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## **STOCK EXCHANGE ANNOUNCEMENT**

18 October 2016

### **Deal agreed for non-standard UFB installations**

Chorus today announced a conditional agreement with Crown Fibre Holdings (CFH) that will see free residential installations continue through to 31 December 2019 for those premises connecting to the UFB network.

Chorus has been providing funding for residential non-standard installations since late 2012, with an initial fund of \$20 million increased to \$28 million in 2014.

In February this year Chorus said funding would be extended until the end of 2016 following a further agreement with CFH.

Chorus has worked closely with CFH to find a value neutral way to continue to provide free non-standard residential connections through to the end of the build period (2019).

Chorus Chief Financial Officer Andrew Carroll said the new agreement recognises that the Government's pending regulatory review has proposed building block model regulation. As such, its finalisation and implementation should ultimately provide a long term sustainable solution for funding these costs, but this is not yet currently certain.

"We've therefore taken the pragmatic approach that a building block model is likely to include the cost of residential non-standard installations in a regulated asset base, thereby allowing a regulated return on this investment.

"In the event that this hasn't occurred by 31 December 2020, or not all of Chorus' actual UFB non-standard installation costs are included in the asset base, the dates on which Chorus must redeem or provide dividends on the CFH debt and equity securities will be postponed.

"The CFH security postponement dates would effectively range from a few months in the event that 80% of non-standard installation costs are included in an asset base, through to about two years in the event that no costs are included.

"The agreement, therefore, does not require any additional funding from CFH, change the underlying contractual obligations to pass all premises in Chorus' coverage area before December 2019, or change the network requirements."

At a maximum, postponement of Chorus' repayment of the CFH debt and equity securities would contribute approximately \$60 million towards non-standard installation costs incurred from 2017 to the end of 2019.

Today's announcement will see Chorus continuing to offer free residential installations up to 200 metres in single dwelling units and free residential installations in multi-dwelling units with no more than three residential tenanted stories.

The agreement is conditional on confirmation that the tax status of the CFH securities is unchanged.

"New Zealand is leading the world on its fibre roll out and fibre growth, and today's announcement represents another step towards enabling better broadband for more New Zealanders."

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