



Chorus Limited
Level 10, 1 Willis Street
P O Box 632
Wellington
New Zealand

Email: company.secretary@chorus.co.nz

STOCK EXCHANGE ANNOUNCEMENT

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Commerce Commission releases price-quality draft decision for Chorus' fibre business

The Commerce Commission has released its draft decision on Chorus' price-quality determination for the first regulatory period for fibre (RP1, 2022-2024).

The draft decision references an annual revenue range of \$689 million to \$786 million, including pass-through costs, during RP1 and remains broadly consistent with Chorus' forecast fibre revenues for the period.

However, today's draft decision is based on Chorus' recently submitted conservative RAB estimate of \$5.5 billion and doesn't reflect critical decisions yet to be made by the Commission on the initial value of the fibre network. Risk-free rate and inflation assumptions will also need to be updated when the Commission makes its final decision.

Key elements of today's decision include:

- a diminishing value depreciation method for the financial loss asset, using a depreciation rate of 14.3%
- smoothing of the revenue profile in the period
- post-tax WACC of 4.46%, including risk-free rate of 0.43% for three-months ending 31 March
- reductions to capital expenditure, largely reflecting differing demand and inflation assumptions and proposals to require additional evaluation for incentive and innovation spend
- a proposed 10.6% or \$52m reduction to Chorus' operating expenditure in the period

A table from the Commission's draft decision summarising these key elements is attached. The Commission's decision is available [here](#).

Chorus submitted a proposed MAR of \$720 million to \$820 million to the Commission on 17 May.

Chorus CEO JB Rousselot said Chorus will review the Commission's decision carefully and a key focus area for its submissions will be ensuring the expenditure allowed by the Commission can support the ongoing rollout and operation of our world class fibre network.

Authorised by:

David Collins

Chief Financial Officer

ENDS

For further information:

Brett Jackson Investor Relations Manager

Phone: +64 4 896 4039

Mobile: +64 (27) 488 7808

Email: Brett.Jackson@chorus.co.nz

Steve Pettigrew

Head of External Communications

Mobile: +64 27 258 6257

Email: steve.pettigrew@chorus.co.nz