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STOCK EXCHANGE ANNOUNCEMENT

30 August 2017

Chorus to take UFB footprint further, faster

- 54,500 rural premises to be added to Chorus' UFB rollout at an expected communal rollout cost of \$135 - \$155 million
- UFB2 rollout schedule to be accelerated – complete by December 2022
- Vectored VDSL investment could improve broadband for up to 360,000 customers in rural and local fibre company areas
- No changes to FY18 capex guidance
- FY17 final dividend to be fully underwritten; no changes to dividend guidance

Chorus today announced it has reached an agreement with Crown Fibre Holdings (CFH) to extend its ultra-fast broadband (UFB) rollout to about 60,000 more customers beyond the approximately 1.3 million customers in Chorus' existing planned UFB1 and 2 rollout areas.

As part of the agreement, Chorus will also complete its current UFB2 rollout in December 2022, two years earlier than initially planned.

Chorus CEO Kate McKenzie said the agreement will ensure a future-proofed network solution for another 200 towns and rural communities.

"Fibre uptake across our existing UFB areas is at 35%, while first time orders from addresses in our FY14-FY16 rollout areas are already about 45% to 50%.

"People clearly recognise the bandwidth and performance benefits of fibre and we're pleased that New Zealand's fibre footprint will now extend to close to 90% of the population."

The terms of the agreement are consistent with the previously announced UFB2 rollout. Chorus will receive further Crown funding including:

- \$2,000 per premises passed, or up to \$109 million in CFH equity securities, for the additional 54,500 premises. This equates to approximately 75% of the expected communal rollout cost of \$135 to \$155 million.
- \$7 million to assist with accelerating the UFB2 build

Meaningful build work on the new UFB areas is expected to begin from FY19 onwards.

Taking fibre further is expected to increase Chorus' peak leverage in the medium term, so Chorus will arrange underwriting of its final FY17 dividend payment.

In addition to its investment in rural fibre, Chorus will spend around \$20 million to deploy VDSL vectoring capability in rural and local fibre company areas during FY18. This has the potential to improve broadband performance for up to 360,000 customers in these areas.

The agreement is conditional on Chorus securing tax and ratings treatment consistent with UFB2, as well as competition law authorisations which were provided for UFB2.

Please see the supplementary presentation slides for more information.

ENDS

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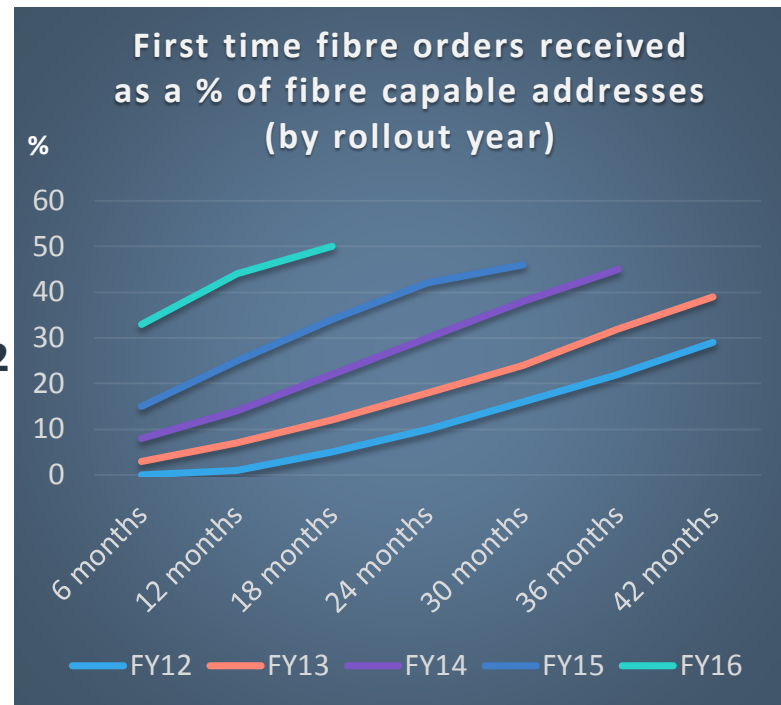


A step change for rural broadband

30 August 2017

Chorus rural investment summary

- > **New Chorus investment provides significant step change for rural broadband**
 - fibre/copper solutions deliver unconstrained capacity at lowest cost per GB
 - open access wholesale infrastructure promotes widest possible retail competition
- > **UFB2+ for ~60,000 more customers by Dec 2022**
 - fibre demand is well established: first time orders from FY14-16 rollout areas already at 45-50% of capable addresses
- > **Vectored VDSL for ~84,000 rural customers in FY18**
 - simple technology upgrade leverages existing assets to materially lift broadband service: e.g. 50Mbps at 1km



UFB SUMMARY

	UFB1	UFB2	UFB2+	TOTAL
Premises to be passed	up to 830,900 (by December 2019)	up to 168,200 (by December 2022)	up to 54,500 (By December 2022)	up to 1,053,600 (By December 2022)
Estimated communal capex to pass premises	\$1.75 to \$1.80 billion	\$370 to \$410 million (includes rights of way with more than 10 premises)	\$135 to \$155 million	\$2.26 to 2.37 billion
CFH funding	up to \$929 million (50:50 equity/debt)	up to \$291 million (65:35 equity/debt)	up to \$109m (100% equity)	Up to 1.33 billion (57:43 equity/debt)
Customers able to connect by rollout end	~1.1 million	~203,000	~60,000	~1.36 million

UFB2+ Extension Overview

- > **Chorus will build a UFB network to another 200 towns and rural communities**
 - fibre to pass about 54,500 premises, with rollout to finish by December 2022
- > **UFB2+ communal capex**
 - to pass the ~54,500 premises (including rights of way with more than 10 premises) requires estimated gross capex of **\$135-\$155m**
 - implied average cost of **\$2,500-\$2,800** per premises passed reflects lower density, greater boundary distances and additional backhaul required
- > **UFB2+ connection capex**
 - ~60,000 potential connections within the UFB2+ footprint
 - estimated cost of **\$1,500-\$1,700** per connection (in 2017 dollars and including layer 2, backbone costs for MDUs and rights of way with 10 or fewer premises). UFB2+ connection costs should tend towards the lower end of this range with fewer rights of way and MDUs.
- > **UFB2+ funding of \$2,000 per premises passed**
 - up to \$109m, 100% CFH equity funding, maturities and mix as for UFB2
 - covers around 75% of the expected communal build cost

UFB2 Extension Overview

- > **Chorus will bring forward the completion of UFB2**
 - rollout expected to finish by December 2022, bringing forward better broadband outcomes for many UFB2 areas
- > **Increased per premises passed Crown funding for UFB2**
 - \$7m of additional funding spread across 168,000 premises
 - funding mix and maturities unchanged
- > **UFB2 bring forward and UFB2+ capex is expected to impact Chorus' medium term peak leverage**
 - Chorus to arrange underwriting of the final FY17 dividend of 12.5 cps
 - no change to existing dividend guidance

Vectored VDSL Investment

> ~\$20 million on vectored VDSL in rural + LFC areas in FY18

- vectoring significantly improves VDSL speed
- congestion free (including peak hour), unlimited data
- no change to FY18 guidance

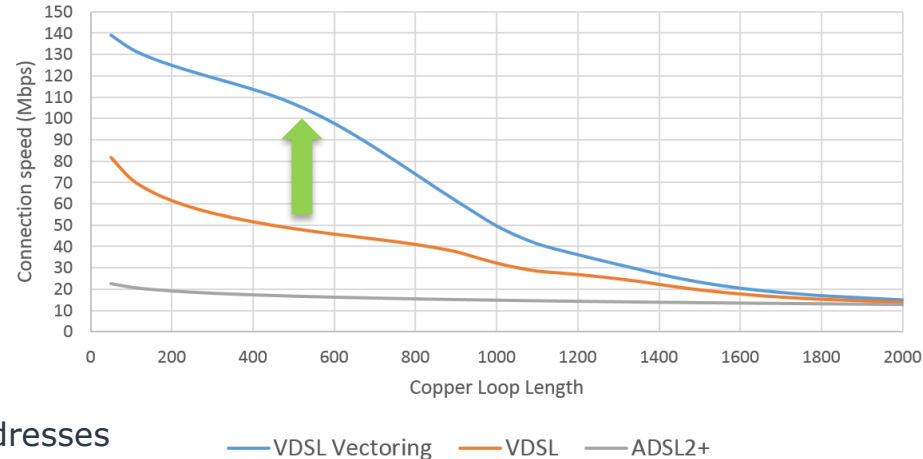
> Rural investment delivers:

- improved broadband outcomes for up to 177k addresses
- of these up to 84k are VDSL capable:
 - ~37k (44%) capable of 50 Mbps+
 - ~54k (64%) capable of 25 Mbps+

> LFC area investment delivers:

- improved broadband outcomes for up to 184k addresses
- of these up to 175k are VDSL capable:
 - ~77k capable of 50 Mbps+, ~112k 25 Mbps

Vectoring Performance Copper



CHORUS UFB2+ ROLLOUT AREAS

