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STOCK EXCHANGE ANNOUNCEMENT

7 May 2015

Chorus quarterly connections update

Attached is Chorus' quarterly connections update for the period ending 31 March 2015.

Highlights for the period include:

- Total fixed line connections increased by 1,000 to 1,783,000
- Broadband connections increased by 11,000 lines, or 1%, to 1,197,000
- Chorus UFB communal build 40% complete with 439,000 end-users now able to connect to Chorus UFB.

ENDS

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Chorus quarterly update

7 May 2015



Chorus Q3 summary

- > During the period from 31 December 2014 to 31 March 2015:
 - Total fixed line connections increased by 1,000 to **1,783,000**
 - Broadband connections increased by 11,000 lines, or 1%, to **1,197,000**
 - Chorus **UFB communal build 40% complete** with 439,000 end-users now able to connect to Chorus UFB. Ashburton, Blenheim, Oamaru and Taupo communal build work completed.
 - Significant increase in UFB orders received in February and March. March was second biggest month to date for UFB connections.
 - Gigatown promotion launched in Dunedin with ~400 1Gbps connections to date. **Dunedin ranked 1st in Australasia** for broadband speed (Ookla "Net Index" global broadband rankings) with 75Mbps average download speed between December and April.
 - **85,000 rural lines** now within reach of better broadband through Chorus' work on the *Rural Broadband Initiative*. Fixed line broadband continues to gain market share from wireless.
 - Service providers continued focus on cost out and legacy product alternatives.
 - Service provider competition expected to increase following M2 acquisition of Callplus and 2 Degrees acquisition of Snap.
 - Growth in online content offerings with Spark's free *Lightbox* offer and the launch of Sky TV's *Neon* service (February) and Netflix NZ (March).



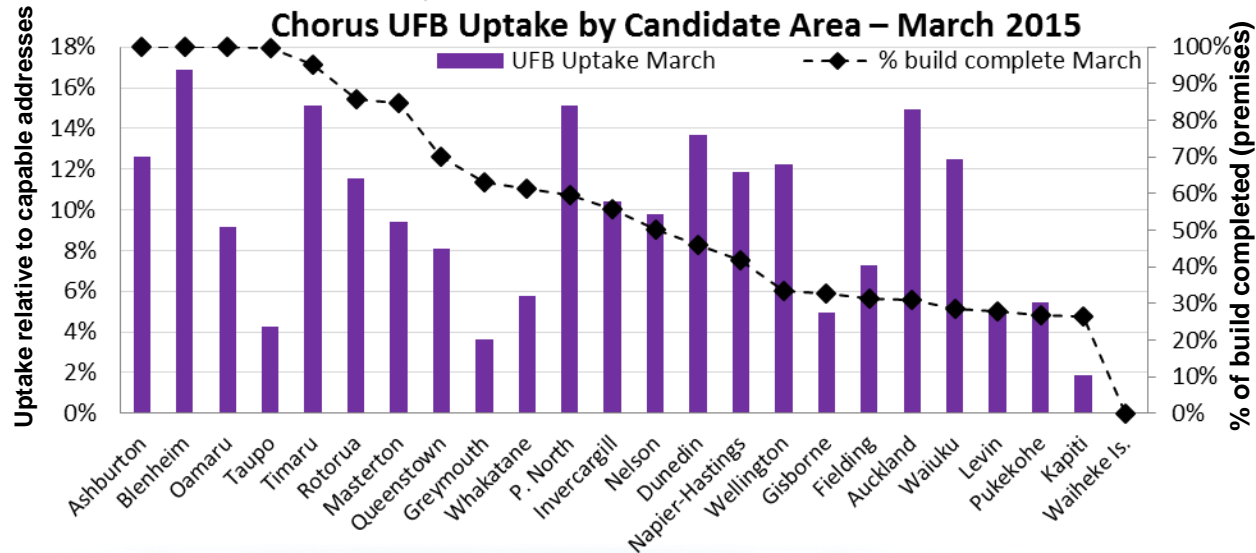
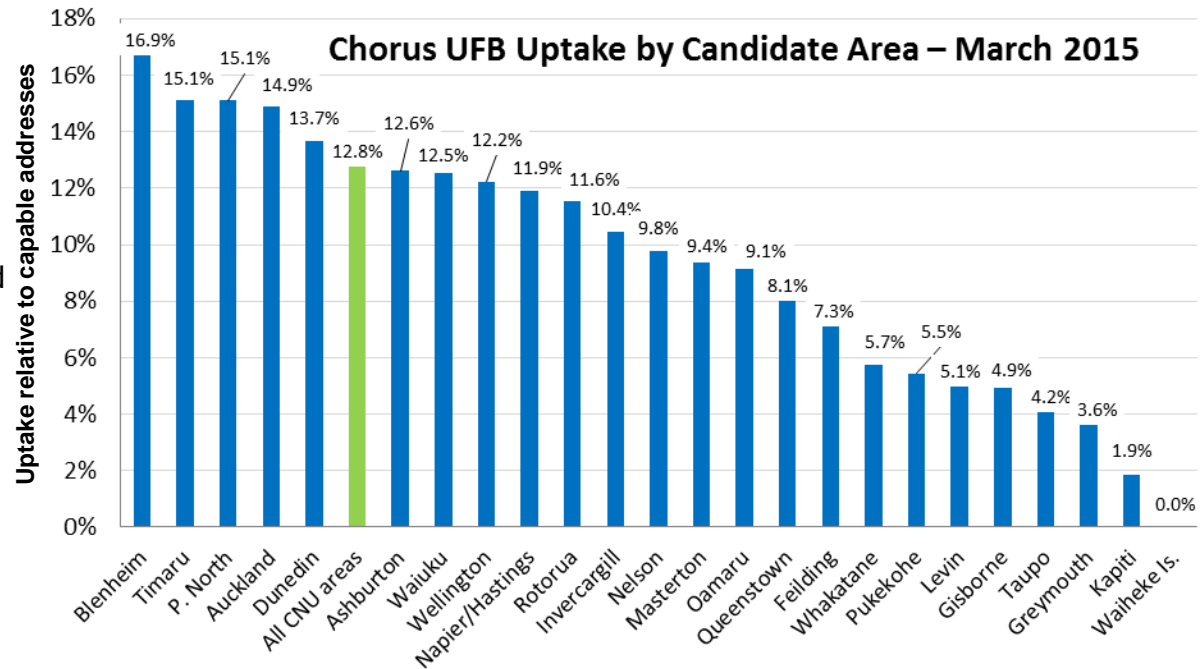
UFB deployment and uptake

> UFB build 40% complete

- build complete for **333,000 premises**
- **439,000** end-users able to connect to Chorus UFB
- **278,000** premises tested and paid at 31 March
- **FY15 target:** Build complete for **72,000** of 106,000 premises

> Uptake varies widely from area to area

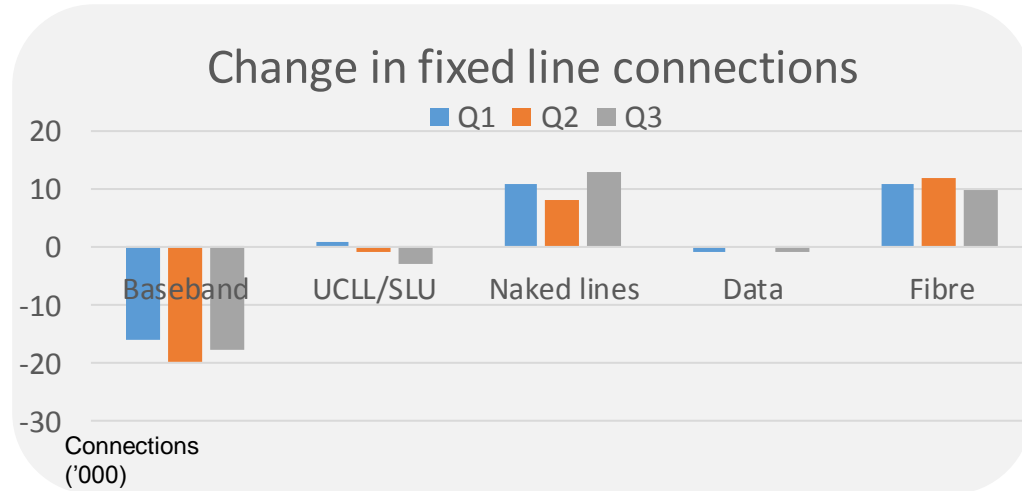
- **56,000** connections within UFB deployed footprint (47,000 at 31 Dec)
- March was second biggest month to date for UFB connections
- **~12.8%** uptake across all Chorus UFB areas relative to capable addresses
- Blenheim has highest uptake at 16.9% relative to capable addresses



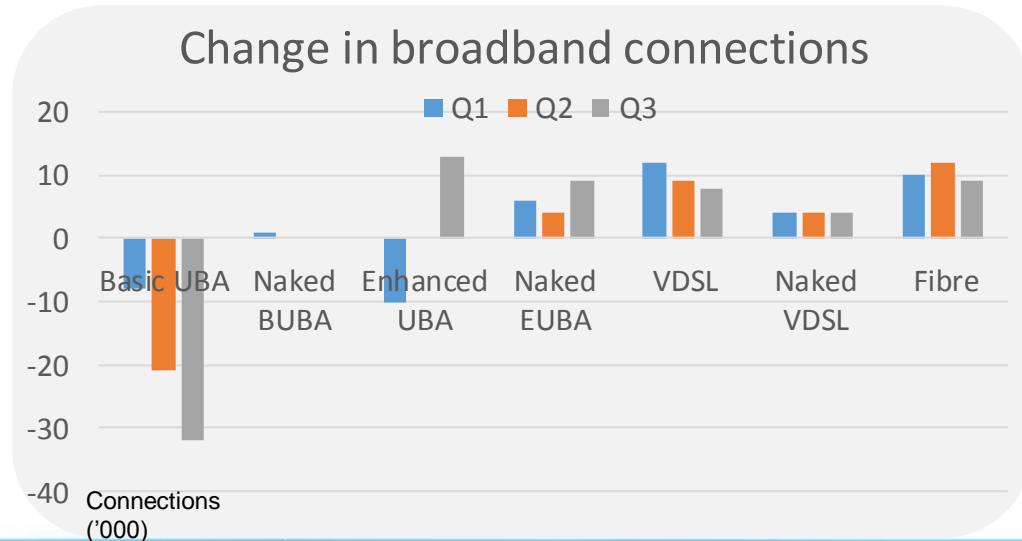
- Charts show end-user uptake as a proportion of UFB capable addresses (i.e. network is commissioned for service).
- % uptake may decrease from period to period as more network is commissioned in an area.

Connections trends

- > Total connections up by 1,000 lines (note: Q2 and Q3 subject to seasonal variation with departure then return of tertiary students)
 - shift from baseband copper to other connection types continues
 - 15% increase in fibre lines
 - 10% growth in 'Naked' lines
 - 75,000 fibre connections nationwide (up from 65,000 at 31 Dec)



- > Increase of 11,000 broadband connections or 1% for the quarter
 - Continued RSP migration of end-users from Basic UBA service
 - 14% of connections now high-speed VDSL or fibre
 - IDC data indicates RBI fixed line coverage gaining share from rural wireless



Fixed line connections	31 March 2015	31 Dec 2014
Baseband copper	1,417,000*	1,435,000*
UCLL	125,000	127,000
SLU/SLES	3,000	4,000
Naked Basic/Enhanced UBA and Naked VDSL	149,000	136,000
Data services over copper	14,000	15,000
Fibre	75,000	65,000
Total fixed line connections	1,783,000*	1,782,000*

Broadband connections	31 March 2015	31 Dec 2014
Basic UBA	103,000	135,000
Naked Basic UBA	10,000	10,000
Enhanced UBA	805,000	792,000
Naked Enhanced UBA	112,000	103,000
VDSL	78,000	70,000
Naked VDSL	27,000	23,000
Fibre (mass market)	62,000	53,000
Total broadband connections	1,197,000	1,186,000

* Excludes the ~20,000 baseband copper lines identified at H1 FY15 that have been under review with customers.