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## **STOCK EXCHANGE ANNOUNCEMENT**

18 July 2014

### **Chorus agrees funding option with CFH**

Chorus announced today that it has entered into a conditional agreement with Crown Fibre Holdings (CFH), which gives Chorus the option to bring forward part of CFH's existing investment funding earlier in the build of the ultra-fast broadband (UFB) network.

In the event that Chorus elects to take up the option to bring forward the funding, it would only be able to be drawn from October 2015, which is expected to be after the conclusion of the Commerce Commission's final pricing principle reviews.

Under the agreement, Chorus has the option of bringing forward CFH funding of up to \$178m that is budgeted to be spent on Chorus' UFB programme in FY18 and FY19. At an effective finance rate of around 8.5% at today's rates, this reflects a relatively expensive source of financing and would translate into Chorus receiving between \$141 and \$149 million of advance funding if fully drawn, depending on the timing of the draw down.

Chorus CFO Andrew Carroll said the agreement is a useful funding backstop that does not change Chorus' build obligations for UFB.

"Chorus is already reshaping its business model and has a range of initiatives that will commence in FY15 to address the economic impact of the interim benchmarking pricing that is due to apply from 1 December. This facility provides useful additional financial flexibility and liquidity if needed and does not have any ongoing financial cost unless drawn. We have been discussing this initiative for some time and appreciate CFH's ongoing support as we work through the challenges presented by the Commerce Commission's initial pricing principle decision," he said. "The option to bring forward funding is one of many initiatives Chorus has underway to bridge the funding gap outlined in the independent Ernst and Young report released on 14 December 2013."

Similar to many corporate financing arrangements, the advance CFH funding will not be available in the event that there is a material deterioration in Chorus' position, including the Commerce Commission's review resulting in pricing materially lower than its initial benchmarking price of \$34.44, or payment of a dividend by Chorus prior to drawing on this facility. Access to the funding is also contingent on Chorus meeting its UFB build milestones, Chorus continuing to be able to operate under its

lending agreements and agreeing certain matters with Chorus' lending syndicate. Chorus is currently in discussions with its banks on a range of potential amendments to its existing facilities.

If Chorus chooses to use the facility, Chorus would be unable to pay a dividend before December 2019 without CFH approval, unless Chorus normalises the CFH funding profile.

The facility will automatically terminate if Chorus does not use it by 30 June 2016.

There are no changes to Chorus' underlying contractual obligations to pass all premises in Chorus' coverage area before December 2019, or changes to the network requirements.

**ENDS**

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