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STOCK EXCHANGE ANNOUNCEMENT

17 December 2015

Moody's places Chorus' ratings on review for upgrade

Moody's Investors Service has today placed Chorus' ratings on review for upgrade.

Moody's announcement is attached.

ENDS

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MOODY'S

INVESTORS SERVICE

Rating Action: Moody's places Chorus' ratings on review for upgrade

Global Credit Research - 17 Dec 2015

Approximately USD1.4 billion in debt affected

Sydney, December 17, 2015 -- Moody's Investors Service has today placed on review for upgrade the Baa3 issuer and senior unsecured ratings, including Credit Facility, and (P)Baa3 MTN programme rating of Chorus Limited.

The rating action follows the 15 December final determination by the New Zealand Commerce Commission (NZCC) of prices for Chorus' unbundled bitstream access (UBA) and unbundled copper local loop (UCLL) services, which was better than expected.

RATINGS RATIONALE

"The rating review reflects the expected positive impact of the regulatory decision on Chorus' financial profile with Moody's adjusted debt/EBITDA expected to be around 3.7x in FY2016, below the 4x set as the upgrade threshold for the current Baa3 rating, while (FFO + Interest) /Interest is forecast to be 4.3x for FY16, also above the 3x set for the current rating. The annualized increase in Chorus' EBITDA expected to be around NZD120 million relative to the benchmark pricing," says Ian Chitterer, a Moody's Vice President and Senior Analyst, adding "The outcome of the rating review will also take into account Chorus' capital management update, planned for February 2016."

The review will focus on the impact of the NZCC's announcement on Chorus' financial profile, and factor in the implications for the currently suspended dividend payments and cost-saving initiatives that Chorus put in place following the initial benchmarking decision.

The principal methodology used in these ratings was Global Communications Infrastructure Rating Methodology published in June 2011. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

Chorus Group is a New Zealand-based telecommunications utility group. It owns copper and fibre optic fixed-line telecommunications networks in New Zealand, together with exchanges, roadside cabinets, and associated infrastructure. It is a wholesaler of access to these networks. Chorus Limited is the parent company, and the issuer. Chorus New Zealand Limited guarantees Chorus Limited, and is the main operational entity in the Chorus Group.

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