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STOCK EXCHANGE ANNOUNCEMENT

19 October 2015

Chorus Q1 connections update

Attached is Chorus' quarterly connections update for the three months ending 30 September 2015.

During the period fixed line connections decreased as expected, as dual copper-fibre lines were removed and fibre uptake continued to grow in non-Chorus ultra-fast broadband (UFB) areas.

Total fixed line connections decreased by 18,000 lines to 1,776,000.
Broadband connections increased by 11,000 lines to 1,218,000.

Fibre uptake increased from 14% to 17% across Chorus' UFB areas and 39% of mass market fibre connections are now on plans of 100Mbps or better. New fibre connections are averaging more than 300 a day with 6,000 fibre connections added in September, the largest monthly increase since the rollout began.

Chorus completed UFB build work in two more areas – Greymouth and Masterton. There are 501,000 end-users within reach of Chorus fibre.

About 102,000 rural lines are now within reach of better broadband through Chorus' Rural Broadband Initiative investment and just 1,900 lines remain to be upgraded.

ENDS

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Chorus quarterly update

19 October 2015



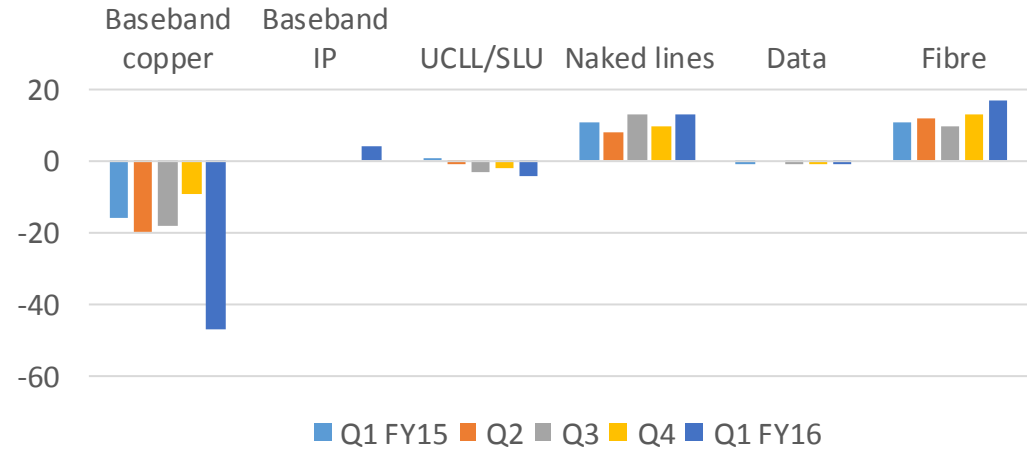
Chorus Q1 FY16 summary

- During the period from 1 July 2015 to 30 September 2015, fixed line connections decreased as expected, as dual copper-fibre lines were removed and fibre uptake continued to grow in non-Chorus UFB areas
 - total fixed line connections decreased by 18,000 lines to **1,776,000**
 - broadband connections increased by 11,000 lines to **1,218,000**
- Chorus completed UFB build work in two more areas – Greymouth and Masterton – and there are now **501,000** end-users within reach of Chorus fibre. Uptake increased from 14% to **17%** across Chorus UFB areas.
 - September saw **6,000** fibre connections added, the largest monthly increase since the rollout began
 - **39%** of mass market fibre connections are now on plans of 100Mbps or better. There are 2,300 1Gbps connections in Dunedin.
- **102,000 rural lines** are now within reach of better broadband through Chorus' *Rural Broadband Initiative* investment. Just 1,900 lines remain to be upgraded.
- Service provider competition continued to intensify with 2degrees entering the fixed line market in July following its acquisition of Snap. Vocus and M2 (which acquired Callplus in June) have announced a proposal to merge in early 2016.

Connections trends

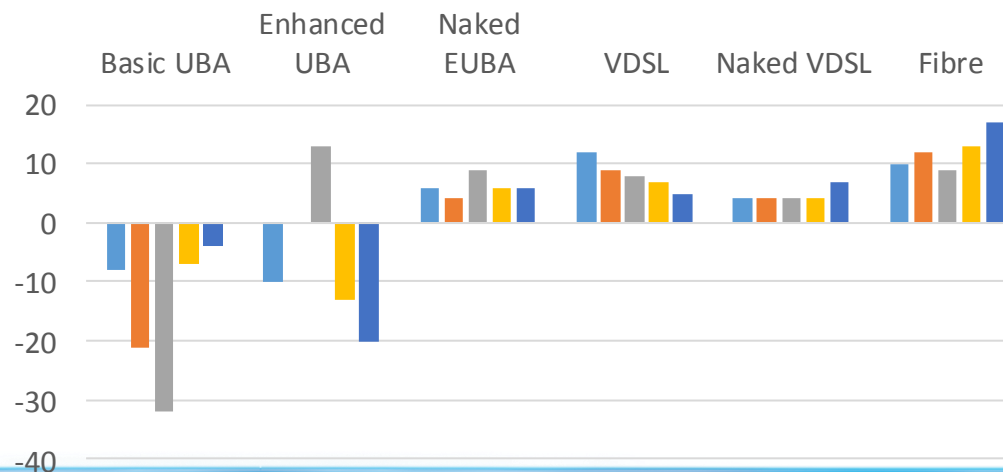
- > Total connections decreased by **18,000** lines
 - decrease driven by removal of dual copper-fibre lines and fibre uptake in non-Chorus fibre areas
 - **19%** increase in fibre lines
 - **8%** growth in 'Naked' lines
 - Baseband IP connections growing as RSPs seek lower cost voice inputs
 - UCLL lines decreasing as UFB footprint grows

Change in fixed line connections



- > Increase of **11,000** broadband connections or 1% for the quarter
 - copper broadband connections declining as end-users migrate to fibre
 - **18%** of connections now high-speed VDSL or fibre

Change in broadband connections



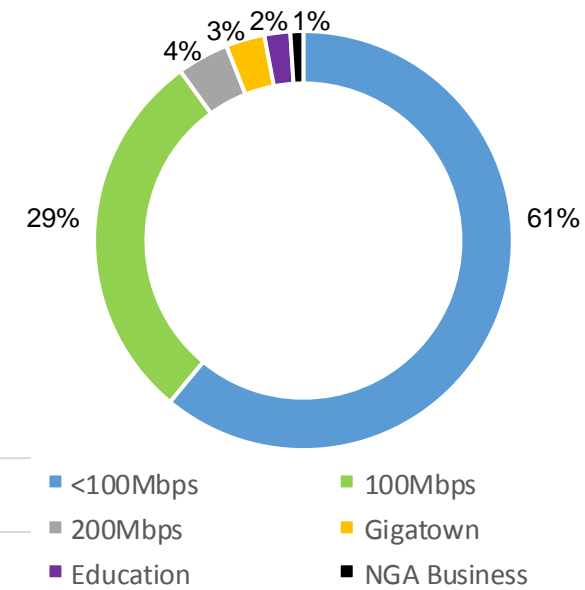
Note: Q2 and Q3 connections are typically subject to seasonal variation with departure then return of tertiary students

UFB uptake June - Sept

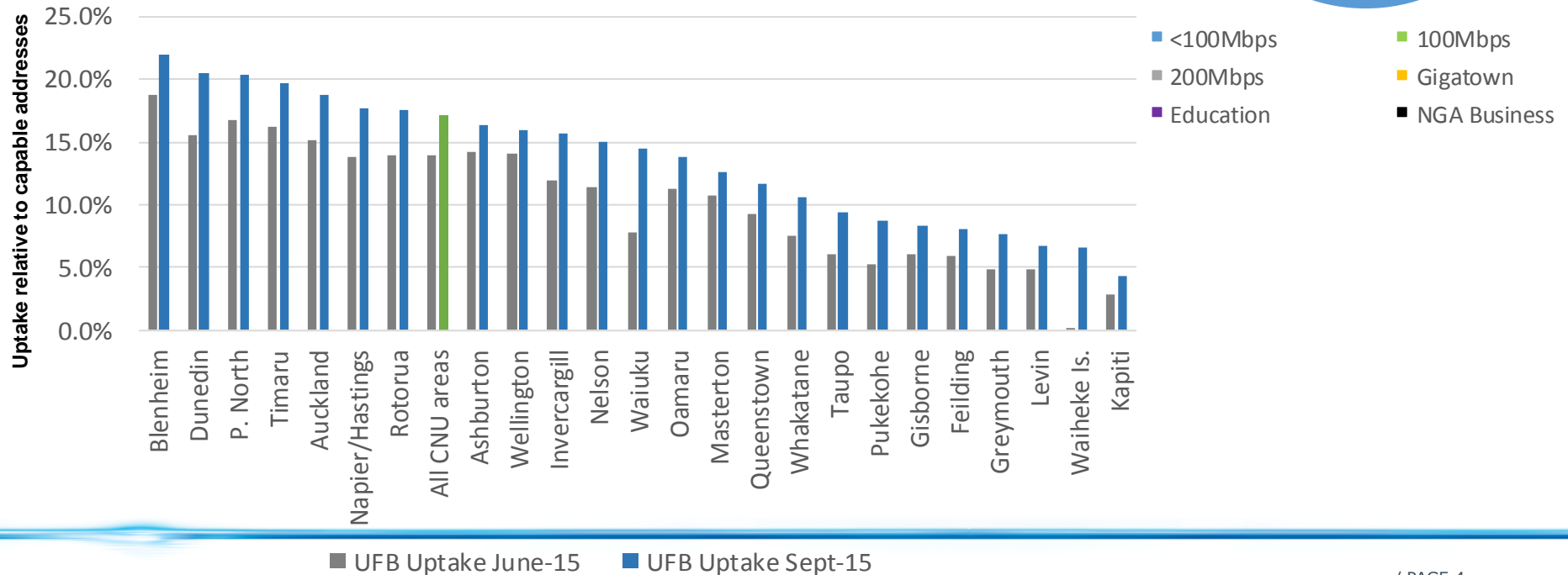
17% uptake across Chorus UFB areas

- 86,000 connections within UFB deployed footprint (68,000 at 30 June)
- September was largest month to date for new UFB connections with 6,000 added
- Now averaging 300+ connections per day
- 39% of mass market connections now on 100Mbps plans or better
- Blenheim has highest uptake at 22% relative to capable addresses

Mass market fibre by plan type - Sept



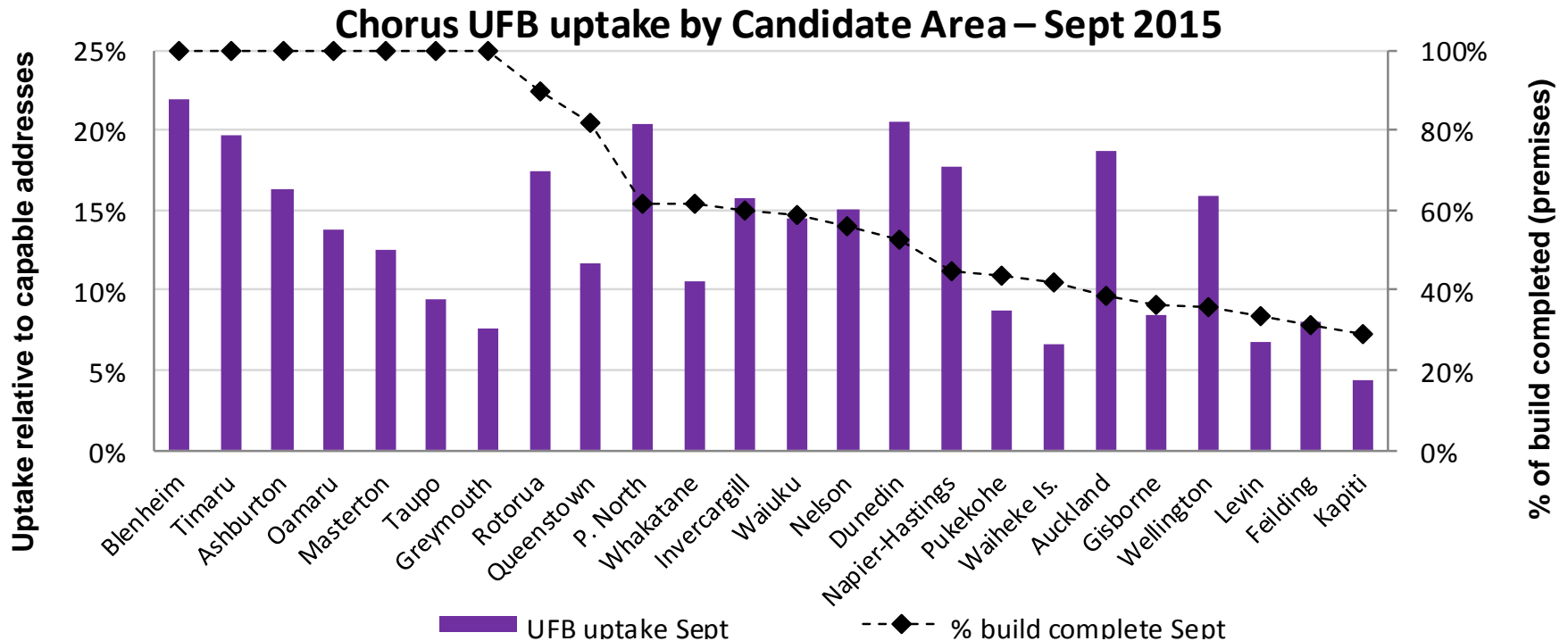
Regional fibre uptake – June to Sept 15



UFB deployment and uptake

UFB rollout 45% complete

- 501,000 end-users now within reach of Chorus UFB
- build complete for 373,000 premises



▪ Chart shows end-user uptake as a proportion of UFB capable addresses (i.e. network is commissioned for service).

Fixed line connections	30 Sept 2015	30 June 2015
Baseband copper	1,361,000	1,408,000
Baseband IP	4,000	not material
UCLL	119,000	123,000
SLU/SLES	3,000	3,000
Naked Basic/Enhanced UBA and Naked VDSL	172,000	159,000
Data services over copper	12,000	13,000
Fibre	105,000	88,000
Total fixed line connections	1,776,000	1,794,000

Broadband connections	30 Sept 2015	30 June 2015
Basic UBA	92,000	96,000
Naked Basic UBA	10,000	10,000
Enhanced UBA	772,000	792,000
Naked Enhanced UBA	124,000	118,000
VDSL	90,000	85,000
Naked VDSL	38,000	31,000
Fibre (mass market)	92,000	75,000
Total broadband connections	1,218,000	1,207,000