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## **STOCK EXCHANGE ANNOUNCEMENT**

15 December 2015

### **Commission's final FPP determination, FY16 EBITDA guidance**

The Commerce Commission has today released the final pricing determinations for a range of regulated products and services.

In keeping with the previous draft determinations, the Commission has proposed a glide path for all monthly rental prices. The final prices, which apply from 16 December 2015, are:

- A final UCLL price of \$29.75 in year one, reaching \$31.68 in year five (compared to \$23.52 currently).
- A final UBA price of \$11.44 in year one, reaching \$10.67 in year five (compared to \$10.92 currently).

The Commission has also confirmed that it will not backdate the revised changes.

Chorus CEO Mark Ratcliffe welcomed today's decision.

"We have consistently said that the previous draft prices significantly underestimated the true value of Chorus' network, so it is pleasing that the Commission has taken on board the industry's repeated requests and used some of the real world costs of building a network.

"The entire debate over the last three years has been about how much prices should reduce, and prices are still below the prices at demerger.

"It is disappointing to note the Commissioners' split decision on backdating is not in our favour, despite the strong precedent that backdating should apply.

"This lengthy, volatile process highlights the importance of the post-2020 regulatory review to ensure a more stable and predictable framework to deliver better broadband for New Zealand."

In aggregate, across both monthly and transaction changes, the annualised increase in Chorus' EBITDA is around \$120 million relative to benchmark pricing, based on September 2015 volumes. This is made up of:

- An increase of about \$130 million, reflecting the annualised impact of the first year final monthly pricing on Chorus' EBITDA.
- A reduction of about 25% on transaction charges, or about \$11 million annually.

In aggregate, this is still around \$50 million per annum below equivalent demerger pricing.

As a result of today's decisions, Chorus is issuing updated FY16 EBITDA guidance of \$580 - \$600 million. This is consistent with guidance provided in August, adjusted for final FPP pricing and transaction charges and including the additional cost of activity Chorus is undertaking to improve the end-to-end fibre connection process for customers.

Chorus will review the Commission's decision in full and the implications for matters such as dividend payments and the cost-saving initiatives the company put in place following the benchmarking decision. Chorus expects to provide a capital management update as part of its interim results in February.

The Commission's decision is available on its website at [www.comcom.govt.nz](http://www.comcom.govt.nz).

## **ENDS**

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