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## **STOCK EXCHANGE ANNOUNCEMENT**

23 December 2014

### **Chorus adds UFB service company agreements**

Chorus announced today that it has entered into two further service company agreements for the cost of connections to its ultra-fast broadband network.

The new agreements are with Downer and Transfield Services for fibre network connections to single dwelling unit premises in Chorus' lower North Island and South Island UFB areas. Under the agreements, 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 the agreements were the result of a national tender process.

"The new agreements mean that each service company will continue to operate in the same areas and provide Chorus with greater certainty on its connection cost targets," he said.

The agreements provide for connection costs (excluding layer 2) ranging from approximately \$900 for the most common connection methods, such as re-use of existing duct and aerial, through to approximately \$1,700 for the relatively limited instances where civil work may be required. The average cost to connect in any one year will depend on the volume and types of connections within these agreed rates.

As with the contract agreed with Visionstream in November, the fixed rates under the Downer and Transfield Services 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' recently updated FY15 connections cost guidance of \$1,150 to \$1,350 (excluding layer 2 and including standard installations and some non-standard single dwelling unit installations) reflected a proportion of costs already incurred prior to the new agreements. Today's agreements do not change this guidance.

On an annualised basis, the new agreements imply an average cost to connect (excluding layer 2 and including standard installations and some non-standard single

dwelling unit installations) approximately 10 to 20% lower than the current FY15 guidance range, assuming the same mix of connection types.

Chorus' total programme view for the average cost to connect standard residential premises (including layer 2) remains \$900 to \$1,100 in 2011 dollars, or approximately \$1,000 to \$1,200 in FY14 dollars.

Transfield Service's agreed pricing will apply from February 2015 and Downer's from March 2015. Both agreements are until 31 January 2017, with the ability to extend to the end of 2019 subject to pricing and performance.

### **Fixed cost agreement with Visionstream**

Chorus has also agreed a new fixed price UFB deployment contract with Visionstream for the Auckland UFB area. The contract replaces the targeted cost regime previously agreed in April 2013 and provides Chorus with additional certainty on deployment costs through the remainder of the UFB deployment period.

Chorus expects to provide an update on the \$1.7 to \$1.9 billion guidance range for UFB communal costs once discussions with parties regarding new contractual agreements in other Chorus UFB areas are concluded and other factors relevant to build costs, such as aerial access, are finalised.

### **ENDS**

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