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New Zealand

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STOCK EXCHANGE ANNOUNCEMENT

23 November 2018

Chorus confirms issue size, margin, interest rate and closes its offer

Chorus today announced that following strong investor demand for its issue of ten year unsecured, unsubordinated, re-setting fixed rate bonds (**Bonds**), it has set the issue size at NZ\$500,000,000. This includes oversubscriptions of NZ\$200,000,000, being an oversubscription of 66.67%.

The Interest Rate for the Bonds for the first five year period has been set at 4.35% per annum, being the minimum Interest Rate for the Bonds. The Issue Margin has been set at 1.80% per annum. This Interest Rate will apply from (and including) the Issue Date to (but excluding) the Reset Date. The Interest Rate for the second five year period will be determined as the Issue Margin plus the Base Rate on the Reset Date (being 6 December 2023). Chorus will announce that Interest Rate via NZX on or shortly after the Reset Date.

The Bonds are expected to be issued on 6 December 2018 and will mature on 6 December 2028. The Bonds are expected to be quoted on the NZX Debt Market under the ticker code CNU020.

The full details of the offer are contained in the Final Terms Sheet which is attached. Unless the context requires otherwise, capitalised terms used in this announcement have the meaning given to them in the Final Terms Sheet.

The funds raised will be used for general corporate purposes including, given the degree of oversubscriptions, paying down Chorus' existing bank facility and partially pre-funding repayment of its sterling Euro medium term notes.

Joint Lead Managers



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ENDS

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Final Terms Sheet

23 November 2018

C H ● R U S

Joint Lead Managers:



HOBSON
WEALTH
PARTNERS

Final Terms Sheet

This Final Terms Sheet sets out the key terms of the offer ("Offer") by Chorus Limited ("Chorus") of NZ\$500,000,000 unsecured, unsubordinated fixed rate bonds maturing on 6 December 2028, with the interest rate re-setting on 6 December 2023 ("Bonds") under its master trust deed dated 30 March 2016 (as amended from time to time) ("Trust Deed") as modified and supplemented by the supplemental trust deed dated 14 November 2018 (together, "Trust Documents") entered into between Chorus and The New Zealand Guardian Trust Company Limited ("Supervisor"). Unless the context otherwise requires, capitalised terms used in this Final Terms Sheet have the same meaning given to them in the Trust Documents.

Important Notice

The offer of debt securities by Chorus is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 ("FMCA").

The offer contained in this Final Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Chorus' bonds maturing on 6 May 2021, which have a fixed interest rate of 4.12% per annum and are currently quoted on the NZX Debt Market under the ticker code CNU010 (the "Existing Bonds").

Accordingly, the Bonds are the same class as the Existing Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Chorus is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited ("NZX") for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/CNU.

The Existing Bonds are the only debt securities of Chorus that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Existing Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Key terms of the Bonds

Issuer	Chorus Limited.		
Description	Unsecured, unsubordinated, re-setting fixed rate bonds (" Bonds ").		
Status	The Bonds are to be issued pursuant to the Trust Documents. The principal amounts of, and interest on, the Bonds will be unsubordinated, unsecured, obligations of the Issuer and rank at least equally with all present and future unsecured and unsubordinated indebtedness of the Issuer (except indebtedness preferred by law and subject to laws affecting creditors' rights generally and equitable principles of general application).		
Guarantee	The Bonds are guaranteed by the Guarantors under the Trust Deed. The Guarantee is an unsecured, unsubordinated obligation of each Guarantor. Currently Chorus New Zealand Limited is the only Guarantor.		
Negative Pledge	The Trust Deed contains a negative pledge which provides that neither the Issuer nor any Guarantor will create or permit to subsist any Security Interest over its assets except under certain limited exceptions set out in the Trust Deed.		
Purpose	The proceeds of the Offer will be used for general corporate purposes.		
Credit Rating		Issuer Credit Rating	Expected Issue Credit Rating
	S&P Global Ratings	BBB (Stable)	BBB
	Moody's	Baa2 (Stable)	Baa2
	A rating is not a recommendation by any rating organisation to buy, sell or hold Bonds. The above issuer credit ratings are current as at the date of this Final Terms Sheet and any rating may be subject to suspension, revision or withdrawal at any time by the assigning rating organisation.		
Issue Amount	NZ\$500,000,000		
Opening Date	Wednesday, 14 November 2018		
Closing Date	Bids due by 12pm, Friday, 23 November 2018		

Rate Set Date	Friday, 23 November 2018
Issue Date and Allotment Date	Thursday, 6 December 2018
Reset Date	Wednesday, 6 December 2023
Maturity Date	Wednesday, 6 December 2028
Interest Rate	<p>The rate of interest payable on the Bonds will be:</p> <ul style="list-style-type: none"> • the Initial Interest Rate for the first five year period; and • the Reset Interest Rate for the second five year period, <p>subject to any step-up following a Downgrade Event. See “Interest Rate Structure” and “Interest Rate Step-up” below for further details.</p>
Initial Interest Rate	<p>4.35% per annum.</p> <p>The Initial Interest Rate for the Bonds has been set as the higher of:</p> <p>(a) the minimum Interest Rate of 4.35% per annum (as announced to the market on 14 November 2018); and</p> <p>(b) the sum of the Issue Margin and the Base Rate on the Rate Set Date.</p> <p>The Base Rate on the Rate Set Date was 2.50% per annum and the Issue Margin was set by Chorus (in conjunction with the Joint Lead Managers) at 1.80% per annum. Accordingly, the minimum Interest Rate of 4.35% per annum applies to the Bonds.</p> <p>The Initial Interest Rate will apply for the first five year period from (and including) the Issue Date to (but excluding) the Reset Date.</p>
Issue Margin	1.80% per annum.
Reset Interest Rate	<p>The Interest Rate will be reset on the Reset Date to be the reset interest rate (“Reset Interest Rate”). The Reset Interest Rate will be the sum of:</p> <ul style="list-style-type: none"> • the Issue Margin (1.80% per annum); and • the Base Rate on the Reset Date. <p>The Reset Interest Rate will apply for the second five year period from (and including) the Reset Date to (but excluding) the Maturity Date, and will be announced by Chorus via NZX on or shortly after the Reset Date.</p>

Base Rate

A five-year mid-market rate for a NZD interest rate swap (adjusted to a quarterly basis as necessary), determined on:

- the Rate Set Date as calculated by the Arranger in consultation with Chorus; and
- the Reset Date as calculated by the Rate Set Calculation Agent in consultation with Chorus,

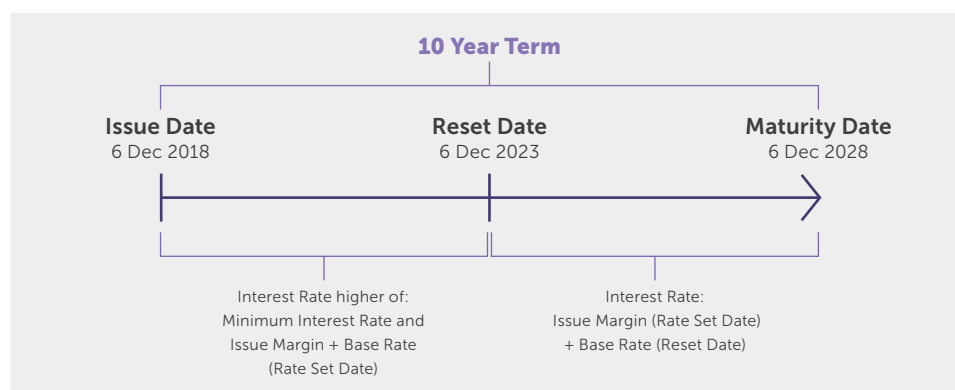
according to market convention, with reference to ICAP New Zealand Limited (Bloomberg: ICNI > NZD Interest Rate Swaps) (or its successor page) rounded to two decimal places, if necessary, with 0.005 being rounded up.

Rate Set Calculation Agent

A third party appointed by Chorus to calculate the Base Rate on the Reset Date, which may include the Arranger or a Joint Lead Manager.

Interest Rate Structure

The Bonds have a 10 year term. However the Interest Rate will be set for two separate periods of five years each, with the first fixed rate period being from (and including) the Issue Date to (but excluding) the Reset Date, the second fixed rate period being from (and including) the Reset Date to (but excluding) the Maturity Date.



The Interest Rate for the second period referred to above will be determined on the Reset Date, and that rate could be higher, the same or lower than the Initial Interest Rate calculated at the Rate Set Date. The minimum Interest Rate will only apply for the first five year period from the Issue Date to the Reset Date.

Potential investors should consult their financial adviser about this risk before investing in the Bonds.

No Early Redemption

There will be no Issuer call or put for holders of Bonds ("**Holders**") at the Reset Date. Holders have no right to require Chorus to redeem their Bonds prior to the Maturity Date, except if an Event of Default occurs.

Interest Payment Dates and Interest Periods

Interest will be payable quarterly in arrear in equal amounts on 6 March, 6 June, 6 September and 6 December of each year up to and including the Maturity Date. The first Interest Payment Date will be 6 March 2019.

If an Interest Payment Date is not a Business Day, the due date for the payment to be made on that date will be the next following Business Day and no adjustment will be made to the amount payable as a result of the delay in payment.

Each Interest Period in respect of an Interest Payment Date is the period from, and including, the preceding Interest Payment Date (or the Issue Date) to, but excluding, that Interest Payment Date.

Interest Rate Step-up	<p>If a Downgrade Event exists on the first day of an Interest Period, the interest payable on the Interest Payment Date applicable to that Interest Period will be the aggregate of the applicable Interest Rate and the Step-up Margin.</p> <p>Downgrade Event means:</p> <ul style="list-style-type: none"> (a) The credit rating of the Bonds is BB+ or below on S&P Global Ratings' credit rating scale (or the equivalent of another internationally recognised rating agency); or (b) If the Bonds are not rated by at least one internationally recognised rating agency, either: <ul style="list-style-type: none"> (i) the long term corporate credit rating of Chorus is BB+ or below from S&P (or the equivalent from another internationally recognised rating agency); or (ii) Chorus does not hold at least one long term corporate credit rating. <p>Step-up Margin means 1.00 per cent per annum.</p>
Brokerage	Chorus will pay brokerage of 0.50% of the aggregate principal amount of the amount issued plus 0.50% on firm allocations. Such amounts will be paid to the Arranger who will distribute as appropriate to primary market participants and approved financial intermediaries.
Record Date	5.00pm on the tenth calendar day before the due date for that payment or, if that day is not a Business Day, the preceding Business Day.
Business Days	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Wellington and Auckland except that in the context of the NZX Listing Rules it means a day on which the NZX Debt Market is open for trading.
Issue Price	NZ\$1.00 per Bond.
Minimum Application	The minimum application is NZ\$5,000, with multiples of NZ\$1,000 thereafter.
Approved Issuer Levy	The Issuer proposes to register the Bonds for approved issuer levy ("AIL") and, where it is eligible to do so in respect of interest paid to a non-resident Holder that is subject to the non-resident withholding tax rules (and unless otherwise elected by the Holder) to pay AIL in lieu of deducting non-resident withholding tax. If the Bonds qualify for the 0% rate of AIL, the Issuer intends to apply the 0% rate, otherwise it will apply AIL at the applicable rate. The amount of any AIL paid will be deducted from payments to you.
Registrar and Paying Agent	<p>Computershare Investor Services Limited.</p> <p>The Bonds will be accepted for settlement within the NZClear system.</p>

ISIN	NZCNUDT003C6
Transfers	<p>Holders are entitled to sell or transfer their Bonds at any time subject to the terms of the Trust Documents, the Selling Restrictions set out below and applicable securities laws and regulations. Chorus may decline to register a transfer of Bonds for the reasons set out in the Trust Documents.</p> <p>The minimum amount of Bonds a Holder can transfer is NZ\$1,000, and integral multiples of NZ\$1,000 thereafter. No transfer of Bonds or any part of a Holder's interest in a Bond will be registered if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with an aggregate principal amount of less than the minimum holding of NZ\$5,000 (other than zero).</p> <p>NZX has approved these transfer restrictions in accordance with NZX Debt Market Listing Rule 11.1.5 on the condition that Chorus will only allot the Bonds in multiples of NZ\$1,000.</p>
NZX Quotation	<p>Chorus will take any necessary steps to ensure that the Bonds are, immediately after issue, quoted on the NZX Debt Market. Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Final Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Final Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the FMCA.</p>
Quotation Date	Expected to be 7 December 2018.
NZX Debt Market Ticker Code	CNU020
Selling restrictions	<p>This is an offer of Bonds to institutional investors and members of the public who are resident in New Zealand and certain overseas institutional investors only.</p> <p>Chorus has not taken and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand).</p> <p>The Bonds may only be offered for sale or sold in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.</p> <p>The selling restrictions contained in the schedule apply. By purchasing any Bonds, each Holder agrees to indemnify the Issuer, the Arranger, the Joint Lead Managers, the Supervisor and each of their respective directors, officers and employees (as applicable) for any loss, cost, liability or expenses sustained or incurred by the Issuer, the Arranger, the Joint Lead Managers and the Supervisor, as the case may be, as a result of the breach by that Holder of the selling restrictions set out in the schedule.</p>

Singapore Securities and Futures Act Product Classification

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), Chorus has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Governing Law

New Zealand.

NZX Waivers

NZX has granted Chorus a waiver from NZX Debt Market Listing Rule 7.11.1 to allow allotment of the Bonds to occur within nine business days after the Closing Date.

Other Information

Copies of the Trust Documents are available at Chorus’ website at www.chorus.co.nz/bonds

Any internet site addresses provided in this Final Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Final Terms Sheet.

Investors should seek qualified independent financial and taxation advice before deciding to invest. In particular, you should consult your tax adviser in relation to your specific circumstances. Investors will also be personally responsible for ensuring compliance with relevant laws and regulations applicable to them (including any required registrations).

For further information regarding Chorus, visit www.nzx.com/companies/CNU.

Contact Details

Issuer

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Registrar

Computershare Investor Services Limited
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Auckland 1142

Supervisor

The New Zealand Guardian Trust Company Limited
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Wellington 6011

Legal advisers to Chorus

Chapman Tripp
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Wellington 6011

Arranger, Organising Participant and Joint Lead Manager

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171 Featherston Street
Wellington 6011
0800 269 476

Joint Lead Managers:

Bank of New Zealand

Level 6, Deloitte Centre
80 Queen Street
Auckland 1010
0800 284 017

Deutsche Craigs Limited

Level 36, Vero Centre
48 Shortland Street
Auckland 1010
0800 226 263

Forsyth Barr Limited

Level 9, Forsyth Barr House
The Octagon
Dunedin 9016
0800 367 227

Hobson Wealth Partners Limited

Level 17, Lumley Centre
88 Shortland Street
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Schedule – selling restrictions

Set out below are specific selling restrictions that apply to an offer of the Bonds in the European Economic Area, Switzerland, the United Kingdom, Australia, Hong Kong, Japan and Singapore.

These selling restrictions do not apply to an offer of the Bonds in New Zealand.

These selling restrictions may be modified by Chorus and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands the Final Terms Sheet comes are, and each Holder is, required by Chorus and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

No person may purchase, offer, sell, distribute or deliver Bonds, or have in their possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Bonds, in New Zealand and the jurisdictions set out below other than in compliance with all applicable laws and regulations and the selling restrictions set out below relating to those jurisdictions.

A. Relevant Member States of the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), no Bonds have been offered and no Bonds will be offered that are the subject of the offering contemplated by this Terms Sheet in relation thereto to the public in that Relevant Member State except that an offer of Bonds to the public in the Relevant Member State may be made with effect from the Relevant Implementation Date:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Joint Lead Manager; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Bonds shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of the Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

B. Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this document nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

C. United Kingdom

No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) has been or may be made or caused to be made or will be made in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA applies to the Issuer or the Guarantor(s).

All applicable provisions of the FSMA with respect to anything done in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with.

D. Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001) in relation to the Bonds has been or will be lodged with or registered by the Australian Securities and Investments Commission or the ASX Limited.

No person may:

- make or invite (directly or indirectly) an offer of the Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- distribute or publish, any draft, preliminary or final form offering circular or memorandum, advertisement or other offering material relating to the Bonds in Australia,

unless:

- the offer or invitation is made to sophisticated or professional investors as respectively defined within sections 708(8) or 708(11) of the Corporations Act;
- the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act 2001; and
- such action complies with all applicable laws and regulations in Australia.

E. Hong Kong

No Bonds have been offered or sold or will be offered or sold in Hong Kong, by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Bonds may be issued or in the possession of any person or will be issued or be in the possession of any person in each case for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

F. Japan

The Bonds have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in "ha" of Article 2, Paragraph 3, Item 2 of the FIEA. A Japanese Person who transfers the Bonds shall not transfer or resell the Bonds except where the transferor transfers or resells all the Bonds en bloc to one transferee. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

G. Singapore

This Terms Sheet has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Bonds may not be offered or sold or made the subject of an invitation for subscription or purchase, and neither this Terms Sheet nor any other document or material may be circulated or distributed in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA.