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STOCK EXCHANGE ANNOUNCEMENT

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Chorus reduces UFB connection cost guidance

Chorus announced today that it has signed new service company agreements for the cost of connections to its ultra-fast broadband network.

The new agreements have enabled Chorus to update its connections cost guidance for the current financial year from a previous range of \$1,300 to \$1,500 (excluding layer 2 and for standard installations only), to a new range of \$1,150 to \$1,350 (excluding layer 2 and including standard installations and some non-standard single dwelling unit installations).

The new agreements are with Visionstream and Downer for fibre network connections to single dwelling unit premises in its Auckland, lower North Island and lower South Island UFB areas. Under the contracts, the service companies will provide network connections at fixed prices, with those prices varying according to agreed deployment types.

Chorus GM Infrastructure Ed Beattie said Chorus has been focused on reducing its connection costs now that UFB connections are gaining momentum.

"These new contracts and updated pricing are linked to an ongoing national tender process.

"With the experience of about 40,000 connections to the fibre network now behind them, daily connection volumes becoming more consistent and new deployment methods in use, service companies have been able to identify efficiencies earlier than expected," he said.

Visionstream's contracted pricing will apply from 1 December to February 2016, with the ability to extend the contract to the end of 2019 subject to pricing and performance. The contract with Downer is retrospective for the period 1 July 2014 to the end of February 2015.

The fixed rates under the Downer and Visionstream agreements will also apply to non-standard single dwelling unit connections, with this simplified approach enabling some reduction in associated non-standard install costs.

Chorus' tender process is continuing for non-Auckland areas and is expected to be concluded by the end of December and implemented by February 2015.

There is no change to Chorus' forecast FY15 'UFB connections and layer 2' capex of \$105 million to \$115 million. While connection costs are expected to be lower, connection volumes are currently ahead of budget in the year to date.

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