g. retirement villages)
- > **Consumer perception of fibre's premium value remains strong**
 - *Home Fibre Starter 50Mbps* supporting copper migration, cost of living needs and wireless winback
 - 1Gig plans continue to capture high share of net growth
 - growing retailer support for *Hyperfibre* (2-4Gbps)
 - regulator needs to protect consumers with product transparency

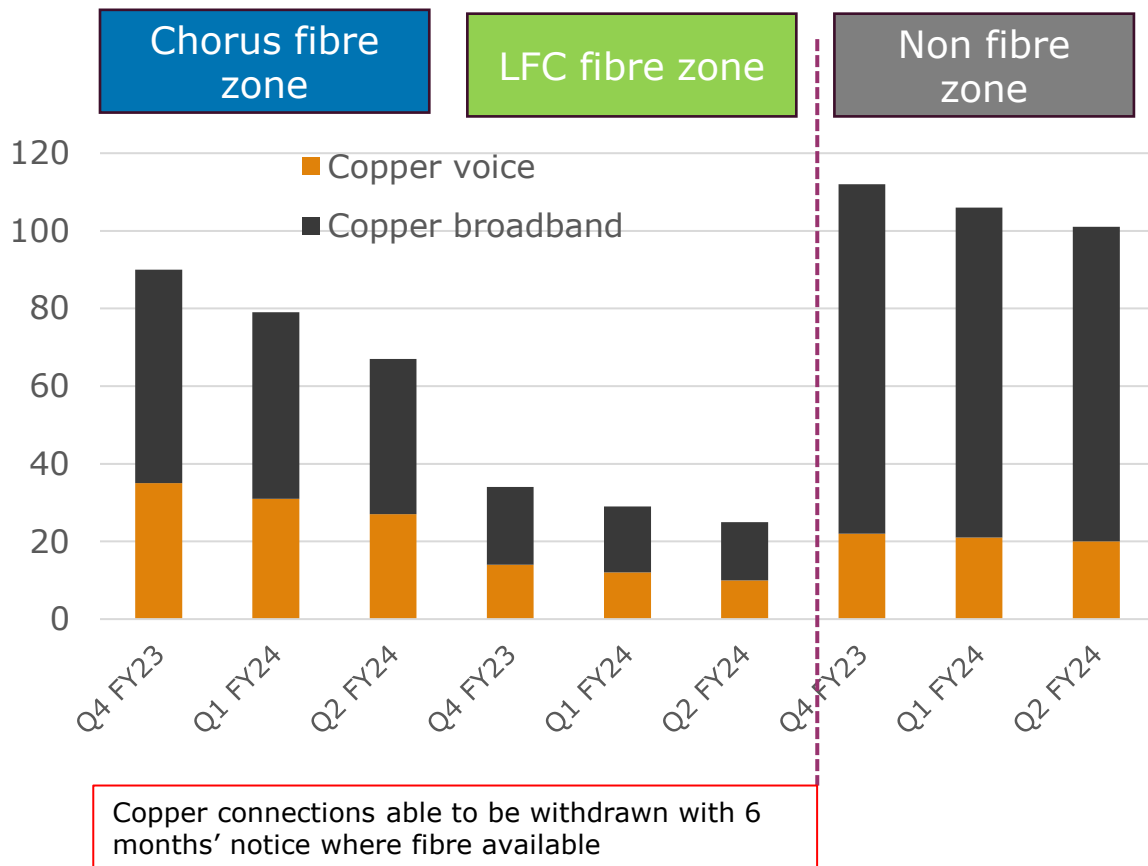


Fibre expansion confirmed for 10k premises

- > **Fibre expansion:** 10k premises rollout confirmed for communities adjacent to existing fibre network
 - ~\$40m communal rollout cost with majority of build in FY25
 - winback opportunity: ~60% of premises are offnet
- > **New property development:** fibre extended to ~15k lots in HY24; sector slowing from post-COVID highs
- > **Edge Centre:** extra Auckland capacity added; >50% pre-sold
- > **Smart locations (e.g. traffic cameras):** steady growth in demand for fibre connectivity



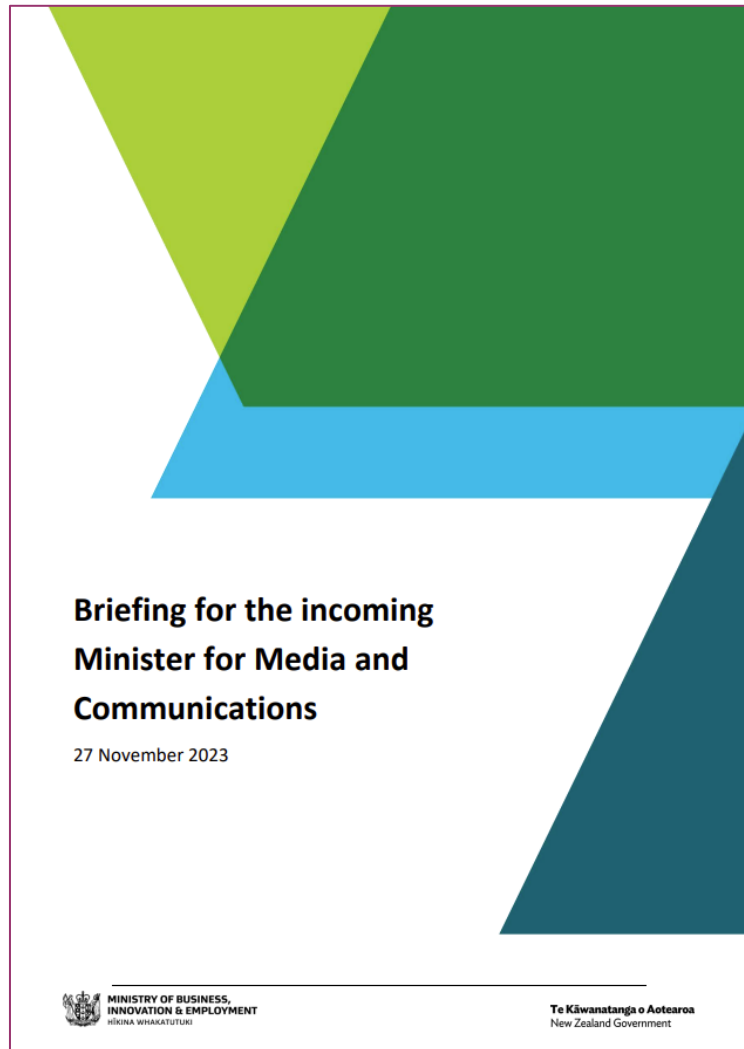
Copper connections now weighted to rural



- > **~47,000 copper withdrawal notifications issued (cumulative) in fibre areas**
 - copper service ceased for ~36,000 notified connections
 - 826 copper broadband cabinets closed; 1,435 under closure notice
 - broadband retention rate of 82% across closed cabinets

- > **ongoing connection reduction in rural areas underlines copper's limited technology horizon**
 - Australian Government review to modernise Universal Service Obligation and consider alternative technologies

The future is resilient, reliable, gigabit broadband



"High performing, resilient communications networks and services are critical for economic and social prosperity..."

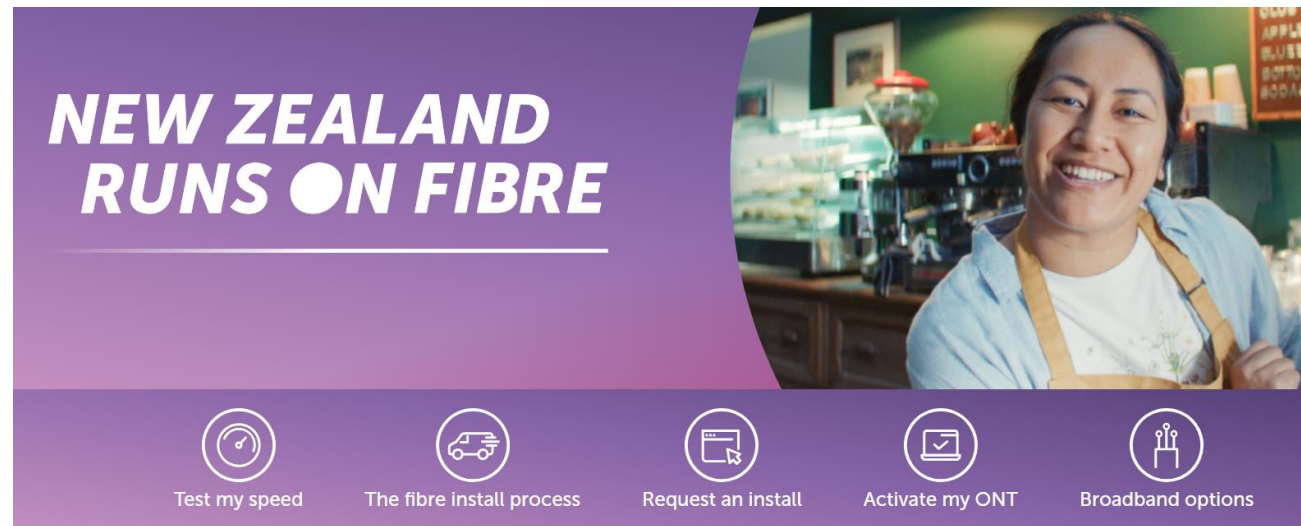
In line with previous UFB investments, expanding the capacity of New Zealand's telecommunications in areas that do not have fibre is likely to pay long term economic dividends and have low investment risks.

It is also likely to provide better value for money over the life of the underlying fibre assets because it negates the need to maintain ongoing funding for wireless rural networks that will face ongoing capacity issues as New Zealanders do more economic and social activities online."

Source: Ministry of Business, Innovation & Employment - *Briefing for the Incoming Minister for Media and Communications*

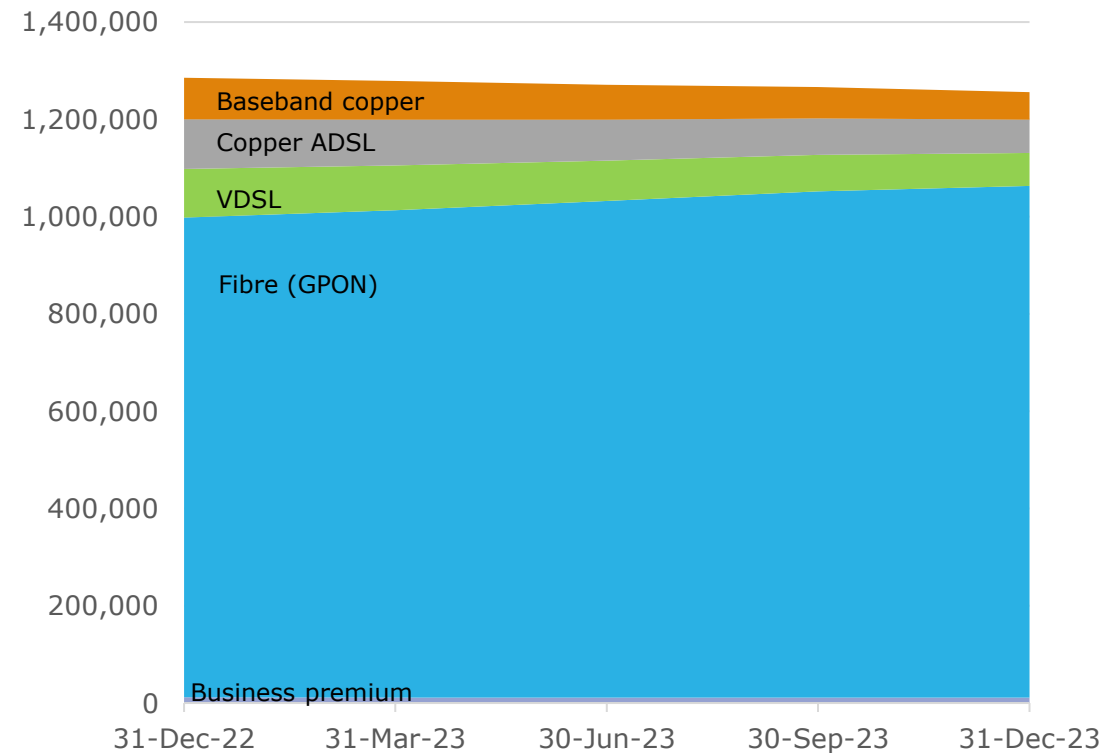
A solid HY24

- > **data growth, plan mix and incentives driving fibre uptake**
- > **EBITDA lift from revenue growth and good cost control**
- > **PQP2 expenditure submission lodged and draft decision due soon**
- > **fibre extension confirmed for 10,000 premises**
- > **business evolving to a simpler all fibre future**
- > **seamless CEO transition**



Appendix A: Connections data, market trends, pricing

	31 Dec 2022	31 March 2023	30 June 2023	30 Sept 2023	31 Dec 2023
Unbundled copper (no broadband)	not material	not material	not material	not material	not material
Baseband copper (no broadband)	85,000	80,000	72,000	64,000	57,000
Copper ADSL (includes naked)	102,000	94,000	84,000	75,000	68,000
VDSL (includes naked)	100,000	92,000	83,000	75,000	68,000
Fibre broadband (GPON)	986,000	1,002,000	1,021,000	1,041,000	1,052,000
Data services (copper)	1,000	1,000	1,000	1,000	1,000
Fibre premium (P2P)	11,000	10,000	10,000	10,000	10,000
Total connections	1,285,000	1,279,000	1,271,000	1,266,000*	1,256,000*



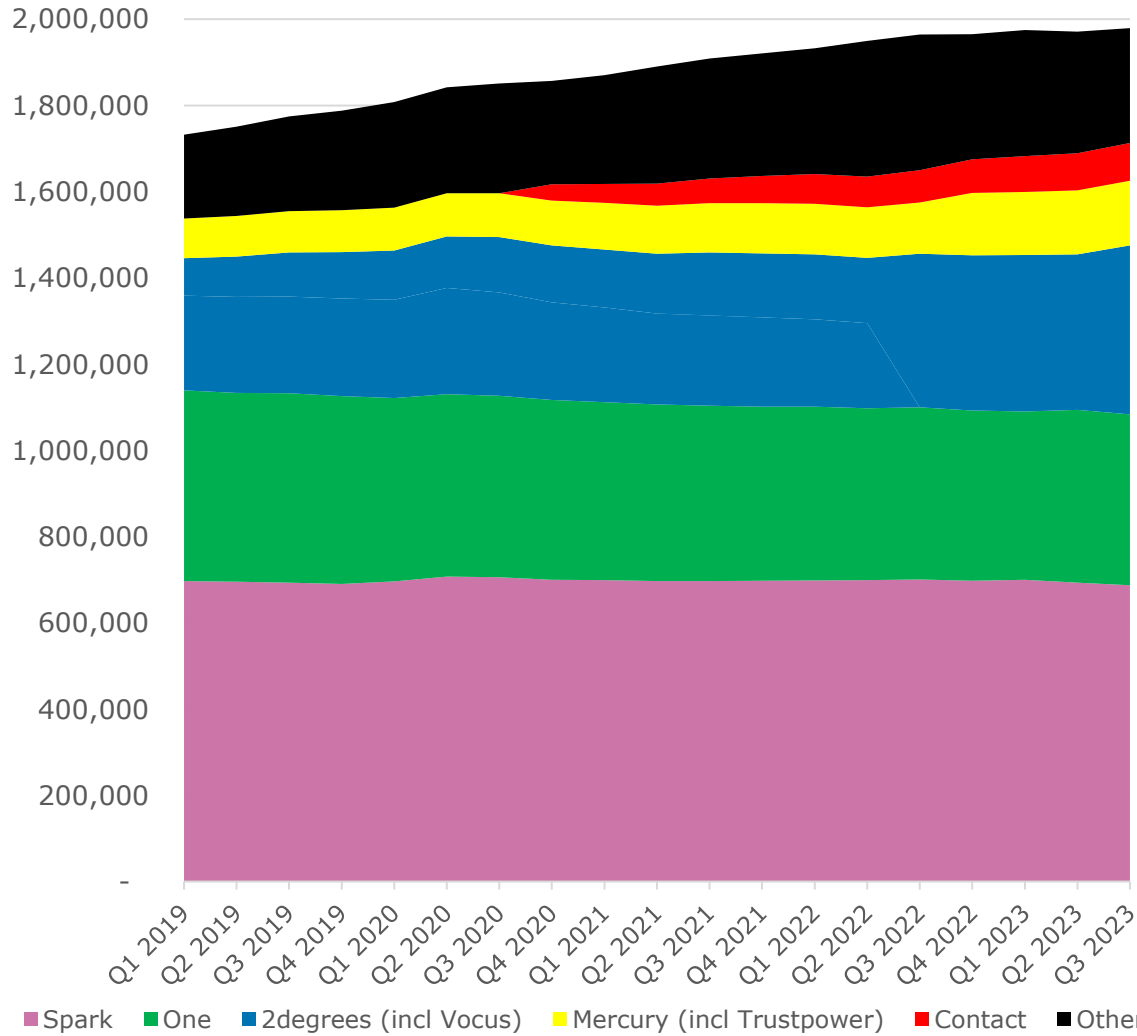
> **1,188,000* broadband connections comprises:**

- 1,052,000 fibre (GPON) connections
- 136,000 VDSL/ADSL (copper) connections

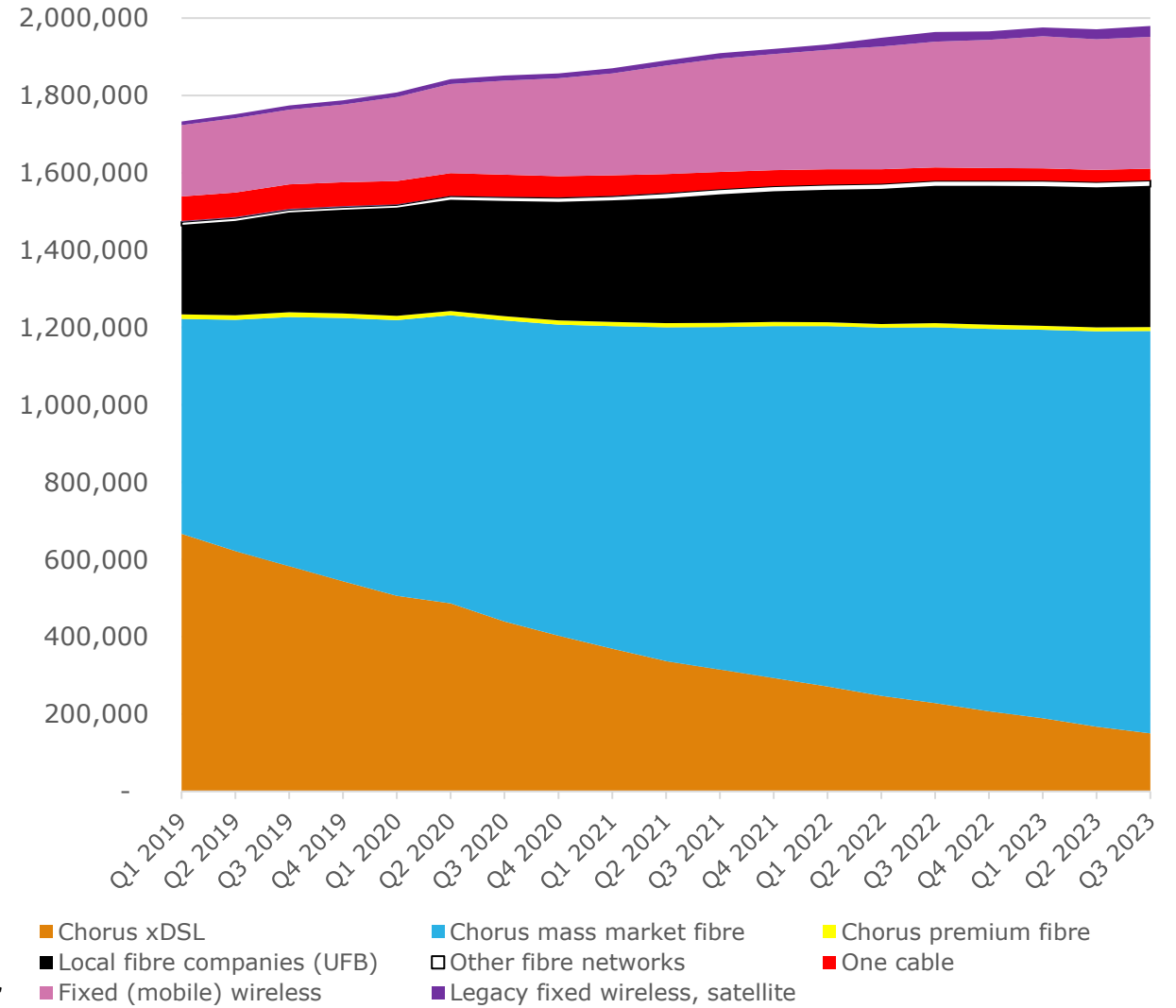
* Includes 1k DSL and 1k GPON partly subsidised education connections that were previously excluded from broadband totals

> **CPI increase of 5.65% applied to copper baseband and copper broadband services from mid-December**

NZ broadband market – by retailer



NZ broadband market – by technology



Source: IDC

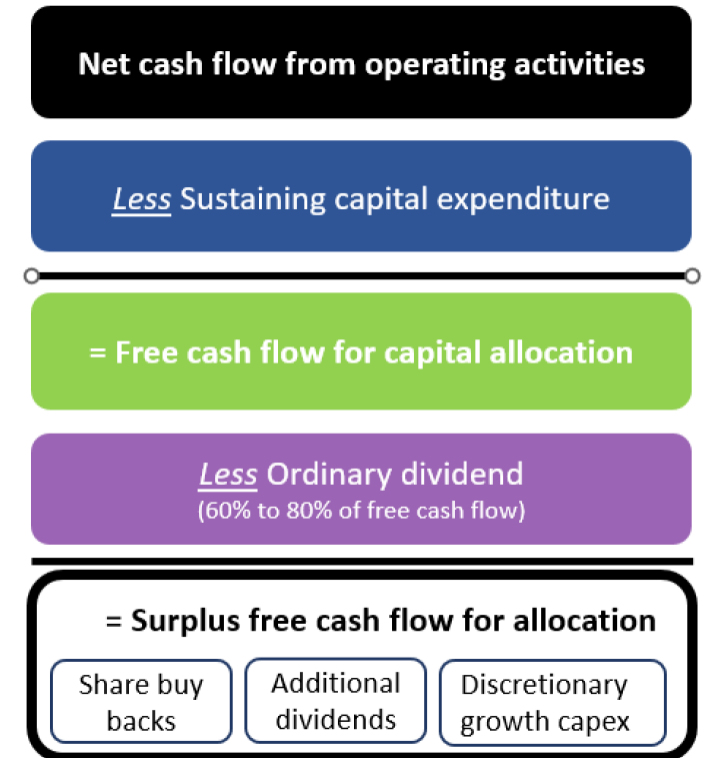
Fibre plan - consumer	Current wholesale price	Price before 1 Oct 2023	Notes
Voice line	\$29.11	\$27.45	
Home starter 50/10Mbps	\$35	\$35	Applies where retail price is \$60. Price reduced to \$35 from 1 Feb 2022
50/10Mbps	\$50.43	\$47.28	
100/20Mbps 300/100Mbps	\$53.54	\$50.50	100Mbps is anchor service. 300Mbps plan introduced late 2021.
1Gbps	\$61.86	\$58	
Hyperfibre 2Gbps	\$70	\$70	
Hyperfibre 4Gbps	\$85	\$85	
Hyperfibre 8Gbps	\$110	\$110	

Copper pricing	Current wholesale price	Price before 16 Dec 2023	Notes
Copper line	\$38.21	\$36.17	Annual CPI adjustment mid-December 2023
Copper broadband	\$51.08	\$48.35	

Appendix B: Additional financial & regulatory information

Capital management framework

- > **Key principles and components of our capital management framework include:**
 - growing shareholder value and delivering a sustainable, growing dividend through time
 - operating within our investment grade, BBB, 5x net debt/EBITDA ceiling (internal limit 4.75x)
- > **Investment in discretionary growth capex:**
 - can be phased to fit the parameters of the dividend policy and debt limits
 - will be subject to business casing, market conditions and regulatory settings/approvals
 - includes *RAB investment* (e.g. new fibre installations, greenfields growth and footprint expansion) and *non-RAB investment*
- > **Chorus expects the core RAB value (i.e. excluding the Financial Loss Asset) to be at least maintained in the longer term**



Sustaining capex

- > Of HY24 \$232m gross capex, \$116m was sustaining capex and \$116m was non-sustaining/growth capex

Non-sustaining capex	H1 FY24 \$m	H1 FY23 \$m
UFB communal	0	5
Fibre installations	72	77
Greenfield growth	31	41
Footprint expansion	0	2
Customer acquisition (incentives)	12	7
EdgeCentre Colocation	1	-
Subtotal	116	132

Fibre capex: sustaining	H1 FY24 \$m	H1 FY23 \$m
Layer 2	36	23
Fibre products & systems	6	2
Network sustain	12	4
Other fibre	10	13
Customer acquisition costs*	8	8
Subtotal	72	50
Copper capex: sustaining		
Network sustain	11	9
Copper connections	-	-
Copper layer 2	-	1
Customer acquisition costs*	1	3
Subtotal	12	13
Common capex: sustaining		
Information technology	22	20
Building & engineering services	10	7
Subtotal	32	27

*Relates to provisioning, systems and service desk costs

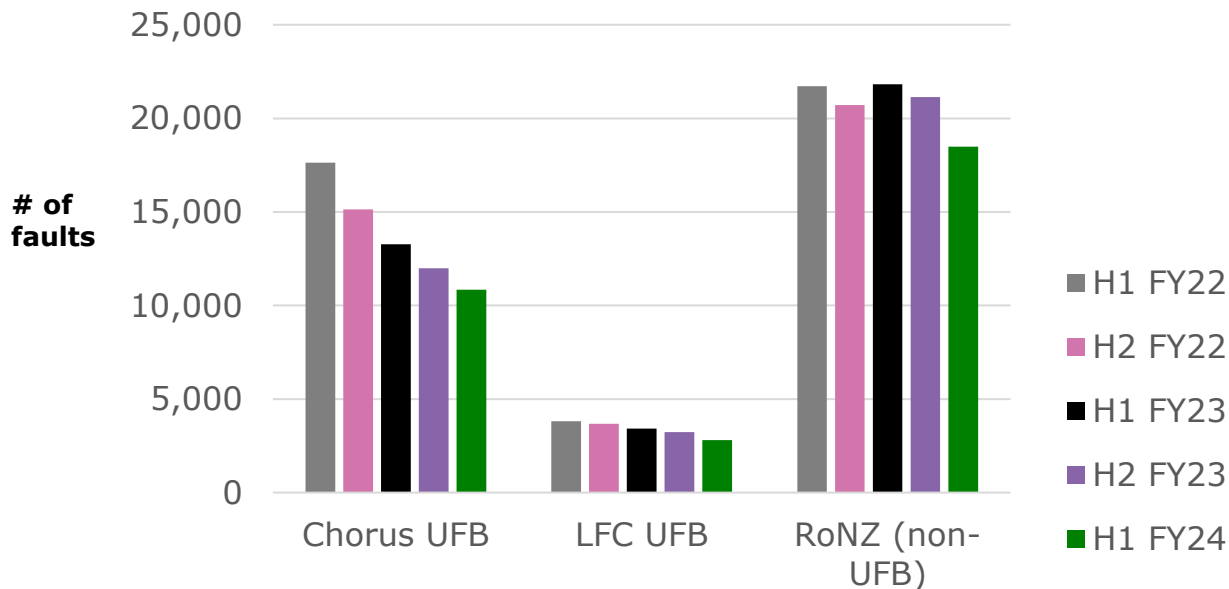
Maintenance trends

- copper faults continue to fall in Chorus fibre areas as we withdraw copper services
- non-fibre areas (~13% of population) make up the majority of copper network faults and reactive costs
- H2 FY23 copper reactive fault spend included Cyclone Gabrielle costs

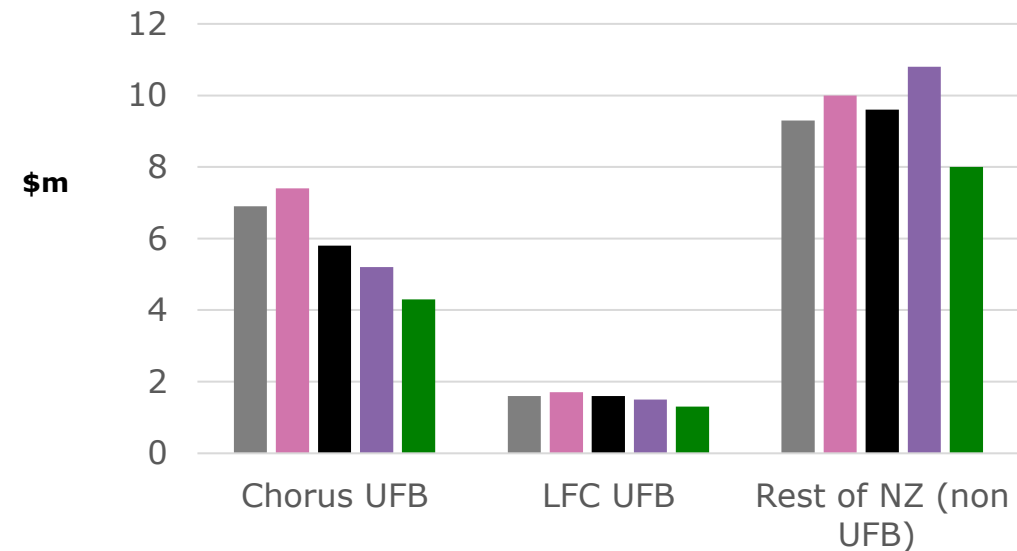
Note:

- reactive maintenance excludes spend on proactive maintenance and customer networks (i.e. premises wiring, no fault found, cancellations)

Copper – fault volumes by area



Copper - reactive fault spend by area



Maximum Allowable Revenue (MAR)

Table X3 Final building blocks revenue components (\$m, nominal)

Component	2022	2023	2024
Total return on capital	\$122.9	\$99.0	\$100.6
Return on assets (RAB x WACC)	\$260.8	\$260.7	\$258.8
Revaluations	-\$95.5	-\$117.7	-\$113.7
Ex-ante stranding allowance	\$5.4	\$5.5	\$5.4
Benefit of Crown finance	-\$49.8	-\$51.3	-\$51.7
TCS D allowance	\$1.9	\$1.9	\$1.9
Opex allowance	\$160.4	\$158.2	\$156.0
Total depreciation	\$464.6	\$456.3	\$458.9
Core fibre assets	\$261.4	\$274.2	\$296.6
Financial loss asset	\$203.2	\$182.1	\$162.3
Tax allowance	\$0	\$0	\$0
In-period smoothing	-\$71.9	\$19.4	\$58.5
Total	\$676.1	\$732.9	\$774.0
Pass-through costs	14.2	14.5	15.5
TOTAL	\$690.2	\$747.4	\$789.5

- > PQP1 vanilla WACC of 4.72% (used 0.51% risk-free rate), would be 8.32% if recalculated at 1 Jan 2024 using recent rates.
- > forecast CPI used for revaluations in 2022 was 1.8% (vs 7.22% actual). 2023 forecast was 2.2% (vs 4.66% actual) and 2024 forecast is 2.13%. Higher revaluation rates during RP1 will be reflected in the opening RAB for PQP2.
- > the estimated benefit of Crown debt and equity is deducted from the MAR. This amount will vary between regulatory periods depending on the WACC.
- > cost allocations will need to be addressed in RP2 given the increasing dominance of fibre in Chorus' business operations.
- > reflects an implied 14-year asset life through regulatory process.
- > reflects asset life of 14.2 years and tilted annuity depreciation (-13% tilt rate)
- > tax building block commences from ~FY27 and grows to ~\$100m
- > CPI forecast assumptions were 2.71% in 2022, 2.17% in 2023, 2.04% in 2024. The 2023 and 2024 MAR will be updated for preceding June forecasts and then for actual CPI as part of the RP2 wash-up process.
- > MAR totals reflect draft starting RAB and allocations in 2021. Changes in the final RAB announced in October 2022 will be reflected in the next regulatory period wash-up.

Source: Commerce Commission, price-quality path final decision, 16 Dec 2021

RAB movements for 2022 ID year

Closing RAB of \$5,710m

Component	Core RAB \$m (nominal)	Financial Loss Asset (FLA) \$m (nominal)	Notes
Opening RAB (1 January 2022)	4,032	1,416	October 2022 final RAB decision total of \$5,413m (core \$3,997m and FLA \$1,416m) updated for 2022 allocation factors.
<i>less</i> Depreciation	(277)	(234)	FLA depreciation is diminishing value and the core RAB is straight-line. Assets start depreciating the regulatory year after commissioning.
<i>plus</i> Revaluations	287	102	7.22% actual inflation in the December quarter versus forecast 1.8% used in the initial 2022 MAR. The ID RAB rolls forward into RP2 and will be reflected in the RP2 MAR.
<i>plus</i> Assets commissioned	356		Amount is net of \$52m capital contributions
<i>plus</i> Adjustment resulting from asset allocation	28		An upwards adjustment reflects a greater proportion of shared assets being attributable to fibre (due to differences in allocations drivers such as revenues and connections) than was forecast for the opening RAB in 2023.
Total closing RAB value (31 Dec 2022)	4,426	1,284	

NOTE:

1. RAB movements do not affect the RP1 MAR. The ID RAB closing value will be the basis of the opening RAB for RP2.
2. RAB movement calculations are subject to Commerce Commission review and approval.

2022 MAR wash-up balance of \$46.8m

Description	Revenue \$m (nominal)	Wash-up \$m (nominal)	Notes
Building blocks revenue	676.1		2022 MAR was set on the basis of 2021 forecasts.
Pass-through costs	<u>14.2</u>		
Forecast total allowable revenue 2022	690.2		
<i>Less</i> 2022 FFLAS revenue received	<u>(667.2)</u>	23.0	Chorus under-earnt initial MAR allowance by \$23m.
<i>Plus</i> Initial RAB true-up		8.5	MAR adjustment to reflect increased allocation of shared assets in the final RAB decision: expect ~\$30m smoothed across RP1.
<i>Plus</i> Pass-through costs		1.5	Actual pass-through cost of \$15.7m versus forecast \$14.2m.
<i>Plus</i> Crown financing benefit		0.1	Reflects lower Crown financing balance than forecast.
<i>Plus</i> Cost allocators		<u>13.7</u>	Previously forecast cost inputs (e.g. totex, connections and data traffic) have been updated for actuals in the period.
Total wash-up balance for 2022		46.8	The wash-up balance is rolled forward each year using the post-tax WACC as the time-value of money to preserve NPV neutrality. The RP1 balance will be added to the RP2 MAR.
Updated total allowable revenue 2022		714	

NOTE:

1. The regulations omitted a 2022 wash-up for actual CPI. The 2023 and 2024 MAR will be updated for forecast CPI changes as part of in-period smoothing. The 2023 MAR used 2.17% forecast CPI and will be updated for 3.37% (June 2022 forecast) with actual CPI applied via the wash-up process for RP2.
2. There was no wash-up required for individual capex proposals in 2022.
3. A wash-up for connection capex differences vs forecast will occur at the end of 2024.
4. All wash-up estimates are subject to Commerce Commission review and approval.