

STOCK EXCHANGE ANNOUNCEMENT

14 May 2019

Broadband reliability improvements allow Chorus to reshape service company maintenance contracts

Chorus has today announced it has signed new contracts with two service companies to undertake maintenance of its copper and fibre broadband networks, along with any new fibre build outside of Ultra-Fast Broadband (UFB) areas.

Under the new contracts, Visionstream will cover Auckland and all areas north of Auckland, while Downer will be responsible for the rest of New Zealand. These contracts are separate to the rollout of the UFB communal build and UFB fibre installations.

Since 2011 Chorus has invested billions of dollars in upgrading both fibre and copper networks, delivering substantial improvements in speeds and reliability. On average, speeds have increased tenfold, and the number of broadband faults experienced by customers each year have almost halved.

This vast improvement in performance, particularly the much lower number of broadband faults, has enabled Chorus to take a fresh approach to sub-contracting its field force.

Chorus GM Network and Field Management Andrew Carroll said the change is an opportunity to reset the way Chorus works with its service companies.

"These contracts are the first step in moving Chorus beyond the major UFB network build and connect programmes and into an operating model that provides the ongoing experience our customers expect."

The contracts follow a highly-competitive tender process that focused on identifying the right partners to deliver the right mix of speed, quality and price.

"Given their importance to our business, it is essential that our service companies have enough volume and scope of work to provide sustainable services and have the ability to invest in people and infrastructure. As such, we have chosen partners who we are confident will deliver the right overall results, not just the cheapest option."

The total approximate value of the contracts is about \$450 million, subject to future volumes and mix of work. The contracts will run from 1 July 2019 to 31 March 2022. Under the previous contracts, the equivalent work was done by Downer, Visionstream and Broadspectrum.

There are expected to be opportunities for Broadspectrum staff to move to Downer, who have indicated they will be expanding their workforce to support the contracted work.

Chorus will work closely with the service companies to ensure a smooth transition for impacted employees and to ensure that customer service levels are maintained.

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